

## **Montenegro**

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### **Rural Clustering and Transformation Project Supervision Report**

#### **Main report and appendices**

Mission Dates: 23 September - 03 October 2019  
Document Date 15/11/2019  
Project No. 2000001076  
Report No. 5203-ME

Near East, North Africa and Europe Division  
Programme Management Department

## Abbreviations and Acronyms

<b>ASAP</b>	Adaptation for Smallholder Agriculture Programme
<b>AWPB</b>	Annual Work Plans and Budgets
<b>BSF</b>	Business Skill Facilitator(s)
<b>CPM</b>	Country Programme Manager (IFAD)
<b>EC</b>	European Commission
<b>EIA</b>	Environmental Impact Assessment
<b>EIRR</b>	Economic Internal Rate of Return
<b>EU</b>	European Union
<b>GoM</b>	Government of Montenegro
<b>Ha</b>	Hectare
<b>HH</b>	Household(s)
<b>IDF</b>	Investment Development Fund (Montenegro)
<b>IFAD</b>	International Fund for Agricultural Development
<b>IPA</b>	Instrument for Pre-accession Assistance
<b>IPARD</b>	Instrument for Pre-accession Assistance for Rural Development
<b>KM</b>	Knowledge Management
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MoARD</b>	Ministry of Agriculture and Rural Development
<b>MG</b>	Matching grants
<b>MHMR</b>	Ministry for Human and Minority Rights
<b>MIC</b>	Middle Income Country
<b>MIDAS</b>	Montenegro Institutional Development and Agriculture Strengthening
<b>MoE</b>	Ministry of Economy
<b>MoF</b>	Ministry of Finance
<b>MONSTAT</b>	Statistics Office of Montenegro
<b>MSM</b>	Multi-stakeholders meeting
<b>NGOs</b>	Non-Governmental Organizations
<b>PCU</b>	Project Coordination Unit
<b>PIM</b>	Project Implementation Manual
<b>PP</b>	Procurement Plan
<b>PSC</b>	Programme Steering Committee
<b>RCTP</b>	Rural Clustering and Transformation Project
<b>RIMS</b>	Results and Impact Management System
<b>SME</b>	Small and Medium Enterprises
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>US\$</b>	United States Dollar
<b>VAT</b>	Value-added Tax
<b>VC</b>	Value chain
<b>VCF</b>	Value chain fund
<b>WB</b>	The 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	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:	26/06/2019
Signing Date:	12/05/2017	Date of Last SIS Mission:	03/10/2019
Entry into Force Date:	12/05/2017	Number of SIS Missions:	3
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	IFAD: AFD loan	\$4,124,383
	ASAP Trust Fund	\$2,000,000
Domestic Financing breakdown	National Government	\$5,977,975
	Private sector local	\$660,199
	Beneficiaries	\$1,717,131
Co-financing breakdown,		
Project total financing:		\$14,479,688

### Current Mission

Mission Dates:	23 September - 03 October 2019
Days in the field:	5
Mission composition:	Mr Philippe Rémy, Country Director, Near East, North Africa and Europe Division, IFAD; Mr. Steven Jonckheere, Gender specialist ECD/IFAD; Mr Thierry Lassalle, Technical Lead and value-chain consultant; Ms Ermina Mulahasić, Procurement Consultant; Mr Carlo Spinello, Finance Consultant; Ms Alisia Sansoni, M&E Consultant.
Field sites visited:	Berane, Bijelo 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		5	Assessment of the Overall Implementation Performance		5

<b>Effectiveness and Developmental Focus</b>	<b>4</b>	<b>Project Management</b>	<b>5</b>
Effectiveness	5	Quality of Project Management	5
Targeting and Outreach	4	Knowledge Management	4
Gender equality & women's participation	4	Value for Money	5
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

<b>Sustainability and Scaling-up</b>	<b>4</b>	<b>Financial Management and Execution</b>	<b>5</b>
Institutions and Policy Engagement	4	Acceptable Disbursement Rate	6
Partnership-building	4	Quality of Financial Management	5
Human and Social Capital and Empowerment	5	Quality and Timeliness of Audit	6
Quality of Beneficiary Participation	5	Counterparts Funds	5
Responsiveness of Service Providers	5	Compliance with Loan Covenants	4
Environment and Natural Resource Management	4	Procurement	4
Exit Strategy	4		
Potential for Scaling-up	4		

<b>Relevance</b>	<b>5</b>
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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 derived benefits out of them.

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.

In October 2018, the project benefited from the first supervision mission that produced a set of recommendations to ensure a better RCTP implementation in 2019.

The main focus of the current mission was to undertake the second supervision of RCTP. The mission had the following objectives i) review the implementation degree of the recommendations agreed in the previous mission; 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 recommendations to improve implementation.

The mission met on 23 September 2019 with HE Mr Milutin Simović, Minister for Agriculture and Rural Development and Deputy Prime Minister, Mrs Fiona Mac Cluney, UN Resident Coordinator.

The mission fiduciary consultants<sup>[1]</sup> worked in Podgorica with PCU administrative staff while the rest of the mission visited the 7 municipalities<sup>[2]</sup> of intervention to assess implemented activities. The mission met the mayors or their representatives in the RCTP targeted municipalities as well as the main representatives of the eight clusters already accompanied by the Project. Beneficiaries were also systematically visited in their farms in link with each supported value chain (milk and cheese, meat, potato seed, raspberry).

This aide-mémoire reflects the main findings and recommendations of the mission. It was endorsed at a wrap-up meeting in Podgorica on 10 October 2019, chaired by Mr. Darko Konjević, General Director for Directorate of Rural Development. The Mission would like to express its high appreciation for the close cooperation and great hospitality extended by the Montenegrin authorities at central and municipality levels, the RCTP team as well as beneficiaries and their families for their warm welcome. The information contained in this Aide-Memoire may be subject to change, revision or modification after IFAD's internal review process.

The Mission would like to express its high appreciation for the close cooperation and great hospitality extended by the Montenegrin authorities at central and municipality levels, the RCTP team as well as beneficiaries and implementing partners for their warm welcome.

<sup>[1]</sup> Procurement expert from 26 September to 2 October and finance expert from 23 to 27 September

<sup>[2]</sup> Berane, Bijelo Polje, Mojkovac, Nikšić, Petnjica, Šavnik, Žabljak

### Key Mission Agreements and Conclusions

RCTP team managed to implement all 2019 planned activities. In order to consolidate these achievements and to pursue with this impetus, main recommendations are summarised below:

1. Rural Cluster support: The mission emphasises that, before MTR (beginning 2020), the support to the rural clusters remains a core Project activity that is to be directed towards assessing: (i) the economic impact of the rural clusters on the value chain actors, especially producers groups involving small scale farmers, women and youth (ii) the economic viability of the market oriented investments to provide the different economic actors of the value chains with better access to market opportunities; (iii) current climate smart practices particularly with regards to soil fertility management that could be upscaled through adapted support grants (window 1 and 2).
2. ASAP implementation: in order to better take into consideration ASAP specific expected outcomes, the Project will receive support from an IFAD technical consultant to design climate smart agriculture tools of intervention before the 2020 public call.
3. Staffing of the Project: the mission considers that it is necessary to retain a gender focal point in the PMU to ensure that gender strategic plan is developed and implemented; to replace the seconded consultant who terminates her assignment by 31, December 2019, the mission recommends to hire a Gender specialist officer whose ToRs have been discussed in January 2020.
4. Mid term review: the Project is to take full advantage of the 2020 mid-term review to prepare all necessary documentation prior to the mission: impact survey, knowledge management and dissemination, consultation with main stakeholders (municipalities).

## D. Overview and Project Progress

The mission noted that all recommendations made during the first supervision mission were fully implemented.

### Component 1

Component 1 aims at facilitating value-chain clustering for resilient transformation. This component has been physically executed at 59 % and financially at 21% (August 2020) (Satisfactory).

Thanks to the Project facilitation activities in collaboration with municipalities technical staff and the support from the Mayors, 11 clusters proactively enhanced exchanges and negotiation between committed value chain stakeholders, from producers to processors and traders. They have reached various degrees of maturity with concrete changes that positively impact all stakeholders (increase of incomes for producers, increase of volume of transactions for traders). The Project will have to continue its accompanying support with respect to each specificity (value chain, location...). The mission recommends that to ease implementation in a given location when the same stakeholders are involved in connected value chains (as dairy and meat), the concerned rural clusters can merge.

In terms of facilitation, all the AWPB activities were implemented resulting in very dynamic rural clusters in collaboration with agribusiness centres officers. This resulted in the following: (i) selected Infrastructures to be built or rehabilitated were made on the concerned rural cluster demand and with its support; (ii) rural clusters were frequently consulted to elaborate development plans with municipalities; (iii) rural clusters were actively involved to reach out producers especially during sensitisation campaigns and ensured that infrastructures would benefit producers and particularly the small ones; (iv) rural clusters identified sectors of investment with private sector that could rapidly benefit most producers providing them with a secured outlet and supported such application for Project support.

Training was provided by agro-business centres and business support facilitators (BSFs) for each applicant to build her/his business plan. However, the mission recommends that such support should go beyond theoretical business plan elaboration towards accompanying the economic actors with strategic advices. Being given the increasing scope of support to be provided to beneficiaries, the mission recommends to recruit more local BSFs who may be either directly earmarked by the Project (PMU) or by ABCs.

A specific support focused on market linkages particularly with pro-active discussions on how to negotiate and set purchasing prices of agricultural products from producers. The Project coordinator played a crucial role in accompanying all RCTP supported clusters to articulate their role with regards to linking producers and particularly the most vulnerable ones to the main steam economic outlets in order to provide a rapid and sustainable income to supported beneficiaries. The mission recommends that RCTP develops rural clusters stakeholders' skills on market development and linkages related activities in collaboration with local implementing partners.

The mission was highly impressed by the role played by the raspberry producers organisation within their cluster. Thanks to a very active preparation campaign, they managed to ensure that the purchasing price at farm gate was raised by 50% while securing contracts with buyers. The mission acknowledges the increasing degree of maturity of the rural clusters as a space where all local value chain stakeholders pro-actively communicate and negotiate to reach an acceptable sharing of the added value. This second year of active involvement must yet be strengthened and the mission recommends that more emphasis is to be put on the measurement of the economical role of each actor. First models of analysis were done and shared with the RCTP team during the mission and could provide the basis for a more in-depth analysis to ensure the economic sustainability of the models and the potentialities for up-scaling.

Public call: a first grant announcement has been launched 26 February 2019 for window 1 (primary production) and window 2 (post-production and post-harvest processes). 294 requests have been received out of which 234 have been approved (80% success rate). The contracts have been signed with beneficiaries.

Out of the 234 approved requests, (i) 199 (85%) relate to production – window I (15 in potato seed, 46 in dairy, 126 in meat, and 14 in raspberries) for an average amount of EUR 2,562 and 35 (15%) to post-production and post-harvest processes – window II (2 in potato seed, 11 in dairy products, 14 in meat, and 6 in raspberries) for an average amount of EUR 9,851 (VAT included).

RCTP successful call as compared to 2018 (from 55 to 234 approved applications so 425% progress) translates the right approach decided upon after 2018 supervision mission (early calls, simplified process, conditions aligned on other ministry supported programmes as IPARD). 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), mid-term objective is almost reached (289 representing 96% of the target), it is very likely that the final objective might even been reached in 2020 being given the success of the 2019 call and the motivation shown by the rural clusters to motivate all potential beneficiaries to apply. In this regard, the mission recommends:

- to focus on investment aiming at reducing the workload for women;
- to be more pro-active in proposing investment that ensure more climate-smart practices, e.g. improving soil and water management, fertility improvement through a better composting process e.g. combined with transport

- facilities; a specific support to the would be needed in this domain; and
- to continue the collaboration with FAO (more particularly in the raspberry value chain through capacity building and study tours).

## Component 2

The objective is to support rural clusters with supportive rural infrastructure, mostly roads and water supply systems. This component has been technically executed at 44% and financially at 8% and are expected to be completed by the end of the year (Satisfactory).

Specific rural water and road infrastructure bottlenecks have been identified during multistakeholders meetings and through cluster development plans that was followed by a public call to collect applications. Municipalities responded to the public call that has been launched on 26 February 2019 for water infrastructure and for rural roads. A service provider was selected to assist RCTP rural engineer to conduct feasibility studies for each of them, studies were conducted resulting in the selection of projects that was based on economic rate of return and environmental considerations. 84 requests have been received out of which 66 have been approved (79% success rate). Municipalities secured their part of the contributions in their respective budget.

Out of the 66 approved requests, (i) 21 (32%) relate to water infrastructure for an average amount of EUR 42,000 when unit costs in PDR were based on a higher unit cost which provides room for more physical investment, and (ii) 45 (68%) to rural roads connecting remote productions areas to the existing road network for an average amount of EUR 50,250 and per application, with an average cost of EUR 71,500 per km (VAT included) which translates a good efficiency performance in line with PDR estimates.

RCTP organised a public call to select civil works contractors (see procurement section). Due to delays detailed in the procurement section, contracts with selected companies have been signed on 12 September 2019 with the objective to build the roads and the water systems before winter.

The mission acknowledged that the re-allocation of funds recommended during the last mission has been successfully approved by IFAD and the Republic of Montenegro. The mission noted the high commitment of the municipalities in terms of their timely financial contribution.

RCTP also performed well with this component as compared to 2018 (from 15 to 66 approved applications so 440% progress). Keeping in mind that the RCTP objective is to have supported 11 water infrastructures and 26 km of roads at mid-term (2020) and 27 water infrastructure and 90 km of roads by the end of the project (2023), (i) regarding water infrastructures, mid-term objective is overpassed (26 representing 236% of the target), it is sure that the final objective for water infrastructure will be reached in 2020. However, since the estimated value per unit was overbudgeted (100%), there still will be room for more water infrastructure for an amount equivalent to the one already spent; (ii) regarding roads, mid-term objective is overpassed (38,1 km of roads representing 147% of the target), it is very likely that the final objective for road will be reached in 2021 given the success of the 2019 call and the motivation shown by municipalities to apply.

## Component 3: PCU

The component has been financially executed at 29%. Steering committee meetings have been organised as scheduled.

Actions	Responsibility	Deadline	Status
<b>Assessing Rural clusters economic impact</b> To accompany rural clusters to be in a position to understand added value brought by each stakeholders in order to better negotiate prices of transactions that ensure the economic viability of the various investments.	PC / VCO	January 2020	Agreed
To develop business plans based on actual transactions and sources of funds (including banks) to discuss potential emergence of producers cooperative, or private sector investments	PC / VCO	January 2020	Agreed

<p>Merging rural clusters with each other</p> <p>to merge rural clusters in a given location when the same stakeholders are involved in connected value chains (as dairy and meat)</p>	PC and VCA	31 Jan. 2020	Agreed
<p><b>Mid-Term review preparation</b></p> <p>To finalize the questionnaire for the mid-term outcome survey in collaboration with IFAD M&amp;E specialist and share study results before MTR</p>	M/E officer	30 May 2020 30 Aug. 2020	Agreed

## E. Project implementation

### a. Development Effectiveness

Effectiveness and Developmental Focus		
Effectiveness	Rating: 5	Previous rating: 4

#### Justification of rating

The mission is satisfied with the development effectiveness since all planned activities for the period have been covered reaching 75% on October 3, 2019 that is expected to be close to 100% at the end of the year once all roads and water schemes will be completed. Some delays have occurred due to a longer procurement procedure than expected. The Project implemented all recommendations agreed in the last supervision mission.

#### Log-Frame Analysis & Main Issues of Effectiveness

Compared to 2018, the implementation of Project activities has highly incremented. Thanks to the infrastructure works carried on in 2019, 11,649 direct beneficiaries, represented 3,328 households, had been reached on 1 October 2019. By the end of 2019, once all roads and water infrastructures rehabilitation are completed, direct beneficiaries are expected to increase up to around 23,000.

Regarding the implementation of 2019 AWPB, the mission commends the project for the impressive work done. Most of the activities have been implemented and the physical progress of the Project has been assessed at 52% (59% for component 1 and 44% for component 2). Financial progress reaches 35% of the total financing plan and 45% once the current WA will be treated. Due to the fact that some activities (mostly infrastructure) have been initiated but have not yet been paid, the forecast disbursement once the 2019 AWPB is achieved may reach 61% by the end of the year. The rest of the work will be paid at the beginning of 2020.

Results at impact level, such as increase of farmers' income or of value of marketed commodities, will be measured by the end of the project. With reference to project Outcomes, 970 VC smallholders have been engaged in the production of selected commodities so far, out of 3000 planned (32%). Other important results, such as the number of households reporting improved physical access to markets, processing and storage facilities or adoption of environmentally sustainable and climate-resilient technologies and practices, will be monitored through the Outcome Survey, planned for 2020.

Activities at Output level are those registering the highest performance, since easily measurable.

In C1, 11 cluster have been mapped and are functional (73%) while 269 people received grant support (54%) so far. The project is still low on providing training to farmers, as only 5% of the planned number of trainees has been reached so far. Indeed, only 134 people attended a training on income-generating activities or business management so far (5%); considering that the mid-term target is set at 1500 people, the project is advised to put more effort in organising activities that would support farmers in generating income and improve business management.

With reference to water and roads infrastructures, 6 production and processing facilities have been supported with increased water availability and efficiency until now (22%), benefitting 410 households (68%).

Moreover, 23.3 km of roads have been constructed, rehabilitated or upgraded so far (26%), of which 16.9 only in 2019 (C.I 2.1.5 Roads constructed, rehabilitated or upgraded).

As shown in Annex 2, in terms of physical achievement, there is a clear link between planned and actual activities, although not all envisaged activities have been implemented yet. Annual cluster tracking surveys, VC/cluster/commodity diagnosis reports, incentives for BSF to facilitate BSC at group level and the study tour on cluster development have not advanced yet. Nevertheless, other activities surpassed the expectations, such as the number of VCF beneficiaries reached (118%), the SDF built (2 instead of 1) and the number of feasibility studies conducted (120%). Moreover, when all 54 roads planned for 2019 will be completed, the overall achievement of km built in 2019 will be 42.7 km, more than doubling the initial annual target of 16.5 km.

## Development Focus

### Targeting and Outreach

**Rating: 4**

**Previous rating: 4**

#### Justification of rating

RCTP is delivering on some of the objectives of its targeting strategy and part of the targeting mechanisms are used during implementation. After only two years of implementation the project has already reached its targeted number of household members (16 807 with a target of 16 100 or 104 per cent). It should however be noted that under the second component the project has reached significantly more beneficiaries than expected at design. For the first component, the project is on track with reaching its objectives. During the field visits, the mission noted that the eligibility criteria for grant support are being respected. More efforts should go to monitoring and analysing gender-, age- and poverty disaggregated data to ensure targets are being met.

#### Main issues

The project focuses on rural areas in the northern mountainous region. Currently RCTP is operational in seven municipalities (Berane, Bijelo Polje, Mojkovac, Nikšić, Petnjica, Šavnik, Žabljak) and has set up 11 product clusters. The main target groups are semi-subsistence farmers, smallholders, women and youth. Awareness raising and information workshops at local level are used to reach out to these target groups and get them involved in cluster mapping and planning activities.

During the field visits, the mission noted that the eligibility criteria for grant support under window 1 are being respected. Relatively low ceiling for the matching grants are helping to avoid elite capture. Once the beneficiaries receive support from RCTP (e.g. a cow), they become eligible for further support (e.g. from the governmental agri-business fund or a commercial bank). This shows that the project is successful in reaching out to those groups that are currently not eligible for mainstream support and provides them with graduated pathways to improved livelihoods. As such, RCTP is clearly achieving its development objective: building inclusive market systems.

Given the high demand for roads and water infrastructure, in 2019 funds were reallocated to the second component in order to increase the number of rehabilitated kilometers of roads and water supplies. As a result, the project has reached significantly more beneficiaries than expected at design (9 916 with a target of 1 400 or 708 per cent for roads; 5 883 with a target of 600 or 981 per cent for water).

Nevertheless, more efforts should go to monitoring and analysing gender-, age- and poverty disaggregated data. This data is not readily available and currently RCTP is not tracking its outreach to two important target groups: semi-subsistence farmers and smallholders. Data on the involvement of women and youth is also erratic. This lack of information does not allow the project to take adequate corrective measures when necessary. It is also recommended to track the actual impact of window 2 investments on the project's target groups.

### Gender equality & women's participation

**Rating: 4**

**Previous rating: 3**

#### Justification of rating

During the last supervision serious concerns were raised regarding the project's gender focus and its efforts to facilitate the participation of women, but also youth inclusion. In the meantime, a gender and youth strategy has been developed and a gender and youth focal point has been appointed, although not officially. While the project has been mainly focusing on increasing the economic empowerment of women, efforts have also been made to strengthening their voice and reducing their workload. While overall women make up a significant amount of beneficiaries, their representation e.g. amongst grant recipients remains below targets. The same holds for young people.

#### Main issues

While women and youth make up respectively 38% and 35% of the beneficiaries of the first component (2018 and 2019 cumulatively), they only represent around 20% per cent of the cluster members and 5% of the cluster steering committee members in spite of the 30% RCTP target for both women and youth in all activities. It should however be noted that even if men are the official recipients of the grant support (only the household head can be a grant recipient), often there are women who are involved in the implementation of the activities.

The mission appreciated that many efforts have been made to involve women and young representatives in the rural clusters and RCTP beneficiaries<sup>[1]</sup>. The mission recommends to encourage the clusters to continue to be more inclusive and to particularly reflect on how to target women with tools that decrease their work load (milking machines, trailers...).

[1] All visited beneficiaries, apart from one old couple in Šavnik, were either women (6) or youth (9); they were all informed of the rural cluster role both in the application process through mobilization days and then in the facilitated access to commercial outlets.

The newly developed gender and youth strategy highlights issues that are of specific relevance to the Project, but it remains rather general on the actual actions that need to be undertaken to achieve gender and youth related targets. The Mission worked with the PMU on the development of a draft gender and youth action plan, which complements the strategy. Staff from PCU, MARD, municipalities and service providers need to be sensitized on importance of pro-poor outreach, gender mainstreaming and youth inclusion and the content of the action plan, as they all have a role to play in its implementation. The project should also support the different clusters to develop their own simple gender and youth action plan.

To implement the gender and youth action plan, RCTP will most likely have to collaborate with other local, national and international actors with solid experience in gender equality and youth inclusion. It is therefore recommended that the project carries out an assessment of potential partners as soon as possible. These include the Gender Equality Department of the Ministry of Human and Minority Rights (women's empowerment), the NGO Rural Development Network (women's empowerment), UNDP (women's entrepreneurship), UNOPS (youth employment) and OXFAM (Gender Action and Learning System – GALS).

While RCTP clearly works on the economic empowerment of women and youth by involving them in cluster development, more efforts should be made to ensure both women and men have equal voice and influence in rural institutions and organizations, including decision-making processes at household, community and local level. Specific activities should be introduced to improve the leadership skills of women and youth. At the same time, meeting times, location and agenda should be adapted to the needs of women. Linkages with networks of women and youth should be encouraged.

Although the construction of water and road infrastructure and the introduction of certain technologies (e.g. grass cutters) is contributing to the reduction of women's workload, other project activities are actually increasing women's time and labour requirements (e.g. by providing additional cows, women spend much more time to milk them manually). In these cases RCTP needs to clearly assess the risk of increasing women's workload, put more emphasis on the promotion of affordable labour-saving technologies and encourage discussions on greater gender equity in the distribution of work among household members.

Finally, from mid-term onwards specific efforts should be made to monitor the project's contribution at outcome level to the empowerment of women and men. This includes looking at the following five domains: production, resources, income, leadership and time. It should be part of the annual outcome survey, which is planned for 2020.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Gender strategy</b>  To allocate budget for implementation of the gender and youth action plan and from SDF	Gender Focal Point/ Project Coordinator	11/2019

**Agricultural Productivity**

**Rating: 4**

**Previous rating: 4**

#### **Justification of rating**

In the four earmarked commodities (raspberries, dairy products, meat and potato seed), RCTP clearly contributed to improve the agricultural productivity for small-scale producers. This was done through: i) well targeted investment either with small mechanisation (milking machines, grass-cutting machines, transport equipment) or ii) a bigger production capital that allows economy of scale in terms of costs (increase of number of heads per farm, increase of area under cultivation for crops).

#### **Main issues**

All investments were done on the basis of simple business plans that showed how worth the investment were. However, RCTP poorly documented the subsequent economic impact. The mission proposed simple measurement tools to assess the impact of the agricultural profitability of the investment at the level of each beneficiary. Since she or he directly contributes to the investment, it is very important for her or him to better understand the causes of the growth especially if she/he wishes to further develop her/his activity as it has been discussed with several young farmers. (see technical annexes)

<b>Nutrition</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### Justification of rating

The nutritional security of RCTP targeted population does not present any specific issue; therefore the Project was not initially designed to be nutrition sensitive and no specific activities were designed to address nutrition in the Project. However RCTP can contribute to strengthening nutritional outcomes for beneficiaries through (i) increased income, (ii) improved access to markets (to purchase food), (iii) access to water, (iv) safe food processing, (v) women's empowerment. Hence, the rating can be considered as satisfactory.

<b>Adaptation to Climate Change</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### Justification of rating

Adaptation to climate change activities are enshrined in earmarked activities particularly in Component 2 through the rehabilitation of rural infrastructure (water systems and rural roads). Since component 1 activities rely upon open calls whose beneficiaries cofinance the investment, adaptation climate change was not considered as a direct outcome and could be better targeted. In order to better take into consideration ASAP specific expected outcomes and adapt them to smallholders context, the Project will receive support from an IFAD technical consultant to design climate smart agriculture tools of intervention before the 2020 public call.

#### Main issues

Many support in window 1 (dairy and cattle value particularly) resulted in an increase of number of heads at the level of smallholders with an increase of production of manure that could be better used. Composting methods are very rudimentary and there is a lot of loss of nutrients (liquid leakage, evaporation). The application of manure in Petnica allowed increasing hay production by four while improving the carbon capture in the soil organic matter. The mission recognizes that transport of big and heavy volumes often constitutes a challenge in fertility management and it could be an issue to discuss at rural cluster level.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Potential investment to climate smart practices</b>  To propose climate-smart practices to be discussed and supported in 2020 (particularly with regards to soil fertility management) through ECG support	PC and IFAD/ECG	03/2020

### b. Sustainability and Scaling up

<b>Institutions and Policy Engagement</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### Justification of rating

RCTP is well anchored in the national context and, apart from the implementing ministry of Agriculture and rural development (particularly Department for programming), it established communication with key partner ministries (Ministry for human and minorities rights – department for Gender equality, Ministry of Sports – department of Youth) as well as the Union of Municipalities of Montenegro to better align on their respective strategic and simultaneously to share with them lessons learnt from RCTP implementation. RCTP is yet a new actor but it shows good signs of becoming a source of key lessons on rural youth installation, gender equality in rural households and rural communities, municipality involvement to reach out rural vulnerable people in remote areas with effective implementation

#### Main issues

The refining of the country strategic note for the coming years on the one hand as well as the preparation of the 2020 mid-term review provides adequate opportunities to better value the lessons learnt. RCTP staff and partners, particularly successful beneficiaries, are also encouraged to participate in national processes and events to promote and share the Project learnings and achievements : young entrepreneur union conference in November (with UNICEF and Ministry of Sports), Regional convention of water sector – LAC experiences (with the union of Municipalities of Montenegro... to name but a few in the coming months.

Another very important aspect is to illustrate how willing RCTP beneficiaries (particularly young and women) can concretely access financial support from other facilities: Agro-business grants for youth, IPARD

<b>Partnership-building</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

Partnership is here understood in technical fields. RCTP benefitted from the technical collaboration with FAO programme in Montenegro through various trainings, study tours and capacity building workshops – raspberry value chain, cooperative development. It also identified future action as the promotion fresh raspberry consumption in the southern touristic areas. However, more efforts could be done to establish communication with innovative processes in rural mountainous areas particularly in the fields of climate change adaptation (One UN) and youth participation (“Let our village come alive again” with a local North Montenegro NGO).

#### **Main issues**

The mission understood and appreciated that the RCTP team focused on local implementation of the project activities to make a visible change with its rural beneficiaries. As for institutional and policy engagement, the 2019 achievements and the preparation of the coming 2020 mid-term review set the basis for more proactive open-up to potential partners.

Such exchanges should involve both staff members as well as beneficiaries representatives.

<b>Human and Social Capital and Empowerment</b>	<b>Rating: 5</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

After this second year, Rural clusters can concretely witness their role in comforting a more economically organized and socially inclusive civil society in rural areas. Municipalities consulted them to identify what rural infrastructures to prioritise in their territory to have a real impact on their economic activities in the earmarked value chains. Moreover, beyond the Project activities implementation, rural clusters leadership in various localities also started to develop a mid to long term vision. Rural clusters gain in maturity but still need a tailored made accompaniment to become a permanent interface between local value chain stakeholders and third parts (municipalities, projects, financial institutions...)

<b>Quality of Beneficiary Participation</b>	<b>Rating: 5</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

Beneficiary participation is central to RCTP's approach. Firstly, through their involvement in cluster mapping and planning and, secondly, through the provision of matching grants, where beneficiaries are expected to contribute 50% of the investment cost under the first window and 66% under the second one (VAT excluded). The municipalities are covering the beneficiaries' contribution foreseen under the second component, as agreed during the last supervision mission.

#### **Main issues**

The core of RCTP's approach is to facilitate results-driven brokering and dialogue among primary actors in each cluster. The multi-stakeholder cluster meetings enable these actors to jointly identify priority opportunities and bottlenecks for developing their cluster and corresponding priorities. These meetings were foreseen to have a rolling cycle of dialogues organized once or twice per year in each cluster, to provide a space to reflect on and address emerging opportunities and bottlenecks as the local clusters develop. The meetings should generate follow-up activities, summarized below. In addition, priority needs for additional infrastructure support in climate-smart irrigation and farm access roads for smallholders in the clusters should be identified through the multi-stakeholder meetings and inform the prioritisation of works under Component 2. However, during field visits it was noted that dialogue amongst cluster meetings is rather sporadic. One way to stimulate exchanges could be through social media. Finally, clear grievance and redress mechanisms are still to be elaborated and communicated.

<b>Responsiveness of Service Providers</b>	<b>Rating: 5</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

During this second year of implementation, services providers, mostly hired to perform surveys, studies and training delivered expected outputs in due time. 2019 Civil works contractors have just been contracted and they show all indications that they would implement their contract in due time as it has been the case in 2018. It is noted that the remoteness of the intervention areas refrains many companies to bid for the required service delivery and works. It is therefore remarkable that service providers in their majority delivered expected services.

#### **Main issues**

Training was provided by agro-business centres and business support facilitators (BSFs) for each applicant to build her/his

business plan. However, it was observed that such support should go beyond theoretical business plan elaboration towards accompanying the economic actors with strategic advices. Being given the increasing scope of support to be provided to beneficiaries, more local BSFs have to be hired who may be either directly earmarked by the Project (PMU) or by ABCs.

## **Environment and Natural Resource Management**

**Rating: 4**

**Previous rating: 4**

### **Justification of rating**

All RCTP component 2 activities have systematically be preceded by a study assessing the environmental impact (water systems, rural roads). None of the individual beneficiary investment (window 1 on productive activities) have negative impact on the environment and natural resources. In higher parts of Petnija, the sustainable use of permanent pastures (katouns) is strengthened by the production of complementary forages in the lower lands that can be better valorized with the necessary equipment.

### **Main issues**

RCTP needs to ensure that matching grant equipment have a climate resilience dimension when budgeted under ASAP and the technical advice and training to farmers from the service providers is aligned on it.

RCTP staff should visit works sites for multi-purpose water reticulation system to double-check permits and environmental impact assessment done by the private or public constructor and ensure all recommendations are followed.

## **Exit Strategy**

**Rating: 4**

**Previous rating: 4**

### **Justification of rating**

RCTP is still at a crucial stage to consolidate the first achievements before it can actually focus on an exit strategy per se. However, being given the role of rural clusters in facilitating economic deals between agricultural small-scale producers and solvable marketing outlets, it is important to foresee how the rural clusters can continue to provide such space of negotiations. Various legal possibilities are being evoked by the stakeholders and it is the right time for RCTP to scrutinize what are the most adapted legal frameworks to sustain a set-up that proved to have a direct economic impact on smallholders.

### **Main issues**

The facilitating role played by RCTP within the rural clusters for them to play their role and provide actual outlets at a fair price for the targeted commodities of the 4 value chains has been important during this second year of intervention. It is however crucial that rural clusters are helped to envision how this facilitating role can become more and more enshrined in the cluster itself and what could be the most adapted legal status that at best sustain this mandate.

With support from the seconded law officer, RCTP can advantageously accompany such evolution especially through a thorough review of the legal status of the rural clusters : non profit organization, profit oriented limited companies, member based cooperative societies... It is important to involve rural clusters members in these discussions that also have to be held with regards to the economic and financial consequences of each legal eventuality.

Discussions already started in in various rural clusters (raspberry cluster in Bjelo Polje, dairy cluster in Niksić, Meat cluster in Petnica...) however, it is important to properly document each legalization process to ensure that the chosen set-up provide the most sustainable context that can permanently support a more inclusive economic territory.

## **Potential for Scaling-up**

**Rating: 4**

**Previous rating: 4**

### **Justification of rating**

RCTP approach proved to be effective to bridge the gap between the most vulnerable smallholders and their access to other rural support programmes (IPARD). Municipalities respected their financial commitment and proved that the common tri-partite approach – MARD/RCTP, Municipality, Rural clusters – can deliver short-term changes affecting the most vulnerable rural people's incomes while ensuring mid-term vision to allow these very same people to graduate and access mainstreamed agricultural sector support. In the current context of addressing the various chapters linked to EU membership and particularly on the role of administration (including municipalities) to deliver effective services, the Government and Association of municipalities could upscale RCTP approach in other sectors and regions.

### **Main issues**

The potentials for upscaling are clearly identified; however, the Project has not yet developed the necessary tools and strategy to be more pro-active. The Project staff is still very much involved and committed in concrete field activities

implementation that can bring a visible change in the areas of intervention. This prioritisation of field activities was crucial to obtain visible changes. In the coming year preceding mid-term review, the documentation process will allow all RCTP stakeholders, particularly the Government, the municipalities and the rural clusters to develop a more strategic vision of the approach used to extend it both sector wide (beyond water infrastructure and rural roads) within the targeted municipalities and geographically to other municipalities facing rural development challenges.

It is expected that in the coming years, RCTP will produce enough tools based on lessons learnt from their approach and the impact on rural communities.

### c. Project Management

<b>Quality of Project Management</b>	<b>Rating: 5</b>	<b>Previous rating: 5</b>
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#### Justification of rating

The re-organisation is satisfactory with the recruitment of two value chain officers affected to northwestern and northeastern municipalities respectively. The mission noted that the PC played a very proactive role to support them to rapidly take in hands their new responsibilities while providing a permanent back-up support. The mission could witness close and professional relationships between the Project team members. Through their proactive involvement in municipalities, the Project secured a full participation of municipality technical staff in sensitisation and animation activities with the staff of the agribusiness support centers. 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: The management team (Project Coordinator and Assistant PC) has been void with the departure of the Assistant PC from RCTP end of 2018. RCTP immediately recruited 2 full-time value chains officers in charge of coordinating all activities in the 7 municipalities allowing the Project Coordinator to be fully involved with his overall responsibilities. All other fiduciary and professional staff seconded from the Ministry of Agriculture (administrative, fiduciary, accountings, monitoring and evaluation and law) performed well and allowed a smooth Project implementation.

As previously recommended in the first supervision mission, professional relationships that were developed in all municipalities by the Project coordinator, provided a strong basis to enhance market development and linkages activities with rural clusters while simultaneously supervising the other activities handled to value chain officers. This working set-up proved to be very efficient.

The now seconded law officer continues to play a crucial role in reviewing all legal documents and processes. Apart from his on-going duties, the mission recommends that he can document the possible way of registration for rural clusters as NGO (not for profit organisations) and other emerging economic and profit oriented producers/operators organisations (cooperatives, limited companies...).

As previously discussed, the mission recommends to recruit a gender focal point, under the hierarchical responsibility of the Project Coordinator and to be based in Head office but with a capacity to easily spend needed time with value chain officers in their respective areas of intervention to support them and ensure a genuine implementation of the gender and youth operational strategy.

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.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Staff recruitment for Gender mainstreaming</b>  To recruit a gender focal point as per enclosed terms of reference to develop and implement the gender inclusive strategy of intervention	MALD / PC	01/2020

<b>Knowledge Management</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### Justification of rating

The Project has not yet started to document lessons from its approach approaches and implementation to impact national or municipal-level policies, strategies or investments, since no knowledge products have yet been prepared and disseminated to key stakeholders so far (indicator Policy 1 Policy-relevant knowledge products completed). the M&E Unit is responsible for KM; to date, the project has not developed a specific KM plan.

## Main issues

Since 2019 has been a very prolific year in terms of implementation as recorded by the M&E system, the mission recommends to start to document how rural clusters contribute to transform the Project investment into felt economic changes for vulnerable producers livelihoods. This is particularly important at the eve of the mid-term review to build a true story of the enhanced dynamics to provide the basis for potential upscaling. Such documentation process could be done in parallel with the economic assessment to be done within each rural cluster. Such documentation could also value rural clusters stakeholders creativity and potentialities: the mission was impressed to be offered a booklet of poems by one of the young beneficiary's father<sup>[1]</sup>.

<sup>[1]</sup> Zavičane pjesme (Native songs) by Boko Zečevin – with a particular attention to Guvno (p42), a poem referring to the traditional way of holding open meeting to solve community issues, the then not-so-modern ambition of RCTP rural clusters

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Knowledge Management</b>  To document project approach and impact with local stakeholders with media consultant to ensure wide dissemination	PC	08/2020

### Value for Money

**Rating: 5**

**Previous rating: 4**

#### Justification of rating

RCTP invested money directly contributes to leverage funds from beneficiaries (50% or 66% whether primary production or processing investment), from municipalities with a 25% cash contribution to be paid in cash to works constructors as first instalment and that conditions subsequent government and finally RCTP instalments. It is estimated that, at project level, for each invested RCTP USD, it has a 2,5 leverage effect.

### Coherence between AWPB and Implementation

**Rating: 5**

**Previous rating: 5**

#### Justification of rating

Overall, the average percentage of physical achievement is 59% in C1 and 44% in C2.

#### AWPB Inputs and Outputs Review and Implementation Progress

As of October 2019, the project spent 27% (34% if considering only IFAD financing) of the budgeted funds for the current year. However, most construction works are still ongoing; in the next three months all water and road infrastructures planned are expected to be completed and paid, thus significantly raising the percentage of expenditure in 2019.

As shown in Annex 2, in terms of physical achievement, there is a clear link between planned and actual activities, although not all envisaged activities have been implemented yet. Annual cluster tracking surveys, VC/cluster/commodity diagnosis reports, incentives for BSF to facilitate BSC at group level and the study tour on cluster development have not advanced yet. Nevertheless, other activities surpassed the expectations, such as the number of VCF beneficiaries reached (118%), the SDF built (2 instead of 1) and the number of feasibility studies conducted (120%). Moreover, when all 54 roads planned for 2019 will be completed, the overall achievement of km built in 2019 will be 38.22, more than doubling the initial annual target of 16.5 km.

### Performance of M&E System

**Rating: 4**

**Previous rating: 4**

#### Justification of rating

Within a year, the Project M&E system was significantly improved. It consists of an Excel database including data on training/workshops organised, infrastructure works constructed/rehabilitated and grants distributed. For all mentioned activities, the database specifies the number of beneficiaries reached, although it did not always provide disaggregation by gender and age. The M&E database is still lacking information needed to understand fully the project outreach, especially data showing how the various Project activities are inter-linked to allow farmers to get out of poverty.

#### M&E System Review

The M&E database includes information on:

1. List of clusters identified and information on the clusters leaders, including their gender and age. The PMU is requested to provide more details on the cluster members, especially those registered as NGOs, to better

understand the cluster composition in terms of producers vs processors and/or buyers, and the presence of women and youth;

2. Amount disbursed through grants (Component 1 and Component 2) and beneficiaries receiving grants under C1, specifying their gender, age, reason for requesting a grant and amount of money received and invested;
3. Grants applications received in 2018 and 2019 for construction/rehabilitation of roads, ponds and multiple use water supplies. The PMU has been requested to provide more details on the outcome expected from C2 in 2019, not only in terms of outreach but also on the monitoring of construction progress.
4. People receiving training and/or participating to workshops. Informative workshops proved to be a very important source of information on the opportunities offered by RCTP to farmers. Although the PMU provided the list of beneficiaries of such activities, it is not clear which type of training or workshop they attended, nor their gender or age. The PMU has been requested to update such list.

During the mission the M&E database was improved with a reporting table on the two SDFs built/rehabilitated in 2019 (i.e. milk collection centres in Niksic and Mojkovac). Information about the Mojkovac facility, such as the list of farmers using the centres and the amount and value of milk sold, was duly provided. The PMU has been requested to provide the same information about the centre built in Niksic.

With the needed adjustments already put in place and the constant update from the M&E officer, the M&E database newly created will be a reliable and useful source of information to measure progress on project activities and guide implementation and management decisions.

In order to assess the impact generated by RCTP so far, the PMU will conduct an outcome survey before the Mid-Term review, tentatively scheduled for September 2020. On the basis of project support to rural clusters, the survey will focus on: i) assessing the increase (in value) of marketed commodities and the value of incremental investments (excluding project financing) in the four value chains, ii) households reporting improved physical access to markets, processing and storage facilities and iii) households reporting adoption of environmentally sustainable and climate-resilient technologies and practices. The methodology to conduct the survey will be provided by IFAD but it will have to be adjusted according to Project's needs and main focus.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>M&amp;E</b>  Update the M&E database with the missing information on VC cluster members, number and gender/age of Component 2 beneficiaries, Niksic SDF, training and workshop participants.	M&E officer	10/2019

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

**Rating: 4**

**Previous rating: 4**

#### **Justification of rating**

The Project adheres to all PIM requirements regarding social and environment impact with ad-hoc studies done (REIA) by the contractor and reviewed by the Project as recommended by the previous supervision mission. The selection process involving cluster members to reach the targeted beneficiaries, particularly women and youth, have resulted in a more inclusive basis. The mission managed to meet a fair number of young farmers and women. It has been observed that these beneficiaries often choose to invest into equipment that impact on workload in mountain areas: cutting grass light machines, mobile milking equipment, transport means (trailers and small tractor). With such equipment, beneficiaries recognized that they can run their activity in an economically viable way. However, it has been noted that there are still very few or almost no women in the rural clusters leadership positions.

#### **SECAP Review**

Thanks to transport means, it has been observed that some producers can more easily use manure in their crops and pasture; However not much reflection has been made on such fertility management and fertility transfer through manure. An estimates with a producer from Petnija cluster showed that a manure fertilized pasture multiplied the hay harvest by 4 (from 500 to 2,000 balls for one hectare). The mission recommends that more attention be given to climate smart practices (including NRM and organic agriculture where felt relevant) and commission a follow-up specific technical mission on the following aspects:

- to include natural pasture fertility management in the potential investment on the basis of the Petnija cluster case study
- to improve composting process and identify the key investments at individual or group level (for transport)
- to integrate livestock/raspberry systems to support fertility transfer (and eventually climate smart agricultural practices)

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
Revise PIM to include gender and youth strategy to align with SECAP requirements	PCU / gender focal point	12/2019

#### d. Financial Management & Execution

##### Disbursement by financier

Type	Name	Current Amount	Disbursed Amount	Actual Rate
Domestic Financing breakdown	National Government	\$5,977,975	\$0	0.0%
	Private sector local	\$660,199	\$0	0.0%
	Beneficiaries	\$1,717,131	\$0	0.0%

##### Acceptable Disbursement Rate

**Rating: 6**

**Previous rating: 6**

##### Justification of rating

Automated rating based on IFAD disbursement data

##### Main issues

1. RCTP is a six-year project. It is funded with an IFAD loan of EUR 3,9 million and ASAP grant of EUR 1,9 million. At 31/08/2019, after 2,2 years of implementation, IFAD has disbursed 35% of the total financing into the Borrower/Recipient's Designated Accounts (DAs). Disbursement rate is 39% for the IFAD loan and 27% for the ASAP grant. The disbursement performance is highly satisfactory.
2. During supervision mission, WA4 for the loan and WA1 for the ASAP grant have been submitted to IFAD for a total amount of EUR 0,6 million. After replenishment, the disbursement rate will increase to **45%**. Moreover, should the residual 2019 AWPB for the period Sept-Dec (EUR 0,9 million) be fully spent and timely replenished within year end, IFAD disbursement rate may reach up to **61%**.
3. Similarly, real cumulative Project expenditure of IFAD financing is projected up to max 40% by year end if the IFAD quota of AWPB 2019 is 100% achieved: current year budget progress is at 34% and the gap is expected to be filled once on-going works are completed and paid.

##### Fiduciary aspects

##### Quality of Financial Management

**Rating: 5**

**Previous rating: 4**

##### Justification of rating

The PMU fiduciary risk is deemed low. Financial operations are satisfactorily carried out by the effective finance team seconded by the Government. The accounting systems/software is fully in place and it allows adequate booking and reporting (including SOE) generation. Segregation of duties is properly implemented ensuring control over expenditures. Funds can flow fully and timely upon request. The level of the authorized allocations to the DAs, both IFAD/ASAP is securing adequate liquidity to execute 2019 budgets in Q 4. For the FY 2019, the external auditor has not been identified yet.

##### Main issues

Although the **finance team** is not fully dedicated to RCTP, it is providing effective financial support to the project. The FO role is covered by the State Secretary of the MARD who is closely involved in the coordination and decision process and represents a key asset for the project. He is supported by a dynamic and organized Administrative Assistant who in the last year has gained full command in the maintenance and utilization of the adopted financial systems (TOMPRO, SAP, ICP).

The **budget** process follows the timing/procedure of the national envelope being the Government Contribution to Comp 1 (matching grants) and 2 (works) part of it and, as a consequence, the complementary IFAD contribution is impacted. AWPB 2020 process will be finalized by December (Steering Committee) for IFAD no-objection (in January).

The project **accounting** software is TOMPRO (cash/IPSAS). It is fully running and integrated with the TOMMARCHE procurement software, which is securing correspondence between invoice booking and contract register. The budget is maintained in TOMPRO. The chart of account is adequate both for the IFAD and national requirements. Effective reports

are generated from the system, including reconciliation with bank statements (monthly) and SOE. Booking into TOMPRO is performed once payments have been executed. A fixed asset register is maintained in excel according to MARD practise and tagging is performed. **Reporting** is regularly done quarterly (IFRs) and bi-annually (internal progress report), with timely submission to IFAD.

All payments are done on the Treasury centralized platform (SAP system) from the Single Treasury Accounts where RCTP has an open position to spend as for the approved AWPB. Upon request, **IFAD funds** are fastly withdrawn from the DAs held at a commercial bank.

As per July 2019, the bank is applying a 0,1% fee on such withdrawals. During this mission, it has been decided that bank charges for the ASAP Grand DA will be booked under Category WORKS (as there is no Recurrent Cost cat. as per the FA). Supporting documentation to payments is available at the PMU upon request, however, it is recommended that each processed invoice is always accompanied with a copy of the certificate of completion (service, works, good) and/or a copy of the confirmation from the PD and/or its staff originating the expenditure.

**Internal controls** are in place and proper segregation of duties is secured. All payment requests to State Treasury are verified by the FO before being authorized by the Minister of MARD. IFAD share of payments for Comp 1 (matching grants) and 2 (works) is always cashed out after evidence that beneficiaries have paid first their quotas.

An **Internal Audit** office is established at MARD, however, the workload and capacity (the 1 available resource will also be in maternity leave on 2020 with no temporary replacement) do not realistically allow to include RCTP in the work plan 2020 onwards. As the PMU fiduciary risk is low, it is advised to reiterate the request for 2021 only in the case of a change in the risk profile.

There is a delay in the appointment of the **external auditor** for FY 2019. According to IFAD Handbook, the auditor should be appointed before the start of the financial year to be audited. It is advised to immediately start the tender for the identification of the auditor and for a duration of at least three financial years to be re-confirmed on a yearly basis based on performance. Taking also into consideration the feedback received by the PMU from the past Auditor and in order to facilitate the identification process, it is suggested that the TORs are eventually integrated with an estimate of the audit workload and that some flexibility in line with market practice be included in next AWPB for a possible commensurate increase in the fee (vs past audit at EUR 6 thousand per full year including VAT).

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Start the tender for the appointment of the External Auditor for FY 2019.</b>  Immediately start the tender for the audit of FY2019 with a contract duration of 3 financial years, to be renewed annually based on performance. Take into consideration the possibility of the fee increase	PMU	11/2019

#### **Quality and Timeliness of Audit**

**Rating: 6**

**Previous rating: 3**

#### **Justification of rating**

Audit report and Management Letter well prepared and complete and timely submitted to IFAD.

#### **Main issues**

The audit opinion is unqualified, all mandatory financial statements are included. This is the first audit for this project so no previous year recommendations.

The set of financial statements prepared by the project and submitted for auditing is complete and adequate to all requirements to International Standards and IFAD guidelines. Financial statements provided sufficient and detailed elements to reconcile transactions with IFAD books and assess the accuracy of data.

#### **Counterparts Funds**

**Rating: 5**

**Previous rating: 4**

#### **Justification of rating**

Government cash contribution is timely provided to the project and the in-kind contribution properly booked in the accounting system. Beneficiary cash contribution is also properly monitored and accounted for in the PMU books

#### **Main issues**

Based on the approved AWPB, the project has a Government cash contribution line opened at the State Treasury. Upon request, payments for expenditures funded with government funds are disposed on time – in full through the Single Treasury Account. In-kind contribution in the form of tax exemptions if properly captured in TOMPRO at the moment of payment/invoice booking. Other in-kind, such as the value of governmental buildings is estimated and booked once a year

in TOMPRO.

It should be noted that the government contribution in the form of tax exemption may be higher by +EUR 0,4 million than initially estimated: in the PDR, tax for comp 1 was estimated at 0% but in reality, there is VAT to be exempted at a realistic rate of around 15% which may lead to a higher projected Government contribution compared to the FA.

Compliance with Loan Covenants	Rating: 4	Previous rating: 4
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#### Justification of rating

Compliant except for the appointment of the External Auditor.

#### Main issues

The appointment of the external auditor, as per the LtB/R and the IFAD Handbook, due prior the start of the fiscal period to be audited has not been done yet. The procurement process for the identification and appointment must start immediately.

Procurement
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Procurement	Rating: 4	Previous rating: 4
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#### Justification of rating

Procurement performance is moderately satisfactory. Procurement is mostly carried out in line with "IFAD Procurement Guidelines" and procurement procedures and thresholds stipulated in Letter to the Borrower. Regarding the first submission for civil works, the No objection could not be provided by IFAD due to lack of bidder (only one contractor per lot) and therefore the process have been delayed to re-launch the bid and ultimately comply with procurement requirements. Regarding the 2019 procurement plan, procurement processes should (i) be started early to provide sufficient time for cost estimation and (ii) be eventually amended in due time once quantities are confirmed through RCTP consultation processes (public calls). The system of filing of procurement records needs improvement with submission of a monthly register of contracts to IFAD.

#### Procurement Review

The evaluation of the execution of procurement tasks and the application of the procurement procedures was done on the basis of reviewing the procurement and other documentation (on the basis of sample), interviews with procurement staff and review of their exchanges with IFAD (CPM). PCU is responsible for the procurement in accordance with IFAD procurement procedure. Procurement officer has a previous experience with procurement. However, additional specialized training in procurement will be useful for procurement team (coordinator, procurement officer).

Procurement Plan was prepared and attached to AWPB 2019, approved by PSQ<sup>[1]</sup> and received IFAD non objection. The procurement plan was found to meet the basic requirements. The revised 2019 procurement plan included 5 goods and non-consultancy procurement transactions, 4 works transactions and 10 consultancy assignments with total cost estimate EUR 2,662,891.88. According to the register of contracts, as of September 25, 2019, the procurement process for 20 packages worth EUR 3,215,448.56 was completed by the PCU constituting 120.75% of the planned amounts in terms of budget.

All signed contracts are entered in the software "TOMPro" which is used by the PCU financial and procurement officers. Register of contracts includes all required relevant data, however it has not been sent to IFAD on a monthly basis as stated in LTB<sup>[2]</sup>. The mission noted that the register of contracts was retroactively sent to IFAD through NOTUS system on September 26, 2019.

The mission was pleased to find out that PCU established a procurement filing system for all procurement activities. However, procurement documentation should also be more systematically grouped in electronic document folders. Each procurement activity should have its own electronic document folder where records are kept properly coded in chronological order, and with a systematic back up on hard disk or flash drive.

PCU uses adjusted standardized forms of bidding documents according to IFAD procurement guidelines. Most of the 2019 contracts were subject to prior review, and the rest were reviewed in the post-review process during this supervision. The mission noted that:

One procurement was originally planned as national shopping. PCU sent RFQ<sup>[3]</sup> to three bidders, and ultimately only one bid was received by the deadline, on the basis of which the contract was awarded without prior approval from IFAD.

For contracts awarded through direct contracting approval of the IFAD's CPM was requested and received.

Regarding contracts for conducting feasibility studies the price was not specified, which should be mandatory.

In category of civil works there was a procurement which had to be repeated because of insufficient interest of bidders, but they managed to procure on time.

Details on procurement post review are attached in Appendix 6.

[1] Project steering committee

[2] Letter to the Borrower

[3] Request for quotation

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Procurement procedure</b> To ask for an exceptional retroactive IFAD no objection for contract subject to IFAD prior review	PCU/Procurement officer	10/2019
<b>Bidding Document Formats:</b> To prepare RFP and RFQ for procurement of goods and consulting services in national language to ensure better understanding / greater competition	PCU	10/2019
<b>Register of Contracts</b> To submit register of contracts to IFAD on a monthly basis and to file procurement documentation in backed-up electronic document folders (to be done on a monthly basis)	Procurement Officer	10/2019
<b>Procurement Plan</b> To update the procurement plan with the actual implementation against the planned schedule.	PCU	10/2019
<b>Procurement procedure</b> To ask for an exceptional retroactive IFAD no objection for contract subject to IFAD prior review	PCU/Procurement officer	10/2019
<b>Bidding Document Formats</b> To prepare RFP and RFQ for procurement of goods and consulting services in national language to ensure better understanding and greater competition	PCU	10/2019
<b>Register of Contracts:</b> To submit the register of the contracts to IFAD on a monthly basis and procurement documentation should be systematically filed in backed-up electronic document folders (to be done on monthly bases)	Procurement Officer	10/2019
<b>Procurement Plan</b> To update the procurement plan with the actual implementation against the planned schedule	PCU	12/2019

#### e. Key SIS Indicators

Likelihood of Achieving the Development Objective

Rating: 5

Previous rating: 4

### Justification of rating

The project is well on tracks to achieve its objectives and some final targets will be reached at mid-term

### Assessment of the Overall Implementation Performance

Rating: 5

Previous rating: 4

### Justification of rating

The project performance is satisfactory on the 2 components as described above.

## F. Relevance

### Relevance

Rating: 5

Previous rating: 5

### Justification of rating

The Project remains very relevant to the national context and particularly (i) to the targeted municipalities that have to face a movement of population leaving the Northern and Central mountainous areas due to lack of economic opportunities (ii) to develop an approach that allows municipalities to effectively invest in rural infrastructures in remote areas; (iii) to link up existing market outlets to small-scale producers through raw commodity private sector managed bulking facilities in easily accessible sites to producers and therefore providing them with direct income.

## G. Agreed Actions

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
<b>Development Effectiveness</b>		
<b>Gender strategy</b> To allocate budget for implementation of the gender and youth action plan and from SDF	Gender Focal Point/ Project Coordinator	11/2019
<b>Potential investment to climate smart practices</b> To propose climate-smart practices to be discussed and supported in 2020 (particularly with regards to soil fertility management) through ECG support	PC and IFAD/ECG	03/2020
<b>Project Management</b>		
<b>M&amp;E</b> Update the M&E database with the missing information on VC cluster members, number and gender/age of Component 2 beneficiaries, Niksic SDF, training and workshop participants.	M&E officer	10/2019
<b>Revise PIM to include gender and youth strategy to align with SECAP requirements</b>	PCU / gender focal point	12/2019
<b>Staff recruitment for Gender mainstreaming</b> To recruit a gender focal point as per enclosed terms of reference to develop and implement the gender inclusive strategy of intervention	MALD / PC	01/2020

<b>Knowledge Management</b>  To document project approach and impact with local stakeholders with media consultant to ensure wide dissemination	PC	08/2020
<b>Financial Management &amp; Execution</b>		
<b>Procurement procedure</b>  To ask for an exceptional retroactive IFAD no objection for contract subject to IFAD prior review	PCU/Procurement officer	10/2019
<b>Bidding Document Formats:</b>  To prepare RFP and RFQ for procurement of goods and consulting services in national language to ensure better understanding / greater competition	PCU	10/2019
<b>Register of Contracts</b>  To submit register of contracts to IFAD on a monthly basis and to file procurement documentation in backed-up electronic document folders (to be done on a monthly basis)	Procurement Officer	10/2019
<b>Procurement Plan</b>  To update the procurement plan with the actual implementation against the planned schedule.	PCU	10/2019
<b>Procurement procedure</b>  To ask for an exceptional retroactive IFAD no objection for contract subject to IFAD prior review	PCU/Procurement officer	10/2019
<b>Bidding Document Formats</b>  To prepare RFP and RFQ for procurement of goods and consulting services in national language to ensure better understanding and greater competition	PCU	10/2019
<b>Register of Contracts:</b>  To submit the register of the contracts to IFAD on a monthly basis and procurement documentation should be systematically filed in backed-up electronic document folders (to be done on monthly bases)	Procurement Officer	10/2019
<b>Start the tender for the appointment of the External Auditor for FY 2019.</b>  Immediately start the tender for the audit of FY2019 with a contract duration of 3 financial years, to be renewed annually based on performance. Take into consideration the possibility of the fee increase	PMU	11/2019
<b>Procurement Plan</b>  To update the procurement plan with the actual implementation against the planned schedule	PCU	12/2019

## Rural Clustering and Transformation Project

### Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	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	7 885	13 977	86.8				
	1.a Corresponding number of households reached							PCU reports	Annually	Project Coordinator and M&E Officer	
	Women-headed households										
	Non-women-headed households										
	Households			4 600	1 622	3 328	72.3				
	1 Persons receiving services promoted or supported by the project							PCU reports	Annually	Project Coordinator and M&E Officer	
	Females				1 801	4 156					
	Males				3 876	7 493					
	Young				2 065	3 824					
	Not Young				3 612	7 825					
	Total number of persons receiving services			4 600	5 677	11 649	253.2				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
<b>Project Goal</b> 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				
<b>Development Objective</b> 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				
<b>Outcome</b> 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	766	970	32.3				
	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	
	Number of enterprises				0	0					

Results Hierarchy	Indicators							Means of Verification		Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility
	Percentage of enterprises				0	0				
<b>Output</b> 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	8	72.7			
	Percentage of participating VC smallholders with an agreed business or trading plan							BSF records	Six-monthly	BSF
	Rate		80	100	100	100	100			
<b>Output</b> 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	221	269	53.8			
	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	98	92.65	115.8			
<b>Output</b> 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	3	3	7.5			
	2.1.2 Persons trained in income-generating activities or business management							BSF training records	Annually	BSF
	Females		500	833	14	19	2.3			
	Males		1 000	1 667	78	115	6.9			
	Young				15	34				
	Not Young				75	96				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
	Persons trained in IGAs or BM (total)		1 500	2 400	92	134	5.6				
<b>Outcome</b> 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.
	Households reporting improved physical access to markets				0	0					
	Size of households				0	0					
	Males				0	0					
	Females				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	2 060	103				
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices										
	Households				0	0					
	Total number of household members				0	0					
<b>Output</b> 2.1 Rain-harvesting water structures and other water supply systems constructed or rehabilitated.	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	1	6	22.2				

Results Hierarchy	Indicators							Means of Verification		Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility
	Households supported with increased water availability or efficiency									
	Households			600	123	410	68.3			
<b>Output</b> 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	16.96	23.36	33.4			
<b>Outcome</b> 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
	Policies, strategies and investments		1	3	0	0	0			
<b>Output</b> 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	0			

## **Montenegro**

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### **Rural Clustering and Transformation Project**

#### **Supervision Report**

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

Mission Dates: 23 September - 03 October 2019  
Document Date 15/11/2019  
Project No. 2000001076  
Report No. 5203-ME

Near East, North Africa and Europe Division  
Programme Management Department

**Table 1A: Financial performance by FINANCIER (EUR 000, as at 31 August 2019)**

<b>FINANCIER:</b>	Appraisal (EUR 000)	Disbursement (EUR 000)	Disbursed %
IFAD Loan	3 877	743	19%
ASAP grant	1 880	177	9%
Government Budget	3 074	291	9%
Government Tax	1 219	236	19%
SME	621	58	9%
Municipalities	1 326	103	8%
Beneficiaries	1 614	429	27%
<b>TOTAL INVESTMENT</b>	<b>13 611</b>	<b>2 037</b>	<b>15%</b>

**Table 1B: Financial performance by COMPONENT (EUR 000, as at 31 August 2019)**

<b>COMPONENT (EUR 000)</b>	IFAD Loan			ASAP Grant			Government Budget			Gonvernment TAX			SME			Municipalities			Beneficiaries			TOTAL
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal
VC Clustering for Resilient Rural Transformation Cluster Supporting Rural Infrastructure Project Management	2 242.6	406.6	18%	806.3	70	9%	176.1	34	19%	7.0	127	1814%	620.6	58	9%				1 283	403	31%	5 135
	912.6	69.6	8%	1 073.7	107	10%	2 475.1	186	8%	1 143.2	96	8%				1 326.3	103	8%	331	26	8%	7 262
	721.7	267.1	37%		0		423.0	71	17%	68.4	12	18%										1 213
<b>sub-total (programme expenditure)</b> <i>Outstanding advances to DA/PA</i>	<b>3 877</b>	<b>743</b> 766	<b>19%</b>	<b>1 880</b>	<b>177</b> 323	<b>9%</b>	<b>3 074</b>	<b>291</b>	<b>9%</b>	<b>1 219</b>	<b>236</b>	<b>19%</b>	<b>621</b>	<b>58</b>	<b>9%</b>	<b>1 326</b>	<b>103</b>	<b>8%</b>	<b>1 614</b>	<b>429</b>	<b>27%</b>	<b>13 611</b>
<b>Total (disbursement)</b>	<b>3 877</b>	<b>1 510</b>	<b>38.9%</b>	<b>1 880</b>	<b>500</b>	<b>####</b>	<b>3 074</b>	<b>291</b>	<b>9.5%</b>	<b>1 219</b>	<b>236</b>	<b>19.3%</b>	<b>621</b>	<b>58</b>	<b>9.3%</b>	<b>1 326</b>	<b>103</b>	<b>7.8%</b>	<b>1 614</b>	<b>429</b>	<b>26.6%</b>	<b>13 611</b>

**Table 1C: IFAD Loan No. 2000001842 - disbursement (EUR 000, as at 31 August 2019)**

<b>CATEGORY:</b>	Original Allocation  (EUR 000)	Revised All. (7 Jan 2019)  (EUR 000)	Disbursement  (EUR 000)	W/A n.4 (to be issued)  (EUR 000)	Balance  (EUR 000)	% Disbursed*
Consultancies	800	400	33.7	1.5	366	8%
Works	665	1 560	36.3	0.0	1 524	2%
Grants	580	580	27.4	280.2	553	5%
Training and Workshops	505	245	40.0	7.0	205	16%
Goods, Services, Inputs Equipments, Materials, Vehicles	200 130	20 75	1.6 88.3	1.5 0.0	18 -13	8% 118%
Recurrent costs	805	805	132.2	93.7	673	16%
Unallocated	195	195	0		195	0%
<i>Initial Allocation to DA</i>			1 150		-1 150	
<b>TOTAL</b>	<b>3 880</b>	<b>3 880</b>	<b>1 510</b>	<b>384</b>	<b>2 370</b>	<b>####</b>

\* excluding WAs to be issued

**Table 1C: ASAP Grant No. 2000001841 - disbursement (EUR 000, as at 31 August 2019)**

<b>CATEGORY:</b>	Original Allocation  (EUR 000)	Revised All. (7 Jan 2019)  (EUR 000)	Disbursement  (EUR 000)	W/A n.4 (to be issued)  (EUR 000)	Balance  (EUR 000)	% Disbursed*
Consultancies	85	85		44.9	85	0%
Works	940	940		61.9	940	0%
Grants	765	765		70.1	765	0%

Unallocated	90	90		0.0	90	0%
<i>Initial Allocation to DA</i>			500		-500	
<b>TOTAL</b>	<b>1 880</b>	<b>1 880</b>	<b>500</b>	<b>177</b>	<b>1 380</b>	<b>27%</b>

\* excluding pending WAs

## **Montenegro**

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### **Rural Clustering and Transformation Project**

### **Supervision Report**

### **Appendix 2: Physical progress measured against AWP&B**

Mission Dates: 23 September - 03 October 2019

Document Date 15/11/2019

Project No. 2000001076

Report No. 5203-ME

Near East, North Africa and Europe Division  
Programme Management Department

## Appendix 1: Physical progress measured against AWPB

Component 1 Value Chain Clustering for Resilient Rural Transformation				
Indicators	Unit	Planned 2019	Achieved in 2019	% achievement 2019
Sensitization workshops	Number	40	43	108%
Annual cluster tracking surveys	Number	8	0	0%
Cluster mapping/studies	Number	4	4	100%
Rapid cluster mapping validated	Number	4	4	100%
VC/cluster/commodity diagnosis report prepared (based on cluster mapping validation)	Number	12	0	0%
Multi-stakeholder meetings (cluster-level)	Number	24	8	33%
Cluster development plans prepared and validated	Number	4	4	100%
Business Skills course roll-out at group level developed	Number	25	5	20%
Incentive for BSF to facilitate BSC at Group Level	Number	25	0	0%
Grant announcement and grant award	Lump sum	1	1	100%
Number of VCF beneficiaries	Number	200	236	118%
Business-to-business/service follow-up meetings (village-level)	Number	84	0	0%
SDF	Lump sum	1	2	200%
Increasing access to finance	Lump sum	1	0	0%
Study tour on cluster development	Number	1	0	0%
Component 2 Cluster Supportive Rural Infrastructure				
Infrastructure related grants selected for financing in 2019	Number	16	1	6%
- <i>Ponds for livestock</i>	No	9	0	0%
- <i>Multiple use water supply systems</i>	No	7	1	14%
- <i>Roads</i>	Km	16,5	16,9	102%
Number of feasibility studies conducted	Number	60	72	120%

## **Montenegro**

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### **Rural Clustering and Transformation Project**

### **Supervision Report**

### **Appendix 3: Compliance with legal covenants: status of implementation**

Mission Dates: 23 September - 03 October 2019

Document Date 15/11/2019

Project No. 2000001076

Report No. 5203-ME

Near East, North Africa and Europe Division  
Programme Management Department

### Appendix 3: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>FA, Section E.1.(a)</b>	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	
<b>FA, Section E.1.(b)</b>	Two designated accounts have been opened to receive resources from the Loan and ASAP Trust Grant accounts	Precedent to withdrawal	Complied with	
<b>FA, Section E.1.(c)</b>	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	
<b>FA, Section E.1.(d)</b>	Preparation of a draft Project Implementation Manual acceptable to IFAD, including financial, accounting,	Precedent to withdrawal	Complied with	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	procurement and administrative arrangements Precedent to withdrawal			
<b>FA, Schedule 1. 11</b>	A MTR 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 year3	N/A yet	
<b>FA, Schedule 1. 14</b>	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		Complied with	
<b>GC.9.03 (b)</b>	Audit report submitted to IFAD.		Complied with	

<b>Section</b>	<b>Covenant</b>	<b>Target/Action Due Date</b>	<b>Compliance Status/Date</b>	<b>Remarks</b>
<b>LtB.G.27</b>	External auditor appointment		PCU not compliant yet	Auditor not appointed yet for FS fiscal year 2019.
<b>LtB.G.26</b>	Quarterly Interim Financial Reports (IFRs) to IFAD		Complied with	
<b>GC.7.01(b)</b>	AWPB to be submitted to the Fund, for its review and comments		Complied with	