

Montenegro

Country strategy note

Main report and appendices

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Currency equivalents

Currency Unit	= euro
US\$1.00	= EUR 0.90

Weights and measures

1 kilogram	=	1000 g
1 000 kg	=	2.204 lb.
1 kilometre (km)	=	0.62 mile
1 metre	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

Abbreviations and acronyms

ASAP	Adaptation for Smallholder Agriculture Programme
BSF	Business Skill Facilitator(s)
EIA	Environmental Impact Assessment
EU	European Union
GDP	Gross Domestic Product
IFAD	International Fund for Agricultural Development
IPARD	Instrument for Pre-accession Assistance for Rural Development
KM	Knowledge Management
M&E	Monitoring and Evaluation
MARD	Ministry of Agriculture and Rural Development
MHMR	Ministry for Human and Minority Rights
MIC	Middle Income Country
MIDAS	Montenegro Institutional Development and Agriculture Strengthening
NGOs	Non-Governmental Organizations
PCU	Project Coordination Unit
PIM	Project Implementation Manual
RCTP	Rural Clustering and Transformation Project
RTA	Reimbursable Technical Assistance
VAT	Value-added Tax
VC	Value chain
WB	World Bank

Map of IFAD-funded operations in the country



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
Map compiled by IFAD | 05-12-2019

I. Country diagnosis

1. Montenegro is a small country in South-eastern Europe (Population of 622 471 in 2017¹), which recovered remarkably from the disastrous events that engulfed most of Southeast Europe in the 90s. Since the global crisis in 2009, growth has been lackluster and only the tourism industry has continued to grow.

Political system

2. Montenegrin presidential election was held on 15 April 2018 for a 5 year term in office. There were 81 elected members of the Parliament of Montenegro at the election held in 2016 in compliance with the Constitution of Montenegro. Members of local assembly are elected within a polling precinct consisted of the territory (area) of municipality for a 4-year term.

Economy

3. Montenegro is a small, open economy aspiring to join the EU by 2025. It is also an economy vulnerable to external shocks, as it relies on capital inflows from abroad to stimulate its growth. It is an upper middle-income country (GNI/capita: USD 8,400 in 2018)².
4. Since 2006³, the country has been intensifying efforts to promote competitiveness, and the government adopted a major growth initiative to boost economic development and connectivity, that are viewed as crucial to EU accession plans, tentatively envisaged for 2025.
5. Montenegro is increasingly relying on a dual economy with a thriving model in coastal and central parts, benefiting from a robust growth in services, tourism, construction and light manufacturing sectors. On the opposite, the northern mountainous region, is increasingly disconnected from growth drivers, and suffers from reduced investments, limited competitiveness, emigration and isolation. Montenegro is a net food importer and the deficit is widening. To reverse it, agriculture and rural development have been singled out as priority economic sectors for inclusive development.

Agricultural sector

6. Montenegro covers 13 812 square kilometers⁴. Agricultural land resources account for 38% of the territory with 256,000 ha, the largest share of which consisting of pasture and grassland. Rural population represents 33% of the population (209,000 people)⁵. Agricultural sector, along with forestry and fishing, represents around 6.8% of GDP (2017)⁶.
7. 69% of the population aged 20-64 is economically active, with an employment rate of 57%. Agriculture employs only 5.7% of the economic active population, but is the dominant activity of the rural population (60,000 households obtain their income partly or entirely from agriculture).
8. Farm sizes are small⁷ and very few farms specialize (80% of all agricultural holding being mixed). Less than 1‰ are registered as business entities. Small agricultural producers and processors are disadvantaged in terms of access to markets as they are often located away from well-maintained roads. Key challenges are better connectivity and productivity.
9. With EU accession⁸, Montenegro will have unhindered access to export to the world's largest market, where demand for especially high-value agricultural products (including organic

¹ <http://www.fao.org/faostat/en/#country/273>

² <https://data.worldbank.org/country/montenegro>

³ Separation from Serbia

⁴ <http://monstat.org/userfiles/file/publikacije/godisnjak%202018/1.gpregled.pdf>

⁵ <http://www.fao.org/faostat/en/#country/273>

⁶ According to the WB data (<https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=ME>)

⁷ Average of 4.6 ha, but with more than half under 1 ha. Often mixed : crop, poultry, pig, and cow.

⁸ Information on EU pre-accession assistance process is summarized in Appendix.

products) is soaring. On the other hand, accession will increase competitive pressures and require structural transformation.

Rural development

10. One of the main ambitions of the Economy Reform Programme 2019 - 2021 is to reduce rural – urban migration and migration from municipalities of the North to the Central and Coastal area, through increased competitiveness and by linking rural areas to better commercial opportunities. In the agricultural sector, governance has been comparatively robust, with consistent progress toward complying with the EU's Instrument for Pre-accession Assistance for Rural Development (IPARD) requirements.
11. The Strategy for the Development of the Agriculture and Rural Areas 2015-2020 particularly emphasizes the need to overcome widespread fragmentation, poor connectivity and increased climate vulnerability. A new law on cooperatives has recently been approved, providing improved corporate governance safeguards, and which will allow for the creation of new cooperative enterprises, and the transformation of the old cooperatives currently operating under the law for non-governmental organizations.

Poverty

12. Poverty rate is of 8.6% (2013)⁹, 9.7% of the rural population is living below the national poverty line, and the Gini coefficient (24.3 in 2010 against 26.2 in 2013) indicates a slight rise in inequality. Rural poverty is significantly higher than urban, the gap now being 23%. Poverty is concentrated in the northern mountainous region. Montenegro has limited under-nutrition and the rate of under 5 mortality is also low. But under-5 stunting has been rising from 8% (2005) to 9% (2013)¹⁰.
13. The vulnerable rural poor with an economic potential live in the mountainous areas. A key constraint to producers is the poor connectivity to input markets and outlets. Moreover they are often producing small quantities and with variable quality, limiting their attractiveness. For rural service providers (agro-tourism, trekking, etc.) cumbersome long transport routes diminish demand and hinder the development of a rural service sector, which however has strong potential. The lack of connectivity and scale of primary producers also limits their capacity to benefit from the growth.

Environment

14. Montenegro has one of the European's richest flora and fauna and diverse ecosystems. Hydropower is the most important energy resource. The climate is Mediterranean in the southern coastal region (warm and dry summers, mild and humid winters) and continental in the northern mountainous region (hot summers, severely cold and humid winters).
15. An increase in temperature of up to 1.3°C can be expected by 2030, while changes in precipitation regime will range from + 5% to - 20%. Annual rainfalls vary noticeably (July has 50mm precipitation and December has 235mm). Climate volatility is increasing generating both more floods and more droughts. If global emissions grow more intensely, it will lead to reduced flows and water resources scarcity. For agriculture, both droughts and stress on livestock would increase, whereas road infrastructure (especially gravel roads) would become more susceptible to extreme rainfalls.

II. Rationale and time frame

16. Montenegro became a Member of IFAD in 2015 and subsequently requested financing for a project that resulted in the launching of Rural Clusters Transformation Project (RCTP) in July

⁹ Minorities (Bosnians, Albanians and Roma) being particularly vulnerable.

¹⁰ Children in the poorest quintile are more than 10 times more likely to be stunted compared to peers in wealthiest quintile (IFPRI 2015).

2017 at a crucial time when the gap between the growing coastal/central region and the poor northern mountainous region was still widening.

17. EU/IPARD assistance focuses on investments in physical assets to modernize medium size agricultural holdings, while enabling the environment for rural development (particularly the development of rural infrastructure and the diversification of economic activities). In the Ministry of Agriculture and Rural Development's perspective (MARD), delaying rural development strategies could lead to further migration, and combining the EU priority measures with immediate support to rural development is necessary to make transformative investments, enhance shared prosperity, and reduce the poverty gap.
18. Therefore, in alignment with the MARD strategy and complementing the EU/IPARD assistance, IFAD is supporting the government's endeavor to reducing rural poverty through accelerated inclusive rural economic growth. The previous CSN 2015-2018 had been extended to 2019 to be in a position to draw learnings from RCTP implementation. This new CSN has been prepared instead of a COSOP as there is currently no PBAS allocation for the coming period.
19. This CSN will provide directions for assisting Montenegro in the coming two years covering RCTP implementation (i) to invigorate rural growth in the mountainous and adjacent areas, and (ii) to transform rural economies into a more inclusive and vibrant sector away from economic exclusion.
20. The Fund will focus on the key challenges of better connectivity and higher productivity by (i) fostering the graduation of micro and small agricultural holdings from the current non-viable subsistence-type agriculture toward semi-commercial and commercial agriculture, through investments in pro-poor rural infrastructure, (ii) promoting the aggregation of smallholders within inclusive value chain clusters and (iii) supporting the proactive role of municipalities to deploy investment to promote inclusion for entire sectors of the rural population.

III. Strategic objectives

21. IFAD's overall objective will be to continue to improve the economic and climatic resilience of poor rural communities in selected northern mountainous areas¹¹. IFAD, through RCTP, is in a respected and unique favourable position (i) to effect transformative knowledge brokering focused on territory rural clusters and leveraging additional finance, and (ii) to respond to increased demand for various policy implementation tools, particularly from municipalities, while accelerating harmonization and alignment efforts with on-going commitments.
22. The strategic objectives (SO) are comforted:
 - (i) to broaden in the short term the evidence base on drivers for shared rural prosperity and how these can best be supported at individual and communal levels; and
 - (ii) in the medium term (within 24 months), through two interconnected objectives, to contribute to transforming the rural economy into a dynamic sector, based on more competitive farms, and efficient market driven multi-stakeholders set-up (platforms, associations) connected to the food processing industry in the selected value chains (dairy products, meat, berries).
23. **SO1: improving climate resilience of the rural sector.** In mountain areas, climate resilience and market access appeared to be closely linked, since rural infrastructure has become critically vulnerable due to accelerating climate change. Rural roads are increasingly susceptible to extreme rainfalls rendering them hard-to-impossible to use. Secondly, with increases in temperatures and heat waves, water supply is becoming more critical especially with the development of livestock keeping. In the meantime, it is rather difficult for municipalities to mobilise their budget to support interventions in remote rural areas. Climate resilient rural

¹¹ RCTP focuses on the seven following municipalities located in the northern part of the country: Berane, Bijelo Polje, Mojkovac, Nikšić, Petnjica, Šavnik, Žabljak

infrastructure will continue to be a key and immediate priority, while other climate resilient measures¹² will also be promoted. The expected outcome will be that farmers are more climate resilient in terms of having infrastructure that is adapted to more extreme weather events.

24. **SO2: promoting inclusive and competitive value chains** that can integrate poor smallholders in mainstreamed value chains markets with rapid incomes and higher profitability. Increasing the productivity of key value chains (dairy, meat, berries), especially in the most remote areas, directly impact on the vitality of rural economy. IFAD will assist the Government in overcoming structural barriers to inclusive rural transformation that relate to increasing production in quality and quantity, through forming more competitive producer/processor commercial linkages upscaling the first outcomes to broader areas within the same municipalities and across municipalities in the northern region¹³. The expected outcome is to allow more poor farmers to transform into productive and profitable registered farms linked with rural processors and service providers, and eligible to other MARD and government programmes¹⁴.

IV. Planned IFAD engagement

25. IFAD started its first development engagement in 2017 through the investment project “Rural Connectivity and Transformation Project (RCTP)” that was expected to deliver on the ambition of creating resilient employment opportunities in deprived rural areas.
26. RCTP costs amount to USD 15 million, of which an IFAD loan of USD 3 million¹⁵ and an Adaptation for Smallholder Agriculture Programme grant of USD 2 million. ASAP funding is needed to address imbalances exacerbated by climate change, as the poorest mountainous areas will suffer disproportionately from accelerating weather events¹⁶. Government, municipalities and beneficiaries contribute with approximately USD 10 million in co-financing.
27. RCTP will be thoroughly assessed in 2020 during the mid-term review and will be completed in 2023. However after two and a half years of implementation and two supervision missions, RCTP proved to be the right vehicle to tackle the two interrelated outcomes; (i) creating climate resilient connectivity through rural infrastructure upgrading and, (ii) reducing fragmentation and promoting transformative diversification and commercialization.
28. Montenegro has not been primarily selected in the IFAD 11 cycle. However, on the basis of the results achieved by RCTP, the Montenegrin Government has expressed its willingness to access to more funds from IFAD in order to upscale RCTP or to design a second phase of the project.
29. Montenegro could also be eligible to Reimbursable Technical Assistance (RTA). The opportunity to mobilize such a TA will be assessed with the Montenegrin Government.
30. **Lessons learnt.** IFAD still has a short country experience (less than 3 years), however learning from this period are key to continue to provide a conducive context to RCTP implementation. The main lessons learnt are presented below.
31. **Smallholder revenues:** small grants provided by component 1 (window 1 and 2) have a huge impact on small farmers gross incomes due to increased production capacities and better selling prices through guaranteed outlets within rural clusters;

¹² Fertility management, Conservation agriculture, drip-irrigation, drought resistant crops, etc.

¹³ Association of Montenegrin Municipalities expressed its willingness to enhance such process amongst its members

¹⁴ E.g. Youth grants by MARD, investment grants by MIDAS/IPARD

¹⁵ 2016-2018 allocation, ordinary terms.

¹⁶ ASAP funding is used (i) to support the incremental cost for climate proofing rural infrastructure, and (ii) to contribute to the “National Climate Change Strategy by 2030”. Also, Montenegro having very low adaptation capacity, ASAP funding will help identifying capacity development priorities.

32. **Upgrading:** small farmers benefiting from RCTP support can then access other grant mechanisms (IPARD, Agro-budget, MIDAS...) and achieve an effective social and economic mobility / graduation;
33. **Inclusion in VCs:** rural clusters identified sectors of investment with private sector that could rapidly benefit most producers providing them with a secured outlet: milk-collecting centres, meat processing plant, cold storage facilities. Experience shows that most opportunities for smallholders lie in developing linkages with existing processing holders present in the municipalities with well-focused investments, both in terms of economic infrastructure and socio-economic skills facilitation.
34. **Institutional capacities of the MARD:** support is still necessary to ensure adequate targeting, to upscale the robust monitoring system put in place by RCTP, helping to monitor both disbursement and physical progress, at central and municipal levels. Thanks to its recognized outcomes, RCTP will also carefully look at the way to enhance a smooth cooperation and coordination between line ministries to avert implementation bottlenecks¹⁷.
35. **Targeting and gender inclusion:** a targeting differentiated approach is needed for gender equality and funding, according to the poverty level of the direct beneficiaries, and that such an approach requires a robust understanding of the characteristics of the poor, particularly the women, and of how they can benefit from a project.
36. Achievement of gender equality being constrained by socio-cultural stereotypes, IFAD will (i) draw on UNDP's experience which has been championing the gender and youth cause in Montenegro, and (ii) leverage knowledge of the Ministries of Labour and Social Welfare, and of Minorities and Human Rights¹⁸.
37. **Partnerships.** RCTP is well anchored in the national context and, apart from the implementing MARD (particularly the Directorate for Rural Development), 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
38. IFAD intends also to continue to engage (i) with the WB and the EU, drawing on their expertise in establishing concrete project modalities, in synergy with the MARD based MIDAS project; (ii) with UN agencies and particularly FAO in supporting Raspberry value-chain and agri-tourism activities; collaboration with UNDP will also be promoted to improve adaptation to climate change.

¹⁷Ministry of Sport and Youth-Direction of Youth, Ministry of Minorities and Human Rights-Direction of Gender equality; Uion of Association of Municipalities of Montenegro, showed a clear interest to become more involved.

¹⁸ Which host the Department for Gender Equality

V. Risk management framework

<i>Risks</i>	<i>Risk rating</i>	<i>Mitigation measures</i>
Political/governance	L	IFAD will support on-going efforts, both at central and municipality levels to improve governance (capacity development on procurement, close supervision of beneficiary selection, etc.), aligned with an updated project implementation manual
Macroeconomic Competition due to EU accession and from the neighboring countries on specific products	M	RCTP will continue supporting the profitability of the VC through clusters, and developing partnerships with neighbouring countries to insure the marketing of the products from the supported value-chains (particularly the Raspberry VC)
Sector strategies and policies Lack of experience of supporting farmers in market led activities	L	RCTP will ensure that business plans are prepared in a participatory manner, involving in particular the smallholder farmers at individual and possibly collective levels
Institutional capacity Limited institutional memory to guide a cooperation project at MARD level	L	IFAD will continue to organise joint support/supervision missions, with close interaction with Government, providing strategic, technical and fiduciary directions for engagement and full transparency on requirements and procedures
Portfolio	L	Only one project with excellent ratings
Fiduciary Financial management Procurement	M	IFAD will continue its efforts, both at central and local levels to improve fiduciary aspects and procurement through capacity building and close follow-up
Environment and climate Environmental and climate risk associated with extreme heat waves, droughts and heavy rainfalls and snowfalls	M	IFAD through ASAP will work on (i) awareness creation and (ii) investments mitigating this risk (in the first instance through more climate resilient infrastructure, but other measures will also be utilised),(iii) collaborating in synergy with other UN agencies.
Social Risk of neglecting the rural women or increasing their workload	M	Preparation of a Gender action plan and retain a gender focal point in the PCU to ensure implementation of gender transformative activities
Overall	L	

Appendix 1:

Previous Country strategy note completion review

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Abbreviations and acronyms

ASAP	Adaptation for Smallholder Agriculture Programme
BSF	Business Skill Facilitator(s)
EU	European Union
GoM	Government of Montenegro
IFAD	International Fund for Agricultural Development
IPARD	Instrument for Pre-accession Assistance for Rural Development
KM	Knowledge Management
M&E	Monitoring and Evaluation
MARD	Ministry of Agriculture and Rural Development
MHMR	Ministry for Human and Minority Rights
MIC	Middle Income Country
MIDAS	Montenegro Institutional Development and Agriculture Strengthening
NGOs	Non-Governmental Organizations
PCU	Project Coordination Unit
RCTP	Rural Clustering and Transformation Project
SME	Small and Medium Enterprises
UNIDO	United Nations Industrial Development Organization
US\$	United States Dollar
VAT	Value-added Tax
VC	Value-chain
WB	World Bank

Map of IFAD-funded operations in the country



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Map compiled by IFAD | 05-12-2019

MONTENEGRO

CSN completion review

I. Introduction

1. Montenegro became a Member of IFAD in 2015 and subsequently, in alignment with the MARD strategy and complementing the EU/IPARD assistance, a CSN was prepared to support the government's endeavor to reducing rural poverty through accelerated inclusive rural economic growth.
2. The CSN overall objective is to improve the economic and climatic resilience of poor rural communities in northern mountainous areas. The strategic objectives (SO) are: (i) in the short term, to broaden the evidence base on drivers for shared rural prosperity and how these can best be supported; and (ii) in the medium term (within 24 months), through two interconnected objectives, to contribute to transforming the rural economy into a dynamic sector, based on competitive farms, and efficient producer associations.
3. The Government requested then a financing for a project that resulted in the launching of Rural Clusters Transformation Project (RCTP) in July 2017 at a crucial time when the gap between the growing coastal/central region and the poor northern mountainous region is still widening.
4. The project total cost if of US\$ 14.48 million (including an IFAD loan of EUR 3,9 million and ASAP grant of EUR 1,9 million). 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.
5. The 2016-2018 CSN first period was extended to December 2019 to be in a position to draw learnings from RCTP implementation. Therefore the review of the CSN is mainly based on RCTP last supervision mission implemented in October 2019.

II. Relevance

6. 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.
7. 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.
8. Overall, the Project is 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.

III. Effectiveness

9. RCTP has two components: I - value chain clustering for resilient rural transformation and II - cluster supportive rural infrastructure.
10. **Component 1** adopts an inclusive VC clustering approach driven by the primary actors. 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 affect 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...).

11. 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 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.
12. Training was provided by agro-business centres and business support facilitators (BSFs) for each applicant to build her/his business plan. However, it is recommended that such support should go beyond theoretical business plan elaboration towards accompanying the economic actors with strategic advices.
13. The role played by the raspberry producers organisation within their cluster is impressive. 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 rural clusters are 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 more emphasis is to be put on the measurement of the economical role of each actor, in order to provide the basis for a more in-depth analysis to ensure the economic sustainability of the models and the potentialities for up scaling.
14. 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).
15. 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).
16. 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 RCTP objective is to support 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, it was recommended:
 - 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;
 - to continue the collaboration with FAO (more particularly in the raspberry value chain through capacity building and study tours).
17. **Component 2:** The objective of Component 2 is to support rural clusters with supportive rural infrastructure, mostly roads and water supply systems.
18. 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 (20% of the total cost).

19. 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.
20. 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), Therefore: (i) regarding water infrastructures, mid-term objective is overpassed (26 representing 236% of the target) and the final objective for water infrastructure will be reached in 2020; (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.

IV. Policy engagement

21. RCTP, itself constituted by a team of young pro-active professionals, made a difference to integrate left-out vulnerable people particularly youth and women with very low incomes and push them in the mainstream rural economy towards earning more decent incomes. This move has been highly appreciated by the relevant ministries but, with a better documentation and communication strategy, this could be better acknowledged since such achievements are fully aligned on these ministries respective strategies.
22. 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.
23. It was suggested that a reflection is to be launched within the Union of Municipalities to earmark the key learnings based on 2 years of successful implementation and how these tools could be used in other municipalities: public calls, interaction with rural clusters as a participatory democracy process enhancing empowerment and ownership particularly in remote and vulnerable areas. Such reflection will provide a basis for upscaling, both within the current municipalities and within other municipalities, the reach out process targeting socially and geographically remote parts of the population in an inclusive way keeping in mind their economic inclusion.

V. Knowledge Management

24. 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).
25. Since 2019 has been a very prolific year in terms of implementation as recorded by the M&E system, it is the right time 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 prepared in parallel with the economic assessment to be done within each rural cluster.

VI. Strategic partnerships

26. RCTP benefitted from the technical collaboration with FAO programme in Montenegro though 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 (UNDP) and youth participation (“Let our village come alive again” supported by a national NGO).

27. IFAD intends to continue to engage (i) with the WB and the EU, drawing on their expertise in establishing concrete project modalities, in synergy with the MARD based MIDAS project; (ii) with UN agencies and particularly FAO in supporting Raspberry value-chain and agri-tourism activities; collaboration with UNDP will also be promoted to improve adaptation to climate change (iv) with municipalities for rural infrastructure (contributing to up to 20% of the budget).

VII. Lessons learned and recommendations

28. IFAD has a short country experience, and learning from this period are key to continue to provide a conducive context to RCTP implementation. However, outstanding outcomes can be already identified:
- Smallholder revenues: grants provided by component 1 (window 1 and 2) have a huge impact on small farmers gross incomes due to increased production capacities and better prices;
 - Upgrading: small farmers benefiting from RCTP support can then access other grant mechanisms (IPARD, Agro-budget, MIDAS...) and achieve an effective social and economic mobility / graduation;
 - Inclusion in VCs: rural clusters identified sectors of investment with private sector that could rapidly benefit most producers providing them with a secured outlet: milk-collecting centres, meat-processing plant, cold storage facilities.
29. Experience shows that most opportunities for smallholders lie in developing linkages with existing processing holders present in the municipalities with well-focused investments, both in terms of economic infrastructure and socio-economic skills facilitation.
30. In terms of institutional capacities of the MARD, support is still necessary to ensure adequate targeting, to upscale the robust monitoring system put in place by RCTP, helping to monitor both disbursement and physical progress, at central and a municipal levels. Thanks to its recognized outcomes, RCTP will also carefully look at the way to enhance a smooth cooperation and coordination between line ministries to avert implementation bottlenecks¹⁹.
31. There still are rooms of improvements:
- Even if efforts have been made to involve women and youth in rural clusters as RCTP beneficiaries, there is a need to focus on practices and investments aiming at reducing the workload for women and encourage discussions on greater gender equity in the distribution of work among household members and within the clusters with regards to decision making
 - To be more pro-active in proposing investments 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
 - To better accompany the clusters with economic analysis in order to define how to promote viable and sustainable investments
 - Knowledge management: to document the results achieved by the project from individual to collective levels.
32. In terms of targeting and gender inclusion, IFAD experience in the CEN region and in Montenegro, demonstrated that a targeting differentiated approach is needed for gender equality and funding, according to the poverty level of the direct beneficiaries, and that such an approach requires a robust understanding of the characteristics of the poor and of how these can and will benefit from a project. Finally, achievement of gender equality being constrained by socio-cultural stereotypes, RCTP should (i) draw on UNDP's experience which has been championing the

¹⁹Ministry of Sport and Youth-Direction of Youth, Ministry of Minorities and Human Rights-Direction of Gender equality; Union of Association of Municipalities of Montenegro, showed a clear interest to become more involved.

gender and youth cause in Montenegro, and (ii) leverage knowledge of the Ministries of Labour and Social Welfare, and of Minorities and Human Rights²⁰.

33. Key recommendations are as follow:

- Assess the economic impact of the rural clusters on the value chain actors, especially producers groups involving small-scale farmers, women and youth and the economic viability and sustainability of the market oriented investments.
- Assess the current climate smart practices particularly with regards to soil fertility management that could be upscaled through adapted support grants and identify other practices to be promoted - November 2019.
- Retain a gender focal point in the PCU to ensure that gender strategic plan is developed and implemented; January 2020

²⁰ Which host the Department for Gender Equality