

## Montenegro

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### Rural Clustering and Transformation Project

### Supervision Report

Mission Dates: 6-17 September 2021

Document Date: 19/10/2021

Project No. 2000001076

Report No. 5865-ME

Near East, North Africa and Europe Division  
Programme Management Department



## Abbreviations and Acronyms

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<b>ABC</b>	<b>Agribusiness center</b>
<b>AF</b>	<b>Adaptation Fund</b>
<b>ASAP</b>	<b>Adaptation for Smallholder Agriculture Programme</b>
<b>AWPB</b>	<b>Annual Work Plans and Budgets</b>
<b>BSF</b>	<b>Business Skill Facilitator(s)</b>
<b>CD</b>	<b>Country Director (IFAD)</b>
<b>COI</b>	<b>Core Outcome Indicator</b>
<b>CSN</b>	<b>Country Strategic Note</b>
<b>EC</b>	<b>European Commission</b>
<b>EIA</b>	<b>Environmental Impact Assessment</b>
<b>EIRR</b>	<b>Economic Internal Rate of Return</b>
<b>EU</b>	<b>European Union</b>
<b>GoM</b>	<b>Government of Montenegro</b>
<b>Ha</b>	<b>Hectare</b>
<b>HH</b>	<b>Household(s)</b>
<b>IDF</b>	<b>Investment Development Fund (Montenegro)</b>
<b>IFAD</b>	<b>International Fund for Agricultural Development</b>
<b>IPARD</b>	<b>Instrument for Pre-accession Assistance for Rural Development</b>
<b>KM</b>	<b>Knowledge Management</b>
<b>M&amp;E</b>	<b>Monitoring and Evaluation</b>
<b>MoARD</b>	<b>Ministry of Agriculture and Rural Development</b>
<b>MG</b>	<b>Matching grants</b>
<b>MHMR</b>	<b>Ministry for Human and Minority Rights</b>
<b>MIC</b>	<b>Middle Income Country</b>
<b>MIDAS</b>	<b>Montenegro Institutional Development and Agriculture Strengthening</b>
<b>MoAFWM</b>	<b>Ministry of Agriculture, Forestry and Water Management</b>
<b>MoE</b>	<b>Ministry of Ecology, Spatial Planning and Urbanism</b>
<b>MoF</b>	<b>Ministry of Finance</b>
<b>MONSTAT</b>	<b>Statistics Office of Montenegro</b>
<b>MSP</b>	<b>Multi-stakeholders platform</b>
<b>MSM</b>	<b>Multi-stakeholders meeting</b>
<b>NGOs</b>	<b>Non-Governmental Organizations</b>
<b>PCU</b>	<b>Project Coordination Unit</b>
<b>PFI</b>	<b>Participating financing institution</b>
<b>PIM</b>	<b>Project Implementation Manual</b>
<b>PAI</b>	<b>Private sector Advisory and Implementation unit (IFAD)</b>
<b>PP</b>	<b>Procurement Plan</b>
<b>PSC</b>	<b>Programme Steering Committee</b>
<b>RCTP</b>	<b>Rural Clustering and Transformation Project</b>
<b>SH</b>	<b>Smallholder</b>
<b>SME</b>	<b>Small and Medium Enterprises</b>
<b>UOM</b>	<b>Union of Municipalities of Montenegro</b>
<b>US\$</b>	<b>United States Dollar</b>
<b>VAT</b>	<b>Value-added Tax</b>

<b>VC</b>	<b>Value chain</b>
<b>VCS</b>	<b>Value chains specialist</b>
<b>VCF</b>	<b>Value chain fund</b>
<b>WB</b>	<b>The World Bank</b>

## A. Project Overview

Region:	Near East, North Africa and Europe Division	Project at Risk Status:	Not at risk
Country:	Montenegro	Environmental and Social Category:	Moderate
Project Name:	Rural Clustering and Transformation Project	Climate Risk Classification:	Moderate
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:			
Project Area:	not available yet		

Approval Date:	06/04/2017	Last audit receipt:	06/04/2021
Signing Date:	12/05/2017	Date of Last SIS Mission:	17/09/2021
Entry into Force Date:	12/05/2017	Number of SIS Missions:	5
Available for Disbursement Date:	18/09/2017	Number of extensions:	0
First Disbursement Date:	20/09/2017	Effectiveness lag:	1 month
MTR Date:	07/09/2020		
Original Completion Date:	30/06/2023		
Current Completion Date:	30/06/2023		
Financial Closure:	not available yet		

## Project total financing

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

## Current Mission

Mission Dates:	6-17 September 2021
Days in the field:	Remote modalities.
Mission composition:	Philippe Remy, Antonio Rota, Philippe Jonckheere, Renaud Colmant, Carlo Spinello, Thierry Lassalle, Marion Triquet, Ermina Mulahusic, Marion Triquet, Alessandra Pani

Field sites visited:

## B. Overall Assessment

Key SIS Indicator #1	∅	Rating	Key SIS Indicator #2	∅	Rating
Likelihood of Achieving the Development Objective		4.96	Assessment of the Overall Implementation Performance		5.33

Effectiveness and Developmental Focus		5	Project Management		5
Effectiveness		5	Quality of Project Management		6
Targeting and Outreach		5	Knowledge Management		5
Gender equality & women's participation		5	Value for Money		5
Agricultural Productivity		5	Coherence between AWPB and Implementation		4
Nutrition		N/A	Performance of M&E System		5
Adaptation to Climate Change		5	Social, Environment, and Climate Standards requirements		5

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

<b>Relevance</b>		<b>5</b>
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## C. Mission Objectives and Key Conclusions

### Background and Main Objective of the Mission

1. The Rural Clustering and Transformation Project (RCTP) was approved by the Executive Board on 6/04/2017 under the lapse of time procedure. The Financing Agreement was signed and became effective on 12/05/2017. The Project total cost if of US\$ 14.48 million. RCTP start up workshop was conducted in Nikšić during the period of 3-7/07/2017. The Project completion and financial closure are scheduled for 30/06/2023 and 31/12/2023 respectively. A first implementation support mission was organised in February 2018, a second one in October 2018, and a third one in September-October 2019. The MTR was conducted in September 2020. A set of recommendations was jointly proposed by IFAD missions and the Government of Montenegro.
2. The Montenegro Country Strategic Note (CSN) for the 2020-2022 period has been approved on 25 November 2019 and will be extended for a year to cover the end of the Project life.
3. **Background and main objective of the mission**[\[1\]](#)
4. Project development objective. The overall goal of the RCTP is to contribute to the transformation of smallholders' livelihoods in northern Montenegro, enabling them to become more competitive and resilient to climate change. The development objective is to increase the participation of poor smallholders in inclusive, profitable and environmentally sustainable VCs, and to enhance the benefits they derive from these.
5. **The objectives of the supervision mission** were to (i) review the implementation degree of the recommendations agreed during the 2020 mid-term review; (ii) measure the overall project performance at financial and technical levels; (iii) identify and discuss potential and emerging constraints for a quicker and more effective implementation of the project; and (iv) agree on a new set of solutions and improvements; (v) to assess potential exit strategies backed on RCTP lessons learnt.
6. Due to the COVID-19 pandemic and restrictions to travel, the mission was done remotely by the non-Montenegrin members of the team in direct contact with RCTP team who physically visited all sites. The mission was launched on 3 September 2021 by HE Minister Aleksandar Stijović, Ministry of Agriculture, Forestry and Water Management (MoAFWM). At his initiative, a high level meeting was held with HE Minister Ratko Mitrović, Ministry of Ecology, Spatial Planning and Urbanism (MoESPU) to assess the opportunity of using the Adaptation Fund in Montenegro to upscale the project. The mission visited the seven municipalities[\[2\]](#) of intervention and met the mayors, the ABC staff, selected RCTP supported clusters' members, particularly the private sector that has been accompanied by the Project. Some small producers (dairy, meat, potato seed, raspberry) were also directly visited in their farms.
7. An Aide-Memoire reflecting the main findings and recommendations of the mission was endorsed at a wrap-up meeting in Podgorica on 17 September 2021, chaired by the President of Project Steering Committee, Mr Zoran Irić. The Mission would like to express its high appreciation for the close cooperation and great efforts extended by the Montenegrin authorities at central and municipality levels, the RCTP team as well as beneficiaries.
8. [\[1\]](#) Mission composition as follows: from IFAD : Mr Philippe Rémy, Country Director, Near East, North Africa and Europe Division, IFAD; Mr. Antonio Rota, Project team Leader PMI/IFAD, Mr. Steven Jonckheere, Gender specialist ECG/IFAD, Mr Renaud Colmant, Climate change specialist, ECG/IFAD; Ms Alessandra Pani, Programme assistant in charge of knowledge management, NENA/IFAD ; Mr Thierry Lassalle, Technical Lead, Senior Economist, FAO Investment Center, Ms Ermina Mulahusić, Procurement Consultant, Mr Carlo Spinello, Finance Consultant; Ms Marion Triquet, M&E Consultant. From RCTP: Mr Igor Jovanović, Project Coordinator, Mr Milan Leković, ME Officer, Ms Ana Čabarkapa, Financial Officer, Ms Maja Vukašević, Procurement Officer; Mr Armin Spahić , Value Chain Officer (north-eastern municipalities), Mr Marko Žižić, Value Chain Officer (north-western municipalities); Ms Bojana Perunović, (Gender and Youth Specialist).
9. [\[2\]](#) Berane, Bijelo Polje, Mojkovac, Nikšić, Petnjica, Šavnik, Žabljak

### Key Mission Agreements and Conclusions

10. This virtual field-mission was a confirmation that RCTP is continuing on performing very well despite the COVID 19 pandemic and the institutional evolutions of the country. The mission confirms the high relevance of the project: RCTP is supporting small-scale producers that cannot benefit from other supports, as they do not comply with required asset levels. It is a very effective social and economic graduation process where the beneficiaries gain resources that provide them with access, in a second step, to other rural support programs available in Montenegro (IPARD, MIDAS).
11. By working on land and water management in mountainous areas, by promoting smart practices, and by rehabilitating rural roads for the most vulnerable people in remote areas, RCTP has proved its capacity to reduce vulnerability to climate change, especially during recurrent periods of drought and in wintertime. RCTP succeeds to promote economic diversification with a territorial continuity and a landscape approach fostering cohesion among stakeholders to increase their resilience to shocks (market, climate change, pandemics...).
12. RCTP demonstrated the feasibility of including the small-scale producers in clusters where they can participate and benefit from collective action. The 12 value-chain clusters supported by RCTP show more and more maturity and impact on their territories. The partnerships with the 7 municipalities are solid and constructive, the RCTP approach being now appropriated by these municipalities and considered as a model to reach the more marginalised rural people.
13. The role of the local private sector is critical in the functioning of the clusters, for example by providing access to markets or to processing units. Some private entities are able on their own to find financial resources to expand their activities when others

would need some facilities to access financial resources and to strengthen their role in contributing further to pro-poor value-chains. Access to micro-finance is also an issue for small farmers who want to invest in economic activities.

14. The mission noted that the project took advantage of the COVID period to focus on soft activities, and in particular in producing knowledge products. This is an excellent initiative to document the project achievement in order to share the project methodological approach and the concrete results achieved at field level. The mission recommendation is for RCTP to implement its knowledge management strategy, to reflect on how to increase the project exposure (through participations in national and international seminars or networks e.g) based on the produced documents. This will contribute to recognize RCTP innovative approach as a valid process at policy level.
15. The correlated recommendation is to build on these knowledge products to finalize the exit strategy and to elaborate a roadmap to design an Adaptation Fund project building on the lessons learnt by RCTP, after the finalisation of an endorsement letter to IFAD from the Montenegro Government, as discussed during the mission with the Minister of Agriculture, Forestry and Water Management and the Minister of Ecology, Spatial Planning and Urbanism.

Actions	Responsibility	Deadline	Status
<b>Adaptation FUND:</b> After the signature of the endorsement letter, to prepare a roadmap and start the preparation, in close partnership with the two ministries, of a concept note to be presented to the AF board;	Ministries - IFAD RCTP	October 2021	Agreed
<b>Financial support to local stakeholders:</b> to mobilise a Finance expert to assess the financial demands of the cluster members in the Value Chains supported by RCTP, to develop further their individual and joint activities, and to propose solutions to meet those demands;	PCU, RCTP	February 2022	Agreed
<b>Knowledge management:</b> to implement the Project knowledge strategy and, on the basis of the RCTP knowledge products prepared in 2020 and 2021, increase RCTP exposure to share and gain knowledge;	PCU	December 2021	Agreed
<b>Exit strategy:</b> to finalise the Project exit strategy, on the basis of the lessons learnt, of the various partnerships initiated by the Project including the new initiative to be developed with the Adaptation Fund.	PCU	June 2022	Agreed

16.

## D. Overview and Project Progress

17. The mission noted that the recommendations made during the MTR have been implemented at 96%. The only remaining recommendation dealt with the recruitment of an international consultant to assess the banking sector services to rural clientele. The mission, through discussions with RCTP stakeholders during the field visits, recognised that the need is still highly felt and suggested to recruit an international consultant with a profile adamant to ToRs.
18. 2021 has been characterised by the installation of a new administration following the 2020 legislative elections that led to a new Government and a profound institutional change. Due to this institutional change and the time needed for the new administration to take over, the national budget was approved late in the year (June 2021). As a consequence the RCTP activities depending on the national budget have been delayed. However, the Project was able to launch the public calls for components 1 and 2 in July (to be compared to February in 2020), and the 2021 list of beneficiaries are under review with an implementation planned in the following weeks. Some activities that will not be implemented in 2021 will have to be reported to next year, particularly for component 2 (water and road infrastructure).
19. RCTP had also to completely modify the Project Steering Committee (PSC) according to the new structures and the new persons in charge. The PSC is now fully operational and effectively pilots the Project activities.
20. Year 2021 has also been affected by the COVID19 pandemic with difficulties to organise gatherings with too many people, which also affected some of the training/facilitating activities that had to be postponed. However, as in 2020, the team was able to continue working at distance, diminishing the number of field missions to avoid putting at risk the project beneficiaries during the peak of the pandemic.
21. On 31/08/2021, the physical progress of the AWPB is assessed at only 15.5% (31% for component 1 and 0% for component 2, as the implementation of the Public Calls will take place in the 2<sup>nd</sup> part of the year). It is expected that at 31/12/21, the physical progress shall reach 60% (92% for component 1 and 26% for component 2). The financial progress reaches 19% of the total AWPB at 31/08/2021 and is estimated to reach 65% at 31/12/2021.



22. As a whole, at its fourth year of implementation out of six years, the positive trend observed in previous missions has been confirmed with an effective implementation reaching 20,365 beneficiaries (99% of final target). By the end of 2021, these numbers are expected to increase substantially with the rehabilitation of roads in the length of 9 kilometres, directly benefiting 3,000 people. Cumulative expenditures of IFAD Financing is expected to further increase from 64% (end August) to 71% by year end.
23. Component 1
24. Component 1 aims at facilitating value-chain clustering for resilient transformation. This component has been physically executed at 31% and financially at 12,26% at the date of 31 August. This low physical achievement rate is due to delays in launching the public calls as explained above. It is expected that by 31/12/2021, the physical achievement shall reach 92% once the public call is implemented.
25. Thanks to the Project facilitation activities in close collaboration with the Mayors and the Agro-Business Centres (ABC), 12 clusters (11 planned at design) 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...).
26. In terms of facilitation, all the AWPB activities were implemented confirming the very dynamic interface role played by rural clusters in collaboration with agribusiness centres officers. The mission noted that due to changes of administration, the agribusiness centres staff are now hired by their respective municipalities without impacting for the time being their roles and responsibilities. In spite of the pandemic, most clusters members reported a good development of their economic activities. All members from private sector who were met confirmed an increase of their activities with small-scale producers. RTCP was instrumental in strengthening the production capacity of the project beneficiaries met during the virtual field visits, improving the quality and safety of agricultural products and in upgrading storage and processing facilities according to international standards to the point that some farmers' organizations are now in talks with regional and EU companies to export these products.
27. The improved access due to rehabilitation of the last kilometre roads was particularly important (eg: for the 2 dairy centres in Niksic and Mojkovac, the abattoir in Zabljak and for berries collectors in Mojkovac and Bijelo Polje). Concrete business agreements were dealt between producers and private sector enterprises to ensure an outlet for their products paid at a fair negotiated price that reflected the price increase (raspberry prices). This resulted in the following: (i) selected Infrastructure to be built or rehabilitated were made on the concerned rural cluster demand and with its support; (ii) rural clusters were systematically consulted to identify needs for infrastructures with municipalities; (iii) rural clusters were actively involved to reach out producers especially during sensitization 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.
28. As usual, support and advice were provided by ABC and business support facilitators (BSFs) for each applicant to build her/his business plan under the guidance of the RCTP Value chains specialists (VCSs).
29. Public calls: a fourth grant announcement has been launched on 16/07/2021 for window 1 (primary production) and window 2 (post-production and post-harvest processes). 162 requests have been received and are currently reviewed. Out of them, (i) 159 (98%) relate to production – window I for a total amount of EUR 362,052 (in average EUR 2,277 per request) and 3 (2%) to post-production and post-harvest processes – window II for a total amount of EUR 41,250 (in average EUR 13,750 per request) (VAT included).
30. The rapid responses obtained, in spite of the late launch of the public calls, confirms the effectiveness of RCTP approach (early planning, simplified process, conditions aligned on other ministry supported programmes as IPARD/MIDAS) as reminded to the mission by the stakeholders met during the mission (beneficiaries, input suppliers, municipalities...). However, this number only represents a third of the 2020 applications. This situation is due the fact that many investments are seasonal (as potato seeds, harvesting equipment) and at the date of the call, were not anymore needed for the 2021 agricultural season. Moreover, in the current economically uncertain COVID19 context, many small-scale producers refrained from investing before winter season preferring to wait for the 2022 coming call.
31. Keeping in mind that one of the RCTP objective is to have supported 800 grant recipients by the end of the Project (2023), the final target has been reached by 73% in 2020 and by 31/12/2021, once the selection of applicants will be completed, it is expected to have reached 704 recipients (88% of the final target). The mission also appreciated how investments focused at reducing the workload for women and encouraging young returnees from urban areas.
32. Component 2
33. The objective is to support rural clusters with supportive rural infrastructure, mostly roads and water supply systems. The execution of this component has not technically started. This situation is regular as, like every year, the works are done in the second half of the year. However compared to 2020, there is a delay due to the late public call and the realisation of the infrastructure will depend on the weather conditions during the last months of the year. The works that will not be done in 2021 will have to be executed in 2022. It is estimated that 53% of the road will be completed by 31/12/2021 but the time will be too short for new water infrastructure. In terms of financial execution for component 2, 48% is expected to be spent (52% for roads and 32% for water investment<sup>[1]</sup>).
34. RCTP now reached an efficient and effective fully operational stage confirming the trend triggered in 2020. Regarding water infrastructures, 42 water supply systems and rain harvesting structures have been constructed or rehabilitated out of 50 since project start, accounting for 84% of the final target; regarding roads, 78km of "last km" roads have been rehabilitated or

constructed (65% of final target), taking into account that after fund reallocation, the final objective has been increased from 90 to 120 km, addressing the very high demand from municipalities and the direct impact on remote vulnerable producers for the highly perishable commodities (fresh milk, fresh raspberry) as witnessed during the mission. Weather conditions permitting, the project plans to reach 87km by the end of the year, accounting for 73% of its target.

35. Regarding ASAP supportive activities, a key aim of the project is to reduce the vulnerability of the rural poor to climatic risks. The project benefits from IFAD/ASAP fund to support Climate Change adaptation and to ensure a rational and sustainable use of available natural resources. ASAP financing has been mobilized and is being invested to ensure climate adaptation and resilience of both infrastructures and livelihood strategies of rural poor. ASAP funding provides economic incentives in the form of grants for farmers and VC actors, to acquire and demonstrate the use of climate-resilient equipment and technologies.
36. So far, 2,626 people were supported in coping with the effects of climate change representing 131% of the final target (2,000 people), 1,224 households have now improved their access to water and 42 production and processing facilities (102% of the final target).
37. Due to COVID19, the budget for “Sector Development Facility” could not be used to establish pilots on composting/vermicomposting (2) and other possible requests from the clusters (new collecting centres, etc.). The ASAP fund allocated to hire an international expert on vermicomposting and improved composting has not yet been materialised. To proceed rapidly on composting, it is recommended that PCU recruit a local consultant.
38. Project implementation and PCU (Component 3)
39. The component has been financially executed at 49,59% at 31/08/2021 and should totally executed by 31/12/2021. Steering committee meetings have been organized as scheduled. Project implementation and management is detailed in the section “Project Management”.
40. [\[1\]](#) This amount represent a carry-over paid in 2021 from works done and physically accounted for in 2020 to construct a multiple use water supply. As well as feasibility studies for the planned construction of water ponds that will be constructed in 2022.

## E. Project implementation

### a. Development Effectiveness

#### Effectiveness and Developmental Focus

Effectiveness	Rating: 5	Previous rating: 5
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#### Justification of rating

41. Although the Project was slightly delayed this year, RCTP is still on track to meet its overall goal and development objectives. Most of the outputs and outcomes will be achieved and even surpassed by Project completion considering that targets have already been increased at mid-term. The Project has a huge impact on rural smallholders, lifting them up out of poverty and giving them access to support that they could not have had without the Project. Thanks to RCTP, 219 agricultural producers have been registered in the Ministry of Agriculture registration system out of which 59 women and 57 under-40 young producers. The support of the Project will allow them to be eligible for support of the ministry that is conditioned by owning a certain number of livestock or cultivated land.

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

42. Regarding outreach, the number of households members benefiting from the Project whose target has been increased from 16,000 to 20,600 at MTR is currently at 20,365 (99% of final target).
43. Regarding value chain clustering, grant recipients, whose target increased from 500 to 800 at MTR, are currently 584 (73% of final target) and will be 704 (88% of target) by the end of the year once the matching grant process will be finalized. These grants benefit to 2,270 people engaged in the production of berries, meat, dairy, or seed potato (76% of target) through 12 active economic clusters (11 planned). Thanks to RCTP, 0.9 million Euros were invested in the 4 value chains against an objective of 2 million Euros (45% of target) According to a mini-survey conducted in June 2021 on 100 beneficiaries, 80% of the supported rural enterprises report an increase in profit.
44. Regarding cluster supportive rural infrastructures, the Project meets its objectives with the construction or rehabilitation of 42 water harvesting structures and water supply systems (84% of the target) and 78 km of “last km” rural roads (65% of target). By the end of the year, the Project should be able to complete 87 km of roads (73% of the final target). These infrastructures benefit to 11,186 rural households.
45. The Project has an impact on reducing the effect of climate change through a better access to water for livestock during drought periods, and particularly this year to fight forest fires that are steadily increasing. The economic diversification and the increased cohesion between all the stakeholders induced by the cluster approach increase resilience to climate and economic shocks. The rehabilitation of rural roads in remote mountainous areas of the country improves the access land that are more suitable to climate-resilient production (i.e. seed potato); by improving access to basic services, they also reduce household vulnerability.
46. The results of the Project, assessed during the field visits, have one more time confirmed the relevance of the Project’s theory of

change, the infrastructures remaining the necessary pre-requisite for developing rural mountainous areas of Montenegro giving poor rural households access to basic services (water, health, education, markets), making these areas attractive again for young people wishing to invest in agriculture, livestock breeding or rural tourism. Discussions with municipalities, SMEs and smallholder producers showed clustering remained a key element in increasing trust among the different VC actors and that the territorial approach induced by the clusters was also crucial in creating sustained relationships at the local level.

## Development Focus

### Targeting and Outreach

Rating: 5

Previous rating: 5

#### Justification of rating

47. The Project is reaching out to its intended target groups, namely smallholder producers, but with a special focus on women, youth and semi-subsistence farmers. Currently, RCTP is reaching out to 20,365 people (99% of its end target of 20,600 people), out of which 7,797 are women (38% – with an end target of 30%) and 7,332 are young people (36% – with an end target of 30%). While in general the project is delivering on its targeting strategy and its gender and youth action plan, a number of activities have not been carried out due to COVID restrictions (such as exchange visits or strengthening networks of rural women and youth). Sex-, age- and poverty-disaggregated outreach data is being collected.

#### Main issues

48. The Project has a strong focus on youth inclusion. Young people represent 36% of the total beneficiaries (above the target of 30%), however they only represent 20% of the matching grant beneficiaries (below the target of 30%). They make up 32% of those receiving trainings by the Project. While the COVID pandemic and the late launch of the call for grant proposals have been a challenge, awareness raising efforts should be continued to target the youth. Their involvement is highest in the seed potato clusters and lowest in the berries clusters. Each municipality in which RCTP works has a youth action plan. However, these plans have little or no focus on rural youth. The Project has been liaising with the municipal youth focal points and will support them in the development of their new youth action plan (to be developed in the last quarter of 2021). This will allow to make sure the needs of rural youth are included in these plan. Special attention should also go to catering to the specific needs of young women.
49. RCTP targets semi subsistence farmers or poorer households below the threshold for subsidies from the Government of Montenegro and the European Union. They represent 11% of the project's matching grant beneficiaries, which is above the end target of seven percent. Their involvement in all project activities should be monitored systematically and their graduation out of poverty should be closely tracked.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
<b>Municipal Gender and Youth Action Plans</b> Engage with municipalities on the development of their Gender and Youth Action Plans.	Gender and Youth Specialist	12/2021

### Gender equality & women's participation

Rating: 5

Previous rating: 5

#### Justification of rating

50. In line with its gender action plan, RCTP is consistently addressing all three of IFAD's gender policy objectives (economic empowerment, voice and decision-making, equitable workloads). While women represent 38% of the total beneficiaries (above the target of 30%), they only represent 21% of the matching grant beneficiaries (below the target of 30%). Moreover, they only represent 13% of those that have received training by the project (below the target of 30%). While there are valid reasons for these low numbers, efforts should be continued to strengthen their involvement in these important activities.

#### Main issues

51. Besides expanding women's access to and control over fundamental assets, especially capital, knowledge and technologies, RCTP continues to strengthen women's agency and their decision-making role, e.g. by encouraging them to join producers' associations and cluster steering committees. In addition, RCTP continues to make efforts to reduce women's workload, e.g. through the construction of rural roads and water supply systems and supporting the purchase of milking and haymaking machines.
52. The low percentages of women trained and those benefiting from the matching grants scheme are reportedly influenced by the impact of the COVID pandemic measures (with schools closed and women needing to take care of the children) and the fact that men are often the official recipients of the grant support (although women are involved in implementing activities). Moreover, a number of activities foreseen in the Project's gender action plan were not carried out due to COVID restriction measures.
53. The Project has been successful in raising awareness on sensitive topics, such as gender-based violence. Its incidence has reportedly increased during the COVID pandemic. The topic has been included in workshops organised by the projects. Following the positive experience of other IFAD-supported projects (e.g. in Brazil), the Project could explore the possibility to also address issues of gender identity and sexual orientation, and LGBTQI+ rights. In this regard, RCTP could contact organisations in Podgorica and see if they have any activities in the Project area.
54. Two of the municipalities where RCTP works have a gender action plan. Similar to the work on the municipal youth action plans,

the project should support these two municipalities in their implementation and promote more attention to the needs and aspirations of rural women. Those municipalities without a gender action plan could be encouraged to develop one.

55. While RCTP's mid-term outcome survey does provide sex- and age-disaggregated data, a more in-depth gender and youth analysis was not included. As it is important to capture the positive changes that can be witnessed in the field, it is recommended that a specific analysis be carried out before completion of the project.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>LGBTQI+ rights</b> Liaise with national LGBTQI+ organisation to explore potential collaboration	Gender and Youth Specialist; M&E officer	12/2021
<b>Gender and youth assessment</b> Carry out a specific assessment to capture the Project's outcomes in terms of gender equality and youth inclusion	Gender and Youth Specialist; M&E officer	06/2022

**Agricultural Productivity** **Rating: 5** **Previous rating: 5**

#### Justification of rating

56. In the four earmarked commodities (raspberries, dairy products, meat and potatoe seed), RCTP continued to improve the agricultural productivity for small-scale producers through well targeted investment either with small mechanisation (milking machines, grass-cutting machines, soil milling machines, transport equipment) or 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, supply of high quality vegetative material – potato seeds, berry cuttings) with highly positive direct gains and very good rates of return when considering a 5 year investment co-financed by the beneficiary (on the basis of 50% of the VAT free value).

#### Main issues

57. All investments are systematically done on the basis of basic business plans designed with ABC staff support that showed how worth the investment is. The previous recommendations to better assess the actual transformation through simple measurements tools could not be deployed with MSPs as expected. The recommendation remain therefore valid if sanitary conditions authorises gatherings and meetings with MSPs members.
58. During discussions with dairy producers and processors in Mojkovac dairy cluster, the mission was informed that a plan for importing quality dairy cattle from Austria to be distributed to smallholder dairy farmers, including in the RCTP area, is being discussed in partnership with the dairy processing company « Monte Bianco ». While the mission sees this as an interesting opportunity to increase milk production in the Project area, lessons learnt from previous similar initiatives indicate that distributing high breed dairy cattle (such as Holstein Friesian dairy cattle) to smallholder producers in mountainous areas and with a limited availability of forage (especially in winter) may result in very disappointing results. On the contrary, mountain breeds, such as Simmental or Brown Swiss, are much more suitable to mountainous conditions (pastures..) and produce a high quality milk, which is very suitable for local cheese making. The mission suggests that RCTP and ABC technical experts provide technical advice to the concerned dairy MSPs on the kind of breeds which are better adapted to the mountainous conditions to ensure that the interests of mountain dairy producers farmers are taken into account.
59. In the case of potato seeds, it appeared that this particular value chain actually faces big sanitary challenges with unforeseen viral infections that directly declassify the harvest potatoes from seeds to ordinary table potatoes with a huge negative impact on the price paid. This makes this production highly risky especially for small scale producers who may not have the economic strength to support such backlash. The mission concurs with RCTP that this issue challenged the overall national policy regarding potato seed production. As suggested by RCTP, the mission supports and recommends the organisation of a national conference under the Ministry of Agriculture on this particular value chain that is crucial for the national potatoe seed autonomy but that goes beyond the capacities of the current RCTP beneficiaries and beyond the RCTP itself.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Diary cattle breed</b> To provide technical advice to the concerned dairy MSPs on the kind of breeds which are better adapted to the mountainous conditions.	RCTP and ABC	12/2021
<b>Potatoe seed value chain</b> To organise a national conference of potatoe seeds value chain under the MoAFWM.	MoAFMW - RCTP	02/2022

**Nutrition** **Rating: N/A** **Previous rating: 4**

#### Justification of rating

RCTP was not designed to be a nutrition-sensitive project and therefore no specific activities were designed to address nutrition

60. RCTP was not designed to be a nutrition-sensitive project and therefore no specific activities were designed to address nutrition. Nevertheless, RCTP potentially contributes to strengthening nutritional outcomes for beneficiaries through (i) increased income, (ii) increased production of milk and dairy products, (iii) improved access to markets (to purchase food), (iv) access to water, (v) safe food processing, (vi) women's empowerment.

<b>Adaptation to Climate Change</b>	<b>Rating: 5</b>	<b>Previous rating: 4</b>
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**Justification of rating**

61. Activities are climate adaptive and respond to the beneficiaries' needs. By working on land and water management in mountainous areas, by promoting smart practices, and by rehabilitating rural roads for the most vulnerable people in remote areas, RCTP has proved its capacity to reduce vulnerability to climate change, especially during recurrent periods of drought and in wintertime. RCTP succeeds to promote economic diversification with a territorial continuity and a landscape approach fostering cohesion among stakeholders to increase their resilience to shocks (market, climate change, pandemics...). During the mission it was agreed that the GoM prepares an endorsement letter asking IFAD to design a project to be presented to the Adaptation Fund, building on the lessons learnt by RCTP.

**Main issues**

62. Water storage and better soil health with the promotion of smart practices through grants are contributing in reducing vulnerability to climate change, especially during recurrent periods of drought but also fight forest fires (summer 2021) in places where it was not feasible before and protect natural habitats and productive lands. RCTP also promotes rural roads rehabilitation for the most vulnerable people in remote areas and gives access to land more adapted to production (e.g. seed potato), better access to market and reduced vulnerability to extreme climate shocks.
63. The component 1 activities rely upon open calls whose beneficiaries co-finance the investment, and adaptation to climate change was not considered as a direct outcome. Previous supervision recommended to better target and improve sensitization on climate adaptation practices and revise the eligibility list for matching grants. A list of eligible investments was adjusted for 2021 Public call. The project also initiated exchange visits between clusters, but limited due to COVID 19.
64. The previous mission recommended to allocate more budget to water ponds and rural roads, which was done, and to pilot climate-smart innovations. Pilots were postponed, due mainly to the COVID19 pandemic with difficulties to hire international experts and to organise gatherings with too many people. Therefore, to facilitate the implementation of the vermicompost pilots, the project will seek the competence of local experts instead of international ones.
65. During the mission, a high-level meeting with the Minister of Agriculture, Forestry and Water Management and the Minister of Ecology, Spatial Planning and Urbanism took place to discuss the opportunity of using the available funds of the Adaptation Fund in Montenegro. To continue the efforts made by IFAD and the GoM to build the climate resilience of small farmers in the mountain areas of Montenegro, it was agreed that the two Ministers prepare an endorsement letter asking IFAD to design a project to be presented to the Adaptation Fund, building on the lessons learnt by RCTP. The presentation prepared for the meeting is attached in Appendix 4. This pre-agreement between the GoM and IFAD demonstrates the potentiality of upscale the approach, showing the good will of the government to continue working with IFAD to respond to the objectives of their Nationally determined contributions (NDCs) that are at the heart of the Paris Agreement and to achieve these long-term goals.
66. Regarding the specific adaptation indicators the project has achieved more than expected, the ASAP1 indicator "Poor smallholder household members supported in coping with the effects of climate change" has reached 2,626 people, achieving 131% of initial objective, with more than 48% women beneficiaries of the total beneficiaries (1,267 women and 1,359 men). The ASAP3 indicator "Production and processing facilities supported with increased water availability and efficiency" reached at least 42 facilities, and therefore achieved 84% of its initial goal. The project constructed 42 water infrastructures. At the moment, the project is counting one processing facility for each water investment. More precise figures will be collected during the impact survey before completion and higher figure is expected. The ASAP4 indicator "Households supported with increased water availability or efficiency" reached 1224 households, corresponding to 102% achieved compared to initial objective. More information on the ASAP specific activities and results are presented in the Appendix 6.

**b. Sustainability and Scaling up**

<b>Institutions and Policy Engagement</b>	<b>Rating: 5</b>	<b>Previous rating: 5</b>
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**Justification of rating**

67. RCTP confirmed its strong anchorage in the national context beyond the implementing ministry (MoAFWM). Strengthened by its newly recruited gender and youth officer, RCTP developed interactions with key partner ministries (Ministry for human and minorities rights – department for Gender equality, Ministry of Sports – department of Youth). Synergies were built in municipalities with the Union of Municipalities of Montenegro through the local actions groups (LAG) approach to develop agri-tourism. Thanks to its recognised achievements, RCTP also managed to initiate on-going high level discussions between the MoAFWM and the Ministry of Ecology to access the Adaptation fund opportunities.

**Main issues**

68. RCTP made use of the 2020-2022 country strategic for a broader involvement of various stakeholders and adequate opportunities to better value the lessons learnt.
69. It is noticeable that the efforts deployed by RCTP to effectively reach its targeted beneficiaries has been well appreciated by the

municipalities that had concrete challenges to reach their own remote rural areas constituencies. The setting of MSPs provided a social space for rural populations to interact with municipalities. Cluster MSPs are now recognised interfaces to identify and prioritize rural infrastructure investments. Municipalities also recognise how RCTP approaches managed to be economically inclusive, allowing small-scale producers excluded from other government programmes because of their low level of productive assets, to develop their production activities. Thanks to this graduation process, they ultimately manage to register as producers eligible to other public supports (Agro-business grants in particular for youth, IPARD, MIDAS...).

70. RCTP has gained an increased dimension through the implementation of its gender and youth action plan developing stronger relationships with the Ministry for human and minorities rights – department for Gender equality, and the Ministry of Sports – department of Youth. Both of them are developing actions plans at municipality level (respectively for Gender and Youth), and RCTP contribute further to the design and further implementation particularly with regards to the specificities of rural youth that were hardly taken into consideration in the existing municipal plans.

<b>Partnership-building</b>	<b>Rating: 5</b>	<b>Previous rating: 5</b>
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**Justification of rating**

71. In 2021, RCTP built on its broad range of partnerships to adapt and maintain its activities. Through strengthening MSPs, RCTP facilitated direct economic partnerships amongst all key stakeholders – particularly from the private sector - to ensure that semi-subsistence farmers left out from other programmes and access to private service delivery (input supplier, processors) are pulled out of the poverty through regular incomes that sustain their livelihoods. This inclusive integration in the value chains provided immediate incomes and a possibility for small-scale producers to transform and uplift their current economic status with the support of all other existing parties (ABCs, private sector companies, municipalities, other government programmes).

**Main issues**

72. The seven municipalities fully contribute to their expected share in cofinancing all infrastructure (26% of common infrastructure (rural roads, water infrastructures) and also covering the beneficiary share.
73. Interactions with the Union of Municipalities of Montenegro occurred through synergies that were developed with LAG supported by EU in the sector of rural tourism. RCTP and LAG approaches are very close and complementary with the involvement of all stakeholders towards a common goal. The mission met with UoM who confirmed their interest to develop LAG approach and particularly to focus on the way to provide a legal framework for multi stakeholders platforms such as LAG within a municipal context. RCTP with its current active MSPs provide genuine examples and cases to work with for such evolution in collaboration with UoM.
74. Consultations with other ministries as Ministry of Sports and Youth and Ministry of Human Rights and Minorities allowed to identify collaborative activities especially with regards to the adoption of local Gender and Youth action plans by the municipalities with a specific focus on rural youth.
75. Partnership with private sector developed with very tangible outputs that confirmed the trends observed at MTR. However, the envisaged prominent role of the private sector in the exit strategy still relies upon i) a vibrant production of quality products by small-scale farmers whose capacities has been uplifted through RCTP and who eventually can access other support programmes as IPARD or MIDAS and ii) a possibility for more small scale producers to access financial support from the banking sector, particularly those who have been attracted by the good results of the first batch of supported mountain producers, especially the youth who tend to come back in rural mountain areas to develop sustainable livelihoods. The mission recommends to organise a study of the current situation in Montenegro on the basis of ToRs that could value existing experiences in the region (Turkey).
76. Regarding Implementing Partners, ABCs, that are now fully financed by the municipalities, provided key support services to accompany rural producers: extension, training, action research, facilitating networking amongst the territorial clusters, assistance to small-scale producers to apply to RCTP specific calls targeting them (window 1 and 2).

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

77. RCTP’s target groups are empowered and their social capital is strengthened through cluster development processes. The multi-stakeholder cluster meetings create a space for engagement and dialogue, help to create trust and deepen networks among farmers and agri-businesses, share knowledge, address common issues, identify prospects for business opportunities between participants and also strengthen the value chain. The clusters, however, show different levels of maturity. Moreover, the project has supported smallholders by strengthening their business skills, but also by providing training on more technical issues.

**Main issues**

78. Though not encapsulated in an overall comprehensive plan, RCTP includes commitments to conduct target group engagement and feedback activities throughout its lifecycle and beneficiary participation remains central to its approach. Through cluster development processes, beneficiaries are fully involved in the planning and implementation of activities. Farmer diaries are part of the Project’s M&E system. While matching grants are provided under the first component, the municipalities are covering the beneficiaries’ contribution foreseen under the second component. A grievance redress mechanism has been developed and includes three levels: cluster, PMU and IFAD. The Project needs to make sure that all stakeholders are aware of how their grievances can be voiced and will be dealt with.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Grievance redress mechanism</b> Raise awareness about the grievance redress mechanism among beneficiaries and other stakeholders.	Gender and Youth Specialist	09/2022

**Quality of Project Target Group Engagement and Feedback** **Rating: 5** **Previous rating: 5**

**Justification of rating**

79. Beneficiary participation remains central to RCTP's approach. Through cluster development processes, beneficiaries are fully involved in the planning and implementation of project activities. Farmer diaries have also been introduced as part of the project's M&E system. The municipalities are covering the beneficiaries' contribution foreseen under the second component, as agreed during previous supervision missions.

**Main issues**

- 80. As it was not a requirement at the time of its design, RCTP does not have an overall comprehensive plan for Implementation of project target group engagement and feedback activities.
- 81. Nevertheless, 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, beneficiaries are fully involved.
- 82. RCTP organized MSM workshops which included a wide range of interested parties in creating common platforms (producers' representatives, suppliers, service providers, traders, representatives of banks, municipality, state, micro institutions and representatives of other sectors in the value chain).The basic role of the RCTP team is protection of semi-substance agricultural producers who had direct meetings arranged with other members of the value chain. Members of the RCTP team are always present at meetings, they help giving advice, making it clear to other participant in the VC that they are present primarily for the interest of semi-substance agricultural producers.

**Responsiveness of Service Providers** **Rating: 5** **Previous rating: 5**

**Justification of rating**

83. In 2021, service providers performed and delivered expected outputs in due time particularly with regards to soft activities that have been implemented since the release of the grants budget were delayed. On the basis of the RCTP experience, it is also expected that results from the public calls will be dealt with in the coming months as usual. However with regards to water infrastructure, the approved investment will be carried out in early 2022 due to winter constraints.

**Main issues**

- 84. The importance of ABCs to relay the RCTP empowering skills to beneficiaries is detrimental to the achievements of the Project. Their permanent involvement within the municipalities to whom they now entirely belong is to be acknowledged if the RCTP achievements are to be upscaled at the municipality level. Their accompanying role to build up the capacities of the small-scale producers and their associations and MSPs is a never ending task especially when new comers are attracted to develop their livelihoods in rural mountainous areas. The quality of the relationships established with ABCs staff allowed RCTP to effectively develop such linkages that can be translated into a growing number of applicants in window 1 public calls. It is to be noted that, beyond the open public sensitization meetings, RCTP staff, in obedience to the public code of procedures, do not directly interact with applicants before the selection process. ABCs staff involvement to assist small-scale producers and particularly the most vulnerable ones is particularly worth to note.

**Environment and Natural Resource Management** **Rating: 5** **Previous rating: 5**

**Justification of rating**

85. The promotion of good practices supported by the Project such as composting, collective pasture fertilization helps to decrease pollution from agriculture and increase farmers' capacity and knowledge. The component 1 activities contributed to decreasing the use of herbicides and other inputs and improving the sustainable management of permanent pastures (katouns) by the clusters. The component 2 has a considerable impact on beneficiary's life by improving water access and management and found a ready demand. All RCTP component 2 activities have systematically been preceded by a study assessing the environmental impact (water systems, rural roads), these documents were shared by the RCTP and verified by the mission.

**Main issues**

- 86. The previous mission recommended to improve manure and waste management by bringing to the fore practical initiatives and by piloting innovations. The vermicompost and compost pilots' implementation was delayed mainly due to COVID 19 and the difficulty to hire international experts. The Project will hire a local expert and has already identified farmers that are willing to lead the pilots in the communities.

87. The list of the eligible equipment under the component 1 activity on matching grant (window 1) was too restrictive and was revised following the recommendation of the previous mission. The activity will allow beneficiaries to apply for a broader list of equipment appropriate to respond to challenges such as water management, storage or waste management.
88. As presented above, the rural water supply encountered great demand and success in Montenegro. The activity benefitted from additional fund to respond to the demand on water harvesting and ponds (tanks) for vulnerable communities but the implementation was delayed because of the pandemic situation.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Vermicompost/compost pilots</b> Hire local expert to start the process	RCTP	12/2021

**Exit Strategy** **Rating: 4** **Previous rating: 4**

#### Justification of rating

89. RCTP has prepared a first draft of an Exit strategy which has to be strengthened and finalised. The high potential of Agriturism in Montenegro mountains constitutes an avenue to be further explored for RCTP exit strategy. The first discussions at high level to mobilise the Adaptation Fund represents a golden opportunity for RCTP to upscale its results and has to be confirmed in the short term. As the project completion is approaching, finalizing the exit strategy is becoming urgent.

#### Main issues

90. The mission particularly focused on the future prospects of the project, in order to extend its activities in the 7 municipalities where it is established, and extend them into new municipalities. The mission met many project beneficiaries, municipalities and private partners during zoom meetings, which provided an excellent opportunity to discuss with them the way forward.
91. It has established an efficient mechanism to extend matching grants (MGs) to smallholders not accessing other grant schemes and leveraged parallel similar support from municipality funds. This is to be further encouraged to ensure such target group could continue to receive support when the project ends. Cluster should update their plans and devise the way forward for the development of targeted value chains at local level.
92. In several municipalities, RCTP developed collaboration with rural development corporation SWG, an intergovernmental cooperation between South-eastern European states<sup>[1]</sup> particularly in linking agriculture and tourism. The high demand for water infrastructures has been identified as a priority intervention, particularly when the the increased visiting population puts pressure on water during summer time. Municipalities have been convinced that mountain agri-tourism provides a strategy exit with high potentials. Due to RCTP investment in infrastructure, there is rise of interest for rural tourism and for the first time, some municipalities created a budget line for the development of rural tourism. It may be done through rehabilitation of the rural houses to provide good quality accommodation and food. However, improving economic infrastructure with RCTP is still highly needed as most other partners do not pay due attention to common public economic infrastructure.
93. During a high-level meeting with the Minister of Agriculture, Forestry and Water Management and the Minister of Ecology, Spatial Planning and Urbanism to discuss the opportunity of using the available funds of the Adaptation Fund in Montenegro, to build the climate resilience of small farmers in the mountain areas, it was agreed that the two Ministers prepare an endorsement letter asking IFAD to design a project to be presented to the Adaptation Fund, building on the lessons learnt by RCTP.
94. As the project completion is approaching, finalizing the exit strategy is becoming urgent. The AF additional financing will influence the project exit strategy in contributing to strengthening the project achievements and sustainability.
95. <sup>[1]</sup><https://seerural.org>

**Potential for Scaling-up** **Rating: 5** **Previous rating: 5**

#### Justification of rating

96. RCTP achievements are fully recognised by all stakeholders who all concur to expand and upscale the obtained achievements. The RCTP cluster approach allows the combination of complementary private and public investments as identified by MSPs. Once the value chain is supplied thanks to strategic public investment, the private sector proved its capacities to provide viable outlets to the small scale producers. Support to activities increasing resilience to Climate change also showed how mountain small scale producers can better cope with challenges as market and water access, management of pastures as well as preventing/managing hazards as bush fires and local flood.

#### Main issues

97. The possibility to mobilise the Adaptation Fund for upscaling RCTP results in the mountainous region of Montenegro represents an excellent opportunity to expand the project geographically but also to increase the impact of the project in the seven already targeted municipalities.
98. The additional financing by the Adaptation fund would be utilized to build the climate resilience of small farmers in the mountain areas with a same focus on infrastructure on investments (roads and water) but further investments will be envisaged as renewable energies for example. The territorial approach linked to value-chain development, with a strong involvement from the



private sector. will be pursued based on RCTP lessons learnt.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Partnership with the financial sector</b> To analyse opportunities and bottlenecks for financial institutions to engage with private sector involved in the mountain agricultural sector	PC / Consultant / PAI-IFAD	12/2021

### c. Project Management

<b>Quality of Project Management</b>	<b>Rating: 6</b>	<b>Previous rating: 6</b>
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#### Justification of rating

99. The PCU confirmed its high professional level either through contracted or seconded members of staff, particularly in a difficult context due to the COVID pandemic and the political transition. The gender dimension is now mainstreamed in all the activities of the project, and M&E and KM are efficient to tools for planning and taking decisions.

#### Main issues

100. The Project coordinator has been instrumental to ensure a perfect and smooth transition with the in-coming administration particularly with the Ministry where the PCU is hosted with a high level of involvement of top executive in overseeing the Project progress.
101. This ensured a continuity with RCTP partners and beneficiaries to implement Project activities in spite of the delay due to the late adoption of the national budget. Such strategy has been characterized by (i) intensified remote assistance to beneficiaries and their association with the support of ABC staff; (ii) focusing on strengthening the “software” components of the project and the generation of knowledge products.
102. Even during the different of the COVID 19 pandemic, the project has been able to support its beneficiaries and to work with the project partners showing the level of proactivity of the PCU and its ability to resolve problems to guide implementation
103. An increasing reference to the use of M&E and KM as a decision tool for project management has been noted by the mission due to the preparation and the implementation of a KM strategy and a close follow-up of the project performance of the project through an effective M&E system.

<b>Knowledge Management</b>	<b>Rating: 5</b>	<b>Previous rating: 4</b>
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#### Justification of rating

104. Regarding knowledge management, the KM strategy was prepared and disclosed in April 2021. The project has developed a plan to implement the strategy and has started to produce high quality products (four minute videos, stories) with a strong gender component. On the basis of these knowledge products, the project must now increase its exposure to share and gain knowledge. Those KM products will be particularly critical in the design of the new AF project.

#### Main issues

105. Regarding the implementation of the knowledge management strategy, an internal KM committee was formed, made of five members (the Project coordinator, the M&E and KM officer, the Gender & Youth specialist and the two Value Chains specialists). This committee is key to systematically analyse and share lessons from implementation, supplemented with evidence from its M&E system as the M&E officer is also in charge of KM.
106. Institutional arrangements and technologies are more and more analysed and documented. The project has recruited a consultant to help prepare the KM products. Four KM products were produced in 2020 to present the methodology and the approaches of RCTP. The recommendation to complement those KM products with concrete examples from the field is being implemented.
107. The project has produced a four minute video on the dairy cluster with the municipality of Mojkovac<sup>[1]</sup>. This video film was disseminated through the main social media (both on Facebook and LinkedIn) and became fairly popular with a number of views, unfortunately impossible to count.
108. This video has proven to be a successful mean to raise the profile of both country and Project. The video will also be shown during the M&E workshop which will take place in Istanbul in October 2021. It represents the first of a series of new videos produced by the project staff, along with five new stories of beneficiaries which are, at the time of writing, being developed into brand new KM products to be published on the corporate website of the Minister of Agriculture.
109. Three out of these five new video are currently being adapted for broader dissemination on the social media. Two videos and

HOW MANY STORIES in particular show successful women stories in livestock, demonstrating the positive impact on their livelihoods, such as strengthening women position in the society, making them more financially independent and ultimately reducing their workload.

110. The project does not a specific website but is reporting to the Ministry of Agriculture website. A KM based dropbox was created which has proven to be a place where all knowledge as well as M&E data are collected and secured for post RCTP activities. This will be particularly critical during the design but also in the implementation of the new AF project.

111. [\[1\]https://www.ifad.org/en/web/latest/-/montenegro-milk-production?p\\_l\\_back\\_url=%2Ffr%2Fweb%2Flatest%2Fvideos](https://www.ifad.org/en/web/latest/-/montenegro-milk-production?p_l_back_url=%2Ffr%2Fweb%2Flatest%2Fvideos)

**Value for Money** **Rating: 5** **Previous rating: 5**

**Justification of rating**

112. In spite of delays subsequent to the late adoption of the national budget, the PCU is acting diligently to avoid unnecessary costs. Interviews with a few smallholders and processors during the mission confirm the validity of the MTR economic analysis in the different commodities showing that funded grants generate additional production and net income. Following an MTR recommendation a simple tracking system based on a sample of producers with the support of technical and business advisory services is under development and results should be available by next supervision mission. For each commodity, expenses and incomes are measured to calculate net income. The excellent results demonstrated during the MTR EFA are still valid. The full analysis of the Value for Money will be take place during the completion mission.

**Main issues**

113. The price of raspberries doubled compared to year 2020, increasing from EUR 1.5 to EUR 3.00/kg which makes this commodity even more attractive. Interviews with a processor and some producers have shown that the “last km” road investments supported by RCTP have a huge impact on raspberry quality that can reach the plant in perfect shape and allowing payment of full price for quality improvement. As the demand is high (export market), smallholders are planning to extend their production and newcomers to join as rehabilitated roads have opened new easily reachable potential plots whose quality of the production is ensured during transport.

114. Regarding the dairy sector, the cluster approach has resulted in the development of Milk Collecting Centres (MCCs) that have a huge impact on smallholder dairy producers, providing them with a fixed monthly revenue. Milk is much more valorised than producing cheese at home sold to neighbours or on local market. Municipalities are also supporting MCCs by giving extra premium on the milk they collect, generating an increasing number of smallholders willing to sell them their milk.

115. The mission revealed that seed potato VC was on the contrary much more difficult to integrate for smallholders due to the high risk linked to viral infection of the plants, very difficult to master even by experienced growers, let alone beginners... Although the prices seem very attractive, potato seed production requires a high level of experience: potato seeds are subject to viral infestation very difficult to control especially with unpredictable climatic conditions. Since there are strict sanitary and quality controls, the whole production may be declassified and down graded to table potato with a far lower price combined with a lower yield. The project will have to further balance the pros and cons for smallholders to invest in this high-risk production.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Tracking technical financial impacts of funded grants</b>  Define sample based on main types of funded activities/ develop manual income-expenses and technical performance recording tools / identify responsible staff / identify voluntary farmers /	PC/ VC/ M&E/ IFAD	12/2021

**Coherence between AWPB and Implementation** **Rating: 4** **Previous rating: 5**

**Justification of rating**

116. On 31/08/2021, the physical progress of the AWPB is assessed at only 15.5% (31% for component 1 and 0% for component 2 because the implementation of the Public Calls will take place in the 2nd part of the year). It is expected that at 31/12/21, the physical progress shall reach 60% (92% for component 1 and 26% for component 2). Even if the implementation has been less effective than previous years, those results can be considered as satisfactory in the 2021 context. Moreover, the current rate has been reached in less than 1.5 month of implementation. The financial progress reaches 19% of the total AWPB at 31/08/2021 and is estimated to reach 65% at 31/12/2021 with a global disbursement rated at 6. However, in view of the uneven performance across the components, the coherence between execution rate and implementation has been assessed as moderately satisfactory.

**AWPB Inputs and Outputs Review and Implementation Progress**

117. The execution of the budget, allocated by half on works and expenditure, is expected to take off in the last quarter of the year, as it was in the previous year. Same scenario is expected for expenditure planned under “Grant and subsidies” linked to the payment of matching grants. The public calls have been launched immediately after the national budget approval and the planned 120 microgrants payments are expected to be finalized by the end of the year. Regarding infrastructure, contracts are under signature with the building companies, but due to winter constraints, it is expected that only half of the roads will be finalized in 2021, while no water infrastructures will be built in 2021. The physical execution rate is expected to reach 92% for

component 1 and 26% for component 2 by the end of the year. However, COVID-19 pandemic might worsen working conditions as the country has been red-listed by EU on the 1st of September considering the increasing number of contaminations.

118. The AWPB is timely submitted to IFAD for NO and is used as a key management tool by the Project team. Clear articulations exist between budgeted activities and objectives set out in the logframe.

**Performance of M&E System** **Rating: 5** **Previous rating: 5**

**Justification of rating**

119. The M&E system provides adequate and accurate data on Project results. A database and logframe indicators are regularly updated. The Project submits in a timely manner progress reports every six months and mandatory documents for IFAD supervisions. Most MTR recommendations regarding M&E issues have been implemented. The 2020 outcome survey was done according to the M&E plan following the IFAD core outcome questionnaire. A service provider conducted the survey and a report was accordingly produced. As mentioned in the MTR report, some key outcome indicators could not be properly informed using the survey results, and upon a MTR recommendation, a rapid survey conducted in June 2021 randomly sampled 100 beneficiaries (90 producers and 10 SMEs) to provide the Project with missing data.

**M&E System Review**

120. The Project is in its fourth year of implementation and the objective of the M&E system has to shift from collecting information on outputs to grasping the effects of the Project on smallholder farmers, youth and women in particular (impact on household production, incomes, assets, access to market and basic infrastructures, trends in rural migration, etc.) and provide information on the other key actors of the Project such as the role of MSPs, SMEs (jobs created, involvement of smallholders in supplying production, etc.) and municipalities (RCTP co-financing approaches). By the next supervision mission, data will have to be collected to measure the increase of smallholder households' incomes and the value of marketed commodities by value chain.

121. It was also agreed during the mission to measure how many RCTP beneficiaries were now eligible for the Ministry of Agriculture, Forestry and Water Management support or benefiting from other type of supports hosted in the Ministry (such as IPARD or MIDAS) and/or taking loans from the banking system. The data regarding the decrease of rural poverty rates in supported municipalities compared to national rural poverty will be provided by MONSTAT survey that should be conducted in the forthcoming months.

122. The M&E specialist and the Project team have started collecting geo-referenced data mainly on the location of roads although data is still partially missing for approximately 15 road sections. This effort should be continued and extended to other Project activities namely water infrastructures, SDF investments, MG beneficiaries using the data that is already available in database such as the recipient address or investment location. These data will help the Project in producing maps or visual aids to show Project results at the cluster level to illustrate the territorial approach. It has been agreed that a training would be provided by IFAD to start using QGIS, an open-source software.

123. The mission recommends the preparation of a report detailing the methodology and the results of the rapid outcome survey. This report will be useful in view of the completion mission report. Finally, the Project progress reports should be fleshed out with a more narrative description of the Project implemented activities, bottlenecks and successes. The reports could also better articulate the link between AWPB activities and the Project expected results and include a presentation of the progress of the Project to reach its objectives.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Economic impact</b> Collect and analyse data to measure the increase of smallholder households' incomes and the value of marketed commodities by value chain	M&E unit	12/2021
<b>Rapid outcome survey</b> Prepare a report presenting the methodology and results	M&E unit	12/2021
<b>Progress reports</b> Improve the quality with more narrative on Project implementation and link AWPB activities with Project expected results	M&E unit	12/2021
<b>GIS</b> Inform geo-referenced data for water infrastructures, SDF investments and MG beneficiaries and complete missing data for road locations	M&E unit	06/2022

**Social, Environment, and Climate Standards requirements** **Rating: 5** **Previous rating: 5**

**Justification of rating**

124. The mission acknowledges the comparative advantage of IFAD in Montenegro, upgrading capacity of smallholders while reaching households than nobody reaches and allowing them to join the market and unite in clusters. As mentioned in the previous supervision mission reports, 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. During the MTR, the mission revised feasibility studies of roads and water infrastructures and recognizes that they respond to SECAP requirements. The selection process involving cluster members to reach the targeted beneficiaries, particularly women and youth, have resulted in a more inclusive basis but still lack of women representation.

### SECAP Review

125. The Project responds to the SECAP requirements on social and environmental aspects. As the previous supervision mission reported, it has been observed that the beneficiaries often chose 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 with less fatigue.

126. Building on the recommendations from previous supervision on climate smart practices, and supported through meetings with farmers and PCU, the revision of the list of eligible grants of Window 1, exchange between clusters (similar and complementary clusters) and manure and waste management pilots were implemented. The pilots were to rely on local knowledge and international expertise and would have included improved composting, vermicomposting and natural pasture, raspberry and seed potato fertility management. Due mainly to COVID 19 pandemic, the tender for international expertise was not successful and RCTP should now look for local experts.

127. Exchange visits were launched between clusters as recommended by the previous mission. The pilots will benefit similarly from exchange visits, this method being more adapted to the COVID-19 situation. Indeed, visits with smaller groups can be organized and distributed over a longer period of time. The production of improved compost and/or of vermicompost by farmers is not well spread in Montenegro and the Project has the opportunity to spread these good practices and participate in diversifying farmers' revenue while improving soils quality. This activity could be attractive to youth and innovative farmers.

128. It has been confirmed that Municipalities now have the legal obligation to develop a gender and a youth action plans. As reported in the gender section, this constitutes an important opportunity for RCTP to engage with the Municipalities, ensuring these plans pay due attention to rural women and youth and build on the Project's emerging lessons. The PCU included the SECAP and PIM's requirements within the feasibility studies of rural roads and water infrastructures. These studies are consistently composed of a SWOT analysis, an economic and financial analysis and of an analysis of sustainability of the investment and its conformity with all requirements.

129. The mission acknowledges the meaningful stakeholder engagement during Project implementation. Indeed, stakeholders are consulted from the very beginning in prioritizing infrastructure investments and their opinion constitutes the basis for the acceptance of the requests sent by municipalities. Their involvement is maintained through regular interactions between the territorial clusters and the municipalities and they, therefore, can express their eventual grievance/satisfaction directly with municipalities.

130. The Project could still improve its M&E system by developing a geographical information system of its activities that can be updated in a GIS software (e.g. QGIS). This kind of system could easily be put in place to better communicate RCTP achievements, improve visibility and more readily create synergies with other projects in Montenegro. IFAD has gathered the existing data available and created a draft GIS database but the data were not adapted. IFAD is going to organize an online training for the M&E team to ensure the good quality of the data.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Update the geo-referenced system of all RCTP activities</b> IFAD to put in place the Geographic Information System on the basis of RCTP geo-referenced data available. The PCU will continuously update the system as part of its M&E system.	PCU/IFAD ECG	12/2021
<b>Use of GIS in M&amp;E</b> IFAD to organize an online training on the use of GIS in M&E	IFAD	12/2021

## d. Financial Management & Execution

**Acceptable Disbursement Rate**

**Rating: 6.0**

**Previous rating: 6**

### Justification of rating

131. 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 31/08/2021, after 4,2 years of implementation, IFAD has disbursed 85% (vs 63% last year Aug 2020) of the total financing into the Borrower/Recipient's Designated Accounts (DAs). Disbursement rate is 80% for the IFAD Loan and 95% for the ASAP grant. The disbursement performance is highly satisfactory.

## Main issues

132. At project's level, RCTP expenditure rate of IFAD financing has satisfactorily reached 64% (compared to 43% at end August last year), 57% for the loan and 77% for the grant.
133. AWPB 2020 has closed in line with plans almost at full financial execution (90% for the IFAD financing). Current year budget implementation is slower (19% financial execution at end August) mainly due to the organizational changes at GoM that affected late approval of the National Budget (including RCTP as part of the Agri-envelope). Some uncertainty persists also for the Covid-19 scenario. It will not be possible to achieve full implementation of AWPB 2021, however activities under expenditure categories "Works" and "Grants" are expected to take off in the last part of the year and it is realistic to assume an overall 65% budget execution rate. Such delay does not represent a risk for the Project: cumulative expenditure is forecasted to increase above 70% by year end. Un-implemented activities will be postponed to next year and no delay is expected in the approval process of AWPB 2022.
134. There is adequate liquidity of EUR 1,2 million on the DAs that is enough to cover the residual budget for the period Sept-Dec (EUR 0,4 mln) and to secure smooth continuity of operations for the start of the new year. RCTP is recommended to update the Recovery Plan of DAs after the submission of next withdrawal application

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Update Recovery Plan of DAs</b>  Update Recovery Plan of DAs for the amounts advanced to the designated accounts, after next WA submission.	PMU	01/2022

## Fiduciary aspects

**Quality of Financial Management**

**Rating: 6**

**Previous rating: 5**

### Justification of rating

135. Project fiduciary inherent risk remains low. A solid Finance Team satisfactorily secures Financial management operations. The accounting systems/software allows adequate booking, effective reporting (including SOE generation) and linkages to procurement. 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 adequate to secure regular implementation. RCTP complied with all financial management actions agreed during past supervision as well as with observation from the Auditor's management letter. Auditor appointment for next year audit will be confirmed by October 2021.

## Main issues

136. Finance staff is seconded by the MoA. Following GoM organizational changes, the Finance Officer role is now covered by the former experienced Finance Assistant who proved efficient control and full command over systems (TOMPRO, SAP, ICP) and IFAD procedures. FO is further attending IFAD/APEX programme. The new Finance assistant has joined from MoA-Dept. of International Cooperation.
137. The budget process follows the timing/procedure of the national envelope being the Government Contribution to Comp 1 (grants) and 2 (works) part of it and, as a consequence, the complementary IFAD contribution is impacted. AWPB 2022 process it to be finalised by December (Steering Committee) for IFAD no-objection (on January).
138. The project accounting software is TOMPRO (cash/IPSAS). It is fully running and integrated with the TOMMACHE 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. 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.
139. All payments are done on the Treasury centralised platform (SAP system) from the Single Treasury Accounts where RCTP has an open position to spend the approved AWPB. Upon request of RCTP/MoA, IFAD funds are fast withdrawn by MOF-State Treasury from the DAs held at a commercial bank.
140. 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 authorised by the Minister of MARD. The approval process for payments is first done on paper documents (signatories) and then verified and executed in the SAP platform. As per the auditor's observation in the Management Letter FY 2019, a detailed report from SAP is made available to RCTP to confirm the execution of the payment requests. Supporting documentation for WA/SOE is readily available and complete. WAs are routed via ICP. This mission has satisfactorily verified a sample of expenditure items from WAs #6 for the IFAD Loan and WAs #5,#6 for the ASAP Grant. No cases of ineligible expenditure were found.
141. There is no use of cash for payments. There are no advance payments as IFAD contribution to Comp 1 (grants) and 2 (works) is cashed out only after evidence that counterparts have paid first their quotas. As per Auditor's past observation, the project maintains a formal document ("decision to suspend disbursement") to notify (and keep record of) those beneficiaries that have lost their eligibility to access grants scheme (for late provision of their contribution).

142. As the PMU fiduciary risk remains low and considering the limited capacity of the Internal Audit office at MoA, it is deemed not necessary to include RCTP in the scope of internal audit assessment for FY 2021.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Appoint the External Auditor for FY 2021 and 2022</b> In alignment to the existing contract and based on performance, confirm current audit firm for the external audit of FY 2021 and FY2022.	PMU	10/2021

**Quality and Timeliness of Audit** **Rating: 6** **Previous rating: 6**

**Justification of rating**

143. Separate opinions on FS and internal controls are provided through signed Audit report and Management. Submission to IFAD is done well before deadlines

**Main issues**

144. The audit opinion is unqualified.

145. 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.

146. The Project has submitted another version of Management letter with follow-up of previous year's recommendations.

**Counterparts Funds** **Rating: 6** **Previous rating: 5**

**Justification of rating**

147. Overall cumulative co-financing is timely provided (see Appendix 1, Tab 1A) and is rated highly satisfactory. Co-financing, both cash and in-kind (tax exemption), is recorded in the accounting system and reported in the Notes to the Audited Financial Statements. Cumulative contribution is 72% for GoM/cash, 124% for GoM/in-kind (taxes), 106% for Municipalities and 73% for Beneficiaries. Only SME co-financing (the smallest source) stands at 12% cumulative rate.

**Main issues**

148. 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 is to be noticed that the government contribution in the form of tax exemption is higher than initially estimated in the Project Design Report. This is due to the fact that at design stage the VAT rate for Component 1 was estimated a 0% compared to an average realistic rate of 15%.

**Compliance with Loan Covenants** **Rating: 5** **Previous rating: 5**

**Justification of rating**

149. There are no issues in terms of compliance with loan covenants as all the actions have been taken accordingly. The MTR has been organised as planned. The audits are received on time and the external auditor is already under recruitment for 2020.

**Procurement**

**Procurement** **Rating: 5** **Previous rating: 4**

**Justification of rating**

150. In general, procurement procedures have been carried out in line with procurement regulations and thresholds stipulated in the LTB and PPM. Recommendations of the previous supervision mission have been mostly implemented. Delays are experienced at the level of Procurement processing due to late submitting AWPB and PP but are manageable. The project is using NOTUS for getting IFAD's NO and are using ICP/CMT after getting training in July 2020. Processes, procedures and systems applied exhibit minor shortcomings that have no impact on project implementation and performance.

**Procurement Review**

151. Procurement evaluation was carried out on the basis of interviews with the procurement staff, review of procurement procedures and documentation and in accordance to the IFAD PM<sup>[1]</sup>. The mission reviewed 2020 and 2021 PPs, contract registers as well as

6 procurement activities covering various types of projects from Sept. 2020 until Sept. 2021. During this period the PCU has signed the contracts for a total amount of EUR 97,066.84.

152. **Procurement Planning Process (PP).** The PP follows IFADs template and received IFAD's NO through NOTUS on April 1st 2021. PP is updated with the "actuals" rows as well as one upgrade with IFAD's NO. The 2021 PP included 3 packages for works, 6 for consultancy and 9 for goods and non-consultancy assignments with total cost estimate EUR 1,431,751.35. Delays are experienced at the level of Procurement processing due to late submitting AWPB and PP. Only 4% of the total planned budget is committed so far out of which 2,15% of budgeted consulting services, 1,43% of goods and non-consulting services and 0% of works. Considering that over 90% of budget was planned for works it is recommended to expedite the procurement processes in order to complete all planned activities by the end of the year. Competitive method should be preferable method and it should be utilized over SSS whenever possible.
153. As of Nov. 1st 2020, all calls for grants applications need to be reflected in the PP. The Project is kindly requested to cover the grants in the PP to be prepared for 2022 as well as the recruitment of PCU Individual Consultants. Going forward the Project should continue using all current templates for grants including procedures related to beneficiaries' application screening and public calls.
154. **Processes and Procedures from Prequalification to Bidding.** The assessment of the procurement processes conducted for a sample of contracts and noted that the proper procurement methods were used for each activity based on the cost estimate applied and consistent with IFAD Procurement Guidelines and Handbook. The clause on "IFAD policy to preventing and responding to sexual harassment, sexual exploitation and abuse" and "Anti-Money Laundering and Countering the Financing of Terrorism Policy" should be a part of every bidding document and Contract as well.
155. **Processes and Procedures for Evaluation and Contract.** An award evaluation committee of at least 3 people is appointed for each procurement, including one member with the technical knowledge. There is evidence of signatures of evaluation committee in the pages that carry final recommendation and final scores. The Project sends a letter of intent to award the contract to the most successful bidder as well as a letter to all unsuccessful bidders, who are given ten days to challenge the award.
156. **Contract Management and Administration.** The procurement and financial management functions are separated. All signed contracts are entered in the Register of contracts and submitted to IFAD on monthly basis. Also, ongoing IFAD project contracts signed in 2020 and 2021 have been entered in the CMT tool. For procurement procedures that require NO from IFAD, the NOTUS was utilized. Payments are consistent and timely in accordance with contract provisions. IFAD prior review requirements are complied with. With reference to procurement Audit for 2020 it was noted that the duration of the contract and expected completion date were not clearly specified and consistent throughout the documentation.
157. **Record Retention.** All the needed documents were provided in scanned copies. Each procurement has its own separate folder where all procurement documents are kept properly. The procurement unit keeps the received bids secured after submission and throughout the procurement process.
158. Following the meetings with beneficiaries and municipalities mayors that were conducted remotely, it was confirmed that there is a common understanding regarding importance of procurement procedures.
159. The clause on "IFAD policy to preventing and responding to sexual harassment, sexual exploitation and abuse" and "Anti-Money Laundering and Countering the Financing of Terrorism Policy" should be a part of every bidding document and contract as well.
160. [\[1\]](#) Procurement Manual

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Procurement- timely implementation</b> Expedite the procurement processes in order to complete all planned activities by the end of the year.	PCU	12/2021
<b>Contracts</b> The duration of the contract and expected completion date needs to be clearly specified and consistent throughout the documentation.	PCU	12/2021
<b>PP and Contract Register</b> Include the PMU Consultants and the matching grants in the PP 2022 and the Contract Register (IFAD new regulations of 1 Nov. 2020).	PCU	12/2021

## e. Key SIS Indicators

Likelihood of Achieving the Development Objective

Rating: 4.96

Previous rating: 4.73

## F. Agreed Actions

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
<b>Development Effectiveness</b>		
<p><b>Municipal Gender and Youth Action Plans</b></p> <p>Engage with municipalities on the development of their Gender and Youth Action Plans.</p>	Gender and Youth Specialist	12/2021
<p><b>LGBTQI+ rights</b></p> <p>Liaise with national LGBTQI+ organisation to explore potential collaboration</p>	Gender and Youth Specialist; M&E officer	12/2021
<p><b>Diary cattle breed</b></p> <p>To provide technical advice to the concerned dairy MSPs on the kind of breeds which are better adapted to the mountainous conditions.</p>	RCTP and ABC	12/2021
<p><b>Potatoe seed value chain</b></p> <p>To organise a national conference of potatoe seeds value chain under the MoAFWM.</p>	MoAFMW - RCTP	02/2022
<p><b>Gender and youth assessment</b></p> <p>Carry out a specific assessment to capture the Project's outcomes in terms of gender equality and youth inclusion</p>	Gender and Youth Specialist; M&E officer	06/2022
<b>Sustainability and Scaling up</b>		
<p><b>Partnership with the financial sector</b></p> <p>To analyse opportunities and bottlenecks for financial institutions to engage with private sector involved in the mountain agricultural sector</p>	PC / Consultant / PAI-IFAD	12/2021
<p><b>Vermicompost/compost pilots</b></p> <p>Hire local expert to start the process</p>	RCTP	12/2021
<p><b>Grievance redress mechanism</b></p> <p>Raise awareness about the grievance redress mechanism among beneficiaries and other stakeholders.</p>	Gender and Youth Specialist	09/2022
<b>Project Management</b>		
<p><b>Tracking technical financial impacts of funded grants</b></p> <p>Define sample based on main types of funded activities/ develop manual income-expenses and technical performance recording tools / identify responsible staff / identify voluntary farmers /</p>	PC/ VC/ M&E/ IFAD	12/2021
<p><b>Update the geo-referenced system of all RCTP activities</b></p> <p>IFAD to put in place the Geographic Information System on the basis of RCTP geo-referenced data available. The PCU will continuously update the system as part of its M&amp;E system.</p>	PCU/IFAD ECG	12/2021



<b>Economic impact</b> Collect and analyse data to measure the increase of smallholder households' incomes and the value of marketed commodities by value chain	M&E unit	12/2021
<b>Rapid outcome survey</b> Prepare a report presenting the methodology and results	M&E unit	12/2021
<b>Progress reports</b> Improve the quality with more narrative on Project implementation and link AWPB activities with Project expected results	M&E unit	12/2021
<b>Use of GIS in M&amp;E</b> IFAD to organize an online training on the use of GIS in M&E	IFAD	12/2021
<b>GIS</b> Inform geo-referenced data for water infrastructures, SDF investments and MG beneficiaries and complete missing data for road locations	M&E unit	06/2022
<b>Financial Management &amp; Execution</b>		
<b>Appoint the External Auditor for FY 2021 and 2022</b> In alignment to the existing contract and based on performance, confirm current audit firm for the external audit of FY 2021 and FY2022.	PMU	10/2021
<b>Procurement- timely implementation</b> Expedite the procurement processes in order to complete all planned activities by the end of the year.	PCU	12/2021
<b>Contracts</b> The duration of the contract and expected completion date needs to be clearly specified and consistent throughout the documentation.	PCU	12/2021
<b>PP and Contract Register</b> Include the PMU Consultants and the matching grants in the PP 2022 and the Contract Register (IFAD new regulations of 1 Nov. 2020).	PCU	12/2021
<b>Update Recovery Plan of DAs</b> Update Recovery Plan of DAs for the amounts advanced to the designated accounts, after next WA submission.	PMU	01/2022

## Montenegro

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### Rural Clustering and Transformation Project

### Supervision Report

### Logical Framework

Mission Dates: 6-17 September 2021

Document Date: 19/10/2021

Project No. 2000001076

Report No. 5865-ME

Near East, North Africa and Europe Division  
Programme Management Department



## Rural Clustering and Transformation Project

### Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	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			20 600	338	20 365	98.859				
	1.a Corresponding number of households reached							PCU reports	Annually	Project Coordinator and M&E Officer	
	Households			5 900	97	5 700	96.6				
	1 Persons receiving services promoted or supported by the project							PCU reports	Annually	Project Coordinator and M&E Officer	
	Males			10 630	137	10 931	102.8				
	Females			7 066	91	8 465	119.8				
	Young			7 066	91	7 882	111.5				
	Total number of persons receiving services			17 716	228	19 396	109.5				
Project Goal To contribute to the transformation of smallholders' livelihoods in northern Montenegro, enabling them to become commercially competitive and more resilient to climate change.	Percentage decrease in rural poverty rate in supported municipalities compared to national rural poverty rate							Project impact survey and Municipality statistics	At completion	M&E Officer	Initial and continued political commitment and support to project implementation. Macro-economic conditions remain stable or improve.
	Rate			10							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
<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	3 000							
<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		2 270	75.667				
	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							
	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		0.9	45				
	2.2.2 Supported rural enterprises reporting an increase in profit							BSF records	At mid-term and completion	VC Specialists and M&E Officer	
Percentage of enterprises			80		80	100					
<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	12	109.091				
	Percentage of participating VC smallholders with an agreed business or trading plan							BSF records	Six-monthly	BSF	
Rate		80	100		100	100					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
<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	800		585	73.125				
	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		93	116.3				
<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		16	40				
	2.1.2 Persons trained in income-generating activities or business management							BSF training records	Annually	BSF	
	Males		670	210	2	182	86.7				
	Females		165	90	2	28	31.1				
	Young			90	5	66	73.3				
	Persons trained in IGAs or BM (total)		835	300	4	210	70				
	Number of people provided with on-hands support and advice from the PCU and its partners							BSF/PMU training records	Annually	BSF/PMU	
People			2 400	223	1 565	65.2					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
<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			100		100	100				
	Size of households			14 025		11 186	79.758				
	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	
	Females		400	1 000	0	1 267	126.7				
	Males		400	1 000	0	1 359	135.9				
	Total household members		800	2 000	0	2 626	131.3				
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices										
	Total number of household members			6 000							
	Households			65							
<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	0	42	155.556				
	Households supported with increased water availability or efficiency										
	Households			600	0	1 224	204				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
<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	0	77.92	111.314				
<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	Continuing MARD's interest to support poor smallholders. Policy makers' willingness to learn from project experience
	Policies, strategies and investments		1	3	0	2	66.667				
<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	3	60				



## Montenegro

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### Rural Clustering and Transformation Project

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

Mission Dates: 6-17 September 2021

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Project No. 2000001076

Report No. 5865-ME

Near East, North Africa and Europe Division  
Programme Management Department



# ***APPENDIX 1***

RCTP - Montenegro

Supervision Mission – September 2021

[Click here and type country name](#)

[Click here and type project name](#)

Supervision report - Mission dates: [\[click here and insert mission dates\]](#)

## Appendix 1: Financial: actual financial performance by financier/component/category

### RCTP (Montenegro) - FINANCIAL PERFORMANCE (as at 31 August 2021)

Table 1A: Financial performance by FINANCIER (EUR 000, as at 31 August 2020)

FINANCIER:	Appraisal (EUR 000)	Disbursement (EUR 000)	Disbursed %	Notes:
IFAD Loan	3 877	3 112	80%	of which: 2 218 project expenditure as per TOMPRO
ASAP grant	1 880	1 787	95%	of which: 1 441 project expenditure as per TOMPRO
Government Budget	3 074	2 208	72%	
Government Tax	1 219	1 517	124%	
SME	621	77	12%	
Municipalities	1 326	1 403	106%	
Beneficiaries	1 614	1 177	73%	
<b>TOTAL INVESTMENT</b>	<b>13 611</b>	<b>11 282</b>	<b>83%</b>	

Table 1B: Financial performance by COMPONENT (EUR 000, as at 31 August 2021)

COMPONENT:	IFAD Loan			ASAP Grant			Government Budget			Government TAX			SME			Municipalities			Beneficiaries			TOTAL		
	Appraisal (EUR 000)	Actual (EUR 000)	%	Appraisal (EUR 000)	Actual (EUR 000)	%	Appraisal (EUR 000)	Actual (EUR 000)	%	Appraisal (EUR 000)	Actual (EUR 000)	%	Appraisal (EUR 000)	Actual (EUR 000)	%	Appraisal (EUR 000)	Actual (EUR 000)	%	Appraisal (EUR 000)	Actual (EUR 000)	%	Appraisal (EUR 000)	Actual (EUR 000)	%
1 VC Clustering for Resilient Rural Transformation	2 242.6	622.1	28%	806.3	346	43%	176.1	86	49%	7.0	261	3731%	620.6	77	12%				1 283	827	64%	5 135	2 219	43%
2 Cluster Supporting Rural Infrastructure	912.6	1 145.9	126%	1 073.7	1 096	102%	2 475.1	1 905	77%	1 143.2	1 224	107%				1 326.3	1 403	106%	331	351	106%	7 262	7 124	98%
3 Project Management	721.7	450.0	62%		0		423.0	227	54%	68.4	22	32%										1 213	699	58%
<b>sub-total (programme expenditure)</b>	<b>3 877</b>	<b>2 218</b>	<b>57%</b>	<b>1 880</b>	<b>1 441</b>	<b>77%</b>	<b>3 074</b>	<b>2 218</b>	<b>72%</b>	<b>1 219</b>	<b>1 507</b>	<b>124%</b>	<b>621</b>	<b>77</b>	<b>12%</b>	<b>1 326</b>	<b>1 403</b>	<b>106%</b>	<b>1 614</b>	<b>1 177</b>	<b>73%</b>	<b>13 611</b>	<b>10 042</b>	<b>74%</b>
LIQUIDITY: Outstanding advances to DA/PA		894			346																		1 240	
<b>Total (disbursement)</b>	<b>3 877</b>	<b>3 112</b>	<b>80%</b>	<b>1 880</b>	<b>1 787</b>	<b>95%</b>	<b>3 074</b>	<b>2 218</b>	<b>72.2%</b>	<b>1 219</b>	<b>1 507</b>	<b>124%</b>	<b>621</b>	<b>77</b>	<b>12%</b>	<b>1 326</b>	<b>1 403</b>	<b>106%</b>	<b>1 614</b>	<b>1 177</b>	<b>73%</b>	<b>13 611</b>	<b>11 282</b>	<b>83%</b>

### IFAD FINANCING (loan+grant)

	Appraisal (EUR 000)	Actual (EUR 000)	%	balance (EUR 000)
<b>IFAD disbursement</b>	<b>5 757</b>	<b>4 900</b>	<b>85%</b>	857
PROJECT exp.- ACT cumulative AUG '21	5 757	3 659	64%	
PROJECT exp.-residual AWPB 2021 (Sept-Dec)		412		
<b>PROJECT exp.-FCST cumulative DEC '21</b>	<b>5 757</b>	<b>4 071</b>	<b>71%</b>	1 686
<b>LIQUIDITY balance</b>		<b>829</b>		

based on AWPB 2021 full year forecast (Projec Director latest view)

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**Table 1C: IFAD Loan No. 2000001842 - disbursement (EUR 000, as at 31 August 2021)**

<b>CATEGORY:</b>	Original Allocation (EUR 000)	Revised All. (Jan 2021) (EUR 000)	Disbursement (WA 1-6) (EUR 000)	WA pending (EUR 000)	Balance* (EUR 000)	% Disbursed*
Consultancies	800	415	166	0.0	249	40%
Works	665	1 710	971	0.0	739	57%
Grants	580	605	405	0.0	200	67%
Training and Workshops	505	145	59	1.1	86	40%
Goods, Services, Inputs	200	20	7	0.6	13	33%
Equipments, Materials, Vehicles	130	95	95	2.7	0	100%
Recurrent costs	805	890	421	91.1	469	47%
Unallocated	195		0		0	#DIV/0!
<i>Initial Allocation to DA</i>			990		-990	
<b>TOTAL</b>	<b>3 880</b>	<b>3 880</b>	<b>3 112</b>	<b>96</b>	<b>768</b>	<b>80.2%</b>

\* excluding WAs to be issued

TOTAL JUSTIFIED AND REPLENISHED

2 122

**Table 1C: ASAP Grant No. 2000001841 - disbursement (EUR 000, as at 31 August 2021)**

<b>CATEGORY:</b>	Original Allocation (EUR 000)	Revised All. (Jan 2021) (EUR 000)	Disbursement (WA 1-6) (EUR 000)	WA pending (EUR 000)	Balance* (EUR 000)	% Disbursed*
Consultancies	85	140	85	0	55	60%
Works	940	1 155	957	54	198	83%
Grants	765	585	346	0	239	59%
Unallocated	90				0	#DIV/0!
<i>Initial Allocation to DA</i>			400		-400	
<b>TOTAL</b>	<b>1 880</b>	<b>1 880</b>	<b>1 787</b>	<b>54</b>	<b>93</b>	<b>95%</b>

\* excluding pending WAs

TOTAL JUSTIFIED AND REPLENISHED

1 387

<b>OVERALL Disbursement (LOAN + GRANT) as per FA</b>	<b>5 760</b>	<b>5 760</b>	<b>4 900</b>	<b>150</b>	<b>860</b>	<b>85%</b>
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RCTP (Montenegro) EXPENDITURE		Actual Cumulative August 2021 + Forecast till December 2021					AWPB 2021: Actual August vs FY forecast					
<i>Supervision Mission Sept 2021</i>												
IFAD FINANCING - financial progress		ALLOCATION	ACTUAL	%	FCST	%	BALANCE	AWPB	Act	%	FCST	%
		(revised Jan 2021)	Cum Aug 21	exp.	(sept-dec)		Dec-21	2021	31-Aug		FY 2021	
IFAD LOAN	Consultancies	415	166	40%	18	44%	231	36	0	0%	18	56%
	Works	1 710	971	57%	99	63%	641	225	0	0%	99	48%
	Grants	605	405	67%	114	86%	86	130	0	0%	114	96%
	Training and Workshops	145	60	41%	9	47%	76	18	1	6%	10	60%
	Goods, Services, Inputs	20	7	36%	1	41%	12	3	1	25%	2	75%
	Equipments, Materials, Vehicles	95	97	102%	0	102%	-2	3	3	90%	3	98%
	Recurrent costs	890	512	58%	60	64%	317	165	91	55%	152	100%
<b>TOTAL</b>	<b>3 880</b>	<b>2 218</b>	<b>57%</b>	<b>302</b>	<b>49%</b>	<b>1 360</b>	<b>580</b>	<b>96</b>	<b>16%</b>	<b>397</b>	<b>69%</b>	
ASAP GRANT	Consultancies	140	85	60%	8	66%	47	16	0	0%	8	56%
	Works	1 155	1 011	88%	22	89%	122	174	54	31%	76	48%
	Grants	585	346	59%	79	73%	160	90	0	0%	79	96%
	<b>TOTAL</b>	<b>1 880</b>	<b>1 441</b>	<b>77%</b>	<b>110</b>	<b>83%</b>	<b>329</b>	<b>281</b>	<b>54</b>	<b>19%</b>	<b>164</b>	<b>58%</b>
TOTAL	Consultancies	555	251	45%	27	50%	277	52	0	0%	27	56%
	Works	2 865	1 982	69%	121	73%	763	399	54	14%	175	48%
	Grants	1 190	751	63%	193	79%	246	220	0	0%	193	96%
	Training and Workshops	145	60	41%	9	47%	76	18	1	6%	10	60%
	Goods, Services, Inputs	20	7	36%	1	41%	12	3	1	25%	2	75%
	Equipments, Materials, Vehicles	95	97	102%	0	102%	-2	3	3	90%	3	98%
	Recurrent costs	890	512	58%	60	64%	317	165	91	55%	152	100%
<b>TOTAL</b>	<b>5 760</b>	<b>3 659</b>	<b>64%</b>	<b>412</b>	<b>71%</b>	<b>1 689</b>	<b>861</b>	<b>150</b>	<b>17%</b>	<b>561</b>	<b>65%</b>	

## Montenegro

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### Rural Clustering and Transformation Project

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

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

Indicators	Unit	Planned for 2021	Done 01/01/2021-31/08/2021	%Current Physical Progress	Expected Progress by 31/12/2021	%Expected Progress by 31/12/2021	Planned until end of the project	Achieved since beginning of the project	% total current achievement	Expected total achievements	%Expected total achievements
<b>Component 1 Value Chain Clustering for Resilient Rural Transformation</b>											
Sensitization workshop	Nb	40	33	83%	40	100%	200	137	69%	144	72%
Cluster mapping/studies	Nb						11	11	100%	11	100%
Rapid cluster mapping validated	Nb						11	12	109%	12	109%
Multi-stakeholder meetings (cluster-level)	Nb	24	14	58%	24	100%	104	50	48%	60	58%
Cluster development plans prepared and validated	Nb	12	12	100%	12	100%	11	12	109%	12	109%
Business Skills course roll-out at group level developed	Nb	25	1	4%	10	40%	125	7	6%	16	13%
Incentive for BSF to facilitate BSC at Group Level	Nb	25	13	52%	25	100%	125	16	13%	28	22%
Grant announcement and grant award	Lump sum	1	1	100%	1	100%	1	1	100%	1	100%
Number of VCF beneficiaries	Nb	100	0	0%	120	120%	800	584	73%	704	88%
Business-to-business/service follow-up meetings (village-level)	Nb	84	17	20%	84	100%	416	71	17%	138	33%
SDF	Lump sum	1	0	0%	1	100%	1	3	300%	4	400%
Expert in the development of climate-sustainable investments in clusters	Lump sum	1	0	0%	1	100%	1	0	0%	1	100%
Study tour on cluster development	Lump sum	1	1	100%	1	100%	1	1	100%	1	100%
Knowledge management	Nb	3	0	0%	5	167%	9	3	33%	8	89%
Sensitization workshops/ Women	Nb	120	81	68%	120	100%	280	171	61%	210	75%
Sensitization workshops/ Youth		120	108	90%	120	100%	350	275	79%	287	82%

Indicators	Unit	Planned for 2021	Done 01/01/2021-31/08/2021	%Current Physical Progress	Expected Progress by 31/12/2021	%Expected Progress by 31/12/2021	Planned until end of the project	Achieved since beginning of the project	% total current achievement	Expected total achievements	%Expected total achievements
Grant recipients/ Women	Nb	30	0	0%	30	100%	240	70	29%	100	42%
Grant recipients/ Youth		30	0	0%	30	100%	240	51	21%	81	34%
Communication campaign aimed at raising awareness of women and youth/ Women	Nb	120	38	32%	70	58%	280	136	49%	168	60%
Communication campaign aimed at raising awareness of women and youth/ Youth		120	80	67%	100	83%	350	256	73%	276	79%
Introducing technologies that save women's time and work - support	Nb	25	0	0%	25	100%	150	40	27%	65	43%
Training (direct) on agricultural production and productivity for women and young people/ Women	Nb	15	6	40%	15	100%	30	13	43%	22	73%
Training (direct) on agricultural production and productivity for women and young people/ Youth		15	7	47%	15	100%	30	36	120%	44	147%
Training (indirect) on agricultural production and productivity for women and young people/ Women	Nb	120	17	14%	100	83%	240	17	7%	100	42%
Training (indirect) on agricultural production and productivity for women and young people/ Youth		120	17	14%	100	83%	240	17	7%	100	42%
Business skills training (direct) for women and young people/ Women	Nb	15	5	33%	15	100%	30	5	17%	15	50%
Business skills training (direct) for women and young people/ Youth		15	2	13%	15	100%	30	2	7%	15	50%
Business skills training (indirect) for women and young people/ Women	Nb	120	10	8%	100	83%	240	10	4%	100	42%
Business skills training (indirect) for women and young people/ Youth		120	10	8%	100	83%	240	10	4%	100	42%
Business skills training (direct) for women and young people, Specific training for improving leadership skills/ Women	Nb	15	4	27%	15	100%	30	4	13%	15	50%
Business skills training (direct) for women and young people, Specific training for improving leadership skills/ Youth		15	5	33%	15	100%	30	5	17%	15	50%

Indicators	Unit	Planned for 2021	Done 01/01/2021-31/08/2021	%Current Physical Progress	Expected Progress by 31/12/2021	%Expected Progress by 31/12/2021	Planned until end of the project	Achieved since beginning of the project	% total current achievement	Expected total achievements	%Expected total achievements
Business skills training (indirect) for women and young people, Specific training for improving leadership skills/ Women	Nb	120	7	6%	100	83%	240	7	3%	100	42%
Business skills training (indirect) for women and young people, Specific training for improving leadership skills/ Youth		120	7	6%	100	83%	240	7	3%	100	42%
Study trip for women	Nb	1	0	0%	1	100%	2	0	0%	1	50%
Exchange of women - women	Nb	2	0	0%	1	50%	4	0	0%	1	25%
Creating or strengthening rural networks of women and young people	Nb	2	0	0%	1	50%	4	1	25%	2	50%
Sensitization of MPRR staff, municipalities, G&Y service providers	Nb	7	7	100%	7	100%	21	14	67%	14	67%
Collaboration with municipal gender equality services	Nb	7	1	14%	7	100%	21	8	38%	14	67%
Establishing partnerships to provide greater visibility and support to women and young people	Nb	2	0	0%	1	50%	7	3	43%	4	57%
<b>SUB-TOTAL</b>				<b>31%</b>		<b>92%</b>			<b>47%</b>		<b>72%</b>
<b>Component 2 Cluster Supportive Rural Infrastructure</b>											
Water infrastructures	Nb	7	0	0%	0	0%	50	42	84%	42	84%
Road infrastructures	Km	17	0	0%	9	53%	120	78	65%	87	73%
<b>SUB-TOTAL</b>				<b>0%</b>		<b>26%</b>			<b>75%</b>		<b>78%</b>



## Montenegro

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### Rural Clustering and Transformation Project

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

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### 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, procurement and administrative arrangements Precedent to withdrawal	Precedent to withdrawal	Complied with	
<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	Complied with	
<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		Complied with	

<b>Section</b>	<b>Covenant</b>	<b>Target/Action Due Date</b>	<b>Compliance Status/Date</b>	<b>Remarks</b>
	implementation and for facilitating access of producers to the project services			
<b>GC.9.03 (b)</b>	Audit report submitted to IFAD.		Complied with	
<b>LtB.G.27</b>	External auditor appointment		Complied with	External Auditor to be confirmed by Oct 2021 also for the external audit of Financial Year 2021.
<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	

The above sections/covenants are illustrative; if applicable to your project the contents of which are common to all Financing Agreements, ensure that the references to the Financing Agreement are correct. Covenants specific to your project should be added to this table.



## Montenegro

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### Rural Clustering and Transformation Project

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### Appendix 7: Integrated Project Risk Matrix (IPRM)

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## Overall Summary

Risk Category / Subcategory	Inherent risk	Residual risk
<b>Country Context</b>	<b>Moderate</b>	<b>Low</b>
<i>Political Commitment</i>	<i>Moderate</i>	<i>Low</i>
<i>Governance</i>	<i>Moderate</i>	<i>Low</i>
<i>Macroeconomic</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Fragility and Security</i>		<i>No risk envisaged - not applicable</i>
<b>Sector Strategies and Policies</b>	<b>Moderate</b>	<b>Low</b>
<i>Policy alignment</i>	<i>Moderate</i>	<i>Low</i>
<i>Policy Development and Implementation</i>	<i>Moderate</i>	<i>Low</i>
<b>Environment and Climate Context</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Project vulnerability to environmental conditions</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project vulnerability to climate change impacts</i>	<i>Substantial</i>	<i>Moderate</i>
<b>Project Scope</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Project Relevance</i>	<i>Moderate</i>	<i>Low</i>
<i>Technical Soundness</i>	<i>Substantial</i>	<i>Moderate</i>
<b>Institutional Capacity for Implementation and Sustainability</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Implementation Arrangements</i>	<i>Moderate</i>	<i>Low</i>
<i>Monitoring and Evaluation Arrangements</i>	<i>Substantial</i>	<i>Moderate</i>
<b>Project Financial Management</b>	<b>Low</b>	<b>Low</b>
<i>Project Organization and Staffing</i>	<i>Low</i>	<i>Low</i>
<i>Project Budgeting</i>	<i>Low</i>	<i>Low</i>
<i>Project Funds Flow/Disbursement Arrangements</i>	<i>Low</i>	<i>Low</i>
<i>Project Internal Controls</i>	<i>Low</i>	<i>Low</i>
<i>Project Accounting and Financial Reporting</i>	<i>Low</i>	<i>Low</i>
<i>Project External Audit</i>	<i>Low</i>	<i>Low</i>
<b>Project Procurement</b>	<b>Moderate</b>	<b>Low</b>
<i>Legal and Regulatory Framework</i>		<i>No risk envisaged - not applicable</i>
<i>Accountability and Transparency</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Capability in Public Procurement</i>	<i>Moderate</i>	<i>Low</i>
<i>Public Procurement Processes</i>	<i>Low</i>	<i>Low</i>
<b>Environment, Social and Climate Impact</b>	<b>Moderate</b>	<b>Low</b>
<i>Biodiversity Conservation</i>		<i>No risk envisaged - not applicable</i>
<i>Resource Efficiency and Pollution Prevention</i>	<i>Moderate</i>	<i>Low</i>
<i>Cultural Heritage</i>		<i>No risk envisaged - not applicable</i>
<i>Indigenous People</i>		<i>No risk envisaged - not applicable</i>
<i>Labour and Working Conditions</i>	<i>Moderate</i>	<i>Low</i>
<i>Community Health and Safety</i>	<i>Substantial</i>	<i>Moderate</i>

<b>Risk Category / Subcategory</b>	<b>Inherent risk</b>	<b>Residual risk</b>
<i>Physical and Economic Resettlement</i>		<i>No risk envisaged - not applicable</i>
<i>Greenhouse Gas Emissions</i>		<i>No risk envisaged - not applicable</i>
<i>Vulnerability of target populations and ecosystems to climate variability and hazards</i>	<i>Moderate</i>	<i>Low</i>
<b>Stakeholders</b>	<b>Moderate</b>	<b>Low</b>
<i>Stakeholder Engagement/Coordination</i>	<i>Moderate</i>	<i>Low</i>
<i>Stakeholder Grievances</i>	<i>Moderate</i>	<i>Low</i>
<b>Overall</b>	<b>Moderate</b>	<b>Low</b>

<b>Country Context</b>	<b>Moderate</b>	<b>Low</b>
<b>Political Commitment</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The risk that a country's political developments result in delays or the potential reversal of key political decisions and commitments (including approval and implementation of laws and regulations, and timely counterpart funding) that underpin the project's success. This includes upcoming elections, impending changes in government, high political instability/turnover/uncertainty, and/or changing political priorities.</p> <p>The project remains an isolated initiative, with potential limited policy pick-up from GoM</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>The project will have a strong KM / policy engagement agenda, aimed at bringing proven successful models and approaches to government, with a view to informing its policies, strategies and investments for inclusive and sustainable smallholder agricultural development.</p>		
<b>Governance</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The risk that the country exhibits governance failures that may undermine project implementation and achievement of project development objectives. This includes lack of or weak: political checks and balances; public auditing systems; transparent information on government rules, regulations, and decisions; standards to prevent fraud and corruption; quality and transparency of allocation of resources for rural development.</p> <p>RCTP is the first project of this type in the Minagri. Unfamiliar approach to market oriented agriculture development could slow project delivery and reduce impacts</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>The RCTP will be provided with intensive and sustained TA, especially during first 3 years and IFAD implementation support. resp: IFAD, years 1 to 3</p>		
<b>Macroeconomic</b>	<b>Moderate</b>	<b>Moderate</b>

<p><b>Risk:</b></p> <p>The risk that macroeconomic policies, such as monetary, fiscal, debt management/sustainability, and trade policies are not robust, are unsustainable, and/or are vulnerable to domestic or external shocks (e.g. resulting in high inflation, low foreign exchange reserves, large fiscal deficits, debt distress), undermining government capacity to mobilize counterpart funding, and significantly impacting market dynamics of value chains, including market prices and profit margins for project target groups.</p> <p>According to EU forecasts, GDP will contract by 7.5% in 2020 as a severe global recession and measures to contain the coronavirus hits domestic demand and exports. The recovery will be slow, with economic activity in 2021 remaining below 2019 levels. Public debt will surpass 80% of GDP.</p> <p>Lack of credible market opportunities in which smallholder can profitably compete could limit the scale of impact</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>Only products with confirmed interest from buyers and verified market demand will be supported. All clusters will hold a verification workshop before the start of activities to confirm specific interest of current/potential buyers. The portfolio of four initial products all have confirmed upside potential for smallholder producers and credible market demand, but suited to farmers with varying production resources (e.g. land, labour, location).</p> <p>resp: PMU, workshops in year 1 and all along the project life</p>		
<p><b>Fragility and Security</b></p>		<b>No risk envisaged - not applicable</b>
<p>Montenegro is a UMIC with stable situation</p>		
<p><b>Sector Strategies and Policies</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Policy alignment</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The risk that a country's strategies and policies governing the rural and agricultural sector are not sufficiently pro-poor and/or aligned with IFAD priorities (e.g. on land, environment, climate, gender, indigenous peoples, nutrition, youth, private sector engagement), undermining project implementation and the achievement of project development objectives.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>RCTP will ensure rigorous and objective initial cluster, VC assessment and selection process including verification of credible and affordable investment pathways for smallholders to participate in the selected cluster. (i.e. maximum initial cash investment by smallholder of EUR 500 for smallest feasible investment step resulting in EUR 500 per month net income within 4 years).</p> <p>resp: PMU, all along the project life</p>		
<p><b>Policy Development and Implementation</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The risk that the country's strategies and policies governing the rural and agricultural sector lack a sound evidence base, are not representative of rural peoples' organizations views, are not adequately resourced or supported by legal/regulatory frameworks, and/or are unsustainable, undermining project implementation and the achievement of project development objectives</p> <p>Farmers are not well represented at local level and among them, the small farmers are even less considered.</p>	Moderate	Low

<p><b>Mitigations:</b></p> <p>There will be a process to ensure farmers' perspectives are considered during the cluster prioritization (via the multi-stakeholder cluster meetings). Multiple rounds of grants and other engagement in villages will provide opportunities for poorer risk averse farmers to join in the clusters after they have seen their neighbours have some initial success. Initial mobilization in the villages needs to emphasise this two-step process and highlight to all farmers the likely benefits of larger local production to achieve economies of scale and attract increasing number of buyers, and hence the benefit to progressive "first mover" farmers to support their neighbours to copy successes later on. resp: PMU, all along the project life</p>		
<b>Environment and Climate Context</b>	<b>Substantial</b>	<b>Moderate</b>
<b><i>Project vulnerability to environmental conditions</i></b>	<b><i>Substantial</i></b>	<b><i>Moderate</i></b>
<p><b>Risk:</b></p> <p>The risk that existing or possible future environmental conditions or extreme events (e.g. earthquake, volcano eruption, land erosion, salinity, siltation etc.) may have significant adverse impacts on food and nutrition security, agricultural productivity, access to markets, value chains, infrastructure, and/or the incidence of pests and diseases, resulting in increased vulnerability or deterioration of target populations' livelihoods and ecosystems. The project will implemented in mountain areas where the conditions are harsh, particularly in winter when the snow is isolating the framers</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>the project has a strong infrastructure component to unlock the isolated farmers even in winter. resp: PMU, all along the project life</p>		
<b><i>Project vulnerability to climate change impacts</i></b>	<b><i>Substantial</i></b>	<b><i>Moderate</i></b>
<p><b>Risk:</b></p> <p>Adverse effects on animal productivity due to heat stress and pests Reduced availability of irrigation water due to climate change</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>Any livestock housing investment will be provided with TA support aiming at . minimizing discomfort from extreme temperature (high and low) ensuring animal welfare. Enhancing water availability in pasture areas will allow for better resistance of livestock and its productivity to increasing temperature and heat waves. Preliminary study on water balances of micro-catchments to pre-identify the wider areas for piloting rainwater harvesting. The project will also increase the supply (ponds, etc.). resp: PMU, all along the project life</p>		
<b>Project Scope</b>	<b>Substantial</b>	<b>Moderate</b>
<b><i>Project Relevance</i></b>	<b><i>Moderate</i></b>	<b><i>Low</i></b>
<p><b>Risk:</b></p> <p>The risk that the objectives and interventions of the project are not well aligned with national development or IFAD priorities, and/or are not sufficiently relevant or responsive to the needs and priorities of the intended target group throughout the project's lifespan. Risk of reluctance to collaborate with and among smallholder farmers</p>	Moderate	Low

<p><b>Mitigations:</b></p> <p>Engagement of farmers in multi-stakeholder meetings is expected to highlight the need and opportunities for smallholders from collaboration on specific issues e.g. joint negotiation and/or production planning to secure orders. Support to more organized producer group development, whether formal or informal groups, will be offered in response to specific demand in-line with cluster priorities and on a cost sharing basis (to ensure commitment). resp: PMU, all along the project life</p>		
<p><b>Technical Soundness</b></p>	<p><b>Substantial</b></p>	<p><b>Moderate</b></p>
<p><b>Risk:</b></p> <p>The risk that technical design factors, such as over-complexity, over/insufficient-ambition or innovativeness, inadequate incorporation of lessons learned and best practices, weak economic, social inclusion and environmental sustainability rationale, weak analytic underpinnings (including because such may not be available), or overly rigid design, may undermine project implementation and achievement of project development objectives. The approach is new in Montenegro, even if it has proven its relevance in other countries: therefore, the risk is that the creation of clusters in specific value-chains is not accepted by the actors themselves.</p>	<p>Substantial</p>	<p>Moderate</p>
<p><b>Mitigations:</b></p> <p>The project will ensure simple and clear procedures and guidelines to allow for quick roll-out, e.g. for VCF and SDF, and framework to adjust procedures to make them work better based on experience during implementation. It will work with selected implementing partners/services providers with some existing capacity on specific issues e.g. Business skills training (e.g. Technical/vocation training centres), farmer mobilization (e.g. Regional Extension Services, Rural Network). resp: PMU, all along the project life</p>		
<p><b>Institutional Capacity for Implementation and Sustainability</b></p>	<p><b>Substantial</b></p>	<p><b>Moderate</b></p>
<p><b>Implementation Arrangements</b></p>	<p><b>Moderate</b></p>	<p><b>Low</b></p>
<p><b>Risk:</b></p> <p>The risk that the project executing agency does not have adequate resources, processes and/or systems to manage the project effectively (in accordance with the Financing Agreement and all relevant IFAD basic legal documents) towards achievement of envisaged project development objectives. This includes the project executing agency's lack of experience with IFAD (or other multilateral development bank) projects/procedures and lack of capacity to coordinate/support implementation arrangements that may involve several government agencies, different levels of government (or non-government entities), or multiple donor/financing agencies with different procedures and/or reporting requirements. As said above, RCTP is the first project to be hosted by the Minagri, therefore the risk of unfamiliarity to the approach to market oriented agriculture development could slow project delivery and reduce impacts</p>	<p>Moderate</p>	<p>Low</p>
<p><b>Mitigations:</b></p> <p>The project will ensure simple and clear procedures and guidelines to allow for quick roll-out, e.g. for VCF and SDF, and framework to adjust procedures to make them work better based on experience during implementation. It will work with selected implementing partners/services providers with some existing capacity on specific issues e.g. Business skills training (e.g. Technical/vocation training centres), farmer mobilization (e.g. Regional Extension Services, Rural Network). resp: PMU, all along the project life</p>		
<p><b>Monitoring and Evaluation Arrangements</b></p>	<p><b>Substantial</b></p>	<p><b>Moderate</b></p>

<p><b>Risk:</b></p> <p>There is a priori no capacities in the Minagri to design and then implement M&amp;E processes. The risk is substantial that the project executing agency's M&amp;E processes and systems are weak or inefficient, resulting in a limited ability to monitor, validate, analyse and communicate results, capture lessons, and adjust implementation to seize opportunities and take corrective actions in a timely manner.</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>IFAD will provide RCTP with intensive and sustained TA, especially during first 3 years and will provide regular implementation support. resp: IFAD, mainly druin supervision missions and at MTR</p>		
<b>Project Financial Management</b>	<b>Low</b>	<b>Low</b>
<b>Project Organization and Staffing</b>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Adequate</p>	Low	Low
<p><b>Mitigations:</b></p> <p>No action needed</p>		
<b>Project Budgeting</b>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>AWPB 2020 has closed in line with plans almost at full financial execution (90% for the IFAD financing). Current year budget implementation is slower (19% financial execution at end August 2021) mainly due to the organizational changes at GoM that affected late approval of the National Budget (including RCTP as part of the Agri-envelope). Some uncertainty persists also for the Codvid-19 scenario. It will not be possible to achieve full implementation of AWPB 2021, however activities under expenditure categories "Works" and "Grants" are expected to take off in the last part of the year and it is realistic to assume an overall 65% budget execution rate. Such delay does not represent a risk for the Project: cumulative expenditure is forecasted to increase above 70% by year end. Un-implemented activities will be postponed to next year and no delay is expected in the approval process of AWPB 2022.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>no action needed</p>		
<b>Project Funds Flow/Disbursement Arrangements</b>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Overall adequate. IFAD disbursement rate is highly satisfactory and, at end Aug 2021, has reached 85% (vs 63% last year). It includes the outstanding advances to DAs amounting at EUR 1,2 million (=available liquidity).</p>	Low	Low
<p><b>Mitigations:</b></p> <p>The project is recommended to update Recovery Plan for the justification of advances and submission of future WAs, once next WA is issued (by end January 2022).</p>		
<b>Project Internal Controls</b>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Adequate</p>	Low	Low



<b>Mitigations:</b> No action needed		
<b>Project Accounting and Financial Reporting</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b> Adequate	Low	Low
<b>Mitigations:</b> No action needed		
<b>Project External Audit</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b> Adequate	Low	Low
<b>Mitigations:</b> Appoint Auditor for FY 2021		
<b>Project Procurement</b>	<b>Moderate</b>	<b>Low</b>
<b>Legal and Regulatory Framework</b>		<b>No risk envisaged - not applicable</b>
National legislation exists as well as bylaws including standard tender documents for all types of procedures (goods, services and works)		
<b>Accountability and Transparency</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> Corruption Perception Index score of 45; the debarment system in Montenegro does not exist	Moderate	Moderate
<b>Mitigations:</b> Intensify supervision, monitoring and support missions to PCU; Further explore the procedure for debarment. The "debarment register" should be consolidated in one place. All contracting authorities should be obligated to check this register before entering into any contract. Specify clearly in the bidding documents the contact details for reporting on corruption and abuse.		
<b>Capability in Public Procurement</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> There is one Procurement Officer seconded from the Ministry of Agriculture and Rural Development and such an arrangement will remain the same in the future; There are missing elements that should describe the evaluation process in more details, such as results of the detailed technical evaluation/bids comparison against the requirements.	Moderate	Low
<b>Mitigations:</b> Continue to train and build capacities of the procurement staff including on Handbook 2020; Bid evaluation report should contain Comparison Table of Bid, showing how bid fulfils the requirements from the Technical Specification. New IFAD standard bidding documents will be used as soon as these are available to project staff.		
<b>Public Procurement Processes</b>	<b>Low</b>	<b>Low</b>

<p><b>Risk:</b></p> <p>PPs are not updated with actual data.  In the national regulatory system for public procurement it is noted that minimum number of technically responsive bids is less than three (if only one technically responsive bid has been received, the award of contract is made).  A single level of authority for contract amendments increases the risk of delay and inefficiency.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>PP's should be updated continuously and upgraded whenever needed.  The Project should use IFAD project procurement requirements with the minimum of three offers as a rule.  Project should ensure that the minimum advertised days are in compliance with the good procurement practices and IFAD Procurement Handbook for each procurement category.  Empowerment of staff should be promoted to increase authorities within predefined thresholds.</p>		
<p><b>Environment, Social and Climate Impact</b></p>	Moderate	Low
<p><b>Biodiversity Conservation</b></p>		<i>No risk envisaged - not applicable</i>
<p>NO risk that the project may cause significant threats to or the loss of biodiversity, availability of diversified nutritious food, ecosystems and ecosystem services, territories of the indigenous peoples, or the unsustainable use/production of living natural resources.</p>		
<p><b>Resource Efficiency and Pollution Prevention</b></p>	Moderate	Low
<p><b>Risk:</b></p> <p>The risk that the project may cause significant pollution to air, water, and land, and inefficient use of finite resources that may threaten people, ecosystem services and the environment at the local, regional, and global levels.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>The project will allocate specific funds to ensure climate proofed designs and will invest into capacity development of municipal technical offices to ensure that climate change negative impacts are properly factored in.  resp: PMU on ASAP component</p>		
<p><b>Cultural Heritage</b></p>		<i>No risk envisaged - not applicable</i>
<p>NO risk that the project may cause significant cultural or physical resource degradation, including threats to or the loss of resources of historical, religious or cultural significance.</p>		
<p><b>Indigenous People</b></p>		<i>No risk envisaged - not applicable</i>
<p>NO risk that the project may cause significant adverse physical, social, or economic impacts on indigenous peoples, or in threats to or the loss of resources of historical or cultural significance to them.</p>		
<p><b>Labour and Working Conditions</b></p>	Moderate	Low

<p><b>Risk:</b></p> <p>The risk that the project may cause exploitative labour practices (e.g. forced or child labour), gender based violence, discriminatory and unsafe/unhealthy working conditions for people employed to work specifically in relation to the project, including third parties and primary suppliers.</p> <p>The projects are in favour of the household but often the tasks related to the new activities are implemented by the women, increasing their workloads</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>All contracts with contractors, suppliers and other third parties to be funded with IFAD funds will include provisions prohibiting child labour and promoting decent work.</p> <p>The project will recruit a dedicated gender focal point and a gender agenda will be designed and implemented, resp: PMU, all along the project life</p>		
<p><b>Community Health and Safety</b></p>	<b>Substantial</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>The risk that the project may cause significant adverse impacts on the physical, mental, nutritional or social health/safety status of an individual, group, or population, including as a result of gender based violence.</p> <p>the gender balance is often not respected in Montenegrin rural areas</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>The project aims to address some of the root causes of gender-based violence, such as inequalities between men and women, and to empower rural women to strengthen their agency and reduce their vulnerability to any type of abuse. Some specific activities include: (i) increasing women's economic empowerment; (ii) helping women get a seat at the table; (iii) promoting cultural change at the household and community level.</p> <p>The gender action plan will support gender transformative processes to support women and strengthen their roles in the households. The project will 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.</p>		
<p><b>Physical and Economic Resettlement</b></p>		<b>No risk envisaged - not applicable</b>
<p>RCTP will particularly support small and marginalised farmers and the risk that the project may cause significant adverse physical, social, cultural or economic impacts, especially for marginalized groups, from land acquisition, and involuntary loss of land, assets, access to assets, income sources, or means of livelihoods.</p>		
<p><b>Greenhouse Gas Emissions</b></p>		<b>No risk envisaged - not applicable</b>
<p>Due to the small dimension of the projects to be supported by RCTP, NO risk that the project may significantly increase greenhouse gas emissions and thereby contribute to anthropogenic climate change.</p>		
<p><b>Vulnerability of target populations and ecosystems to climate variability and hazards</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The target populations' livelihoods, ecosystems, economic assets or infrastructure are exposed to climate variability and hazards.</p>	Moderate	Low

<p><b>Mitigations:</b></p> <p>The project will allocate specific funds to ensure climate proofed designs and will invest into capacity development of municipal technical offices to ensure that climate change negative impacts are properly factored in. resp: PMU with IFAD support on ASAP component</p>		
<p><b>Stakeholders</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Stakeholder Engagement/Coordination</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The risk that relevant stakeholders are not identified, and/or of inadequate/insufficient information disclosure, consultation/coordination with and buy-in from stakeholders on project objectives, delivery of interventions and promotion of sound environmental and social practices (e.g. with government, project target groups, civil society organizations, implementing partners, private sector, including financial intermediaries), resulting in misunderstandings or opposition by stakeholders, or duplication/inconsistencies between partners working in the same target area that may undermine project implementation and achievement of project development objectives.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>Support to more organized producer group development, whether formal or informal groups, will be offered in response to specific demand in-line with cluster priorities and on a cost sharing basis (to ensure commitment). resp: PMU, all along project life</p>		
<p><b>Stakeholder Grievances</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The risk that the project has ineffective grievance/complaint redress processes (including with respect to allegations of non-compliance with IFAD's E,S,C standards, fraud, corruption, or SEA), leading to unaddressed stakeholder complaints that may undermine project implementation and achievement of project development objectives. There is no specific grievance system in place to receive stakeholder complaints</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>Measures to mitigate these risks are built around the empowerment of the targeted communities in decision-making. Many communication campaigns are organised to give voice to all the stakeholders. A stakeholder grievance mechanism will be put in place by the project. resp: PMU, all along project life</p>		