



Report Number: ICRR0022127

## 1. Project Data

**Project ID**  
P107473

**Project Name**  
INSTIT DEV & AGR STRENGTH

**Country**  
Montenegro

**Practice Area(Lead)**  
Agriculture and Food

**L/C/TF Number(s)**  
IBRD-77160,IBRD-86430,TF-A1293

**Closing Date (Original)**  
30-Jun-2014

**Total Project Cost (USD)**  
26,233,006.93

**Bank Approval Date**  
21-Apr-2009

**Closing Date (Actual)**  
30-Sep-2019

	<b>IBRD/IDA (USD)</b>	<b>Grants (USD)</b>
Original Commitment	15,700,000.00	5,316,407.46
Revised Commitment	23,577,391.38	4,898,299.63
Actual	22,287,133.26	5,000,677.89

**Prepared by**  
Alexandra Christina  
Horst

**Reviewed by**  
J. W. van Holst  
Pellekaan

**ICR Review Coordinator**  
Christopher David Nelson

**Group**  
IEGSD (Unit 4)

**Project ID**  
P110602

**Project Name**  
MONTENEGRO INSTITU DEV AND AGR STRENGTH (  
P110602 )

**L/C/TF Number(s)**  
TF-93405

**Closing Date (Original)**  
30-Jun-2014

**Total Project Cost (USD)**  
3945873.67



<b>Bank Approval Date</b>	<b>Closing Date (Actual)</b>	
21-Apr-2009	30-Jun-2017	
	<b>IBRD/IDA (USD)</b>	<b>Grants (USD)</b>
Original Commitment	0.00	4,000,000.00
Revised Commitment	0.00	3,945,873.67
Actual	0.00	3,945,873.67

## 2. Project Objectives and Components

### a. Objectives

The original Project Development Objective (PDO) of the Montenegro Institutional Development and Agriculture Strengthening Project (MIDAS) as stated in the Loan Agreement dated May 27, 2009 was **“to improve delivery of the Borrower’ assistance for sustainable agriculture and rural development in a manner consistent with the European Union (EU) pre-accession requirements”**, in line with the Project Appraisal Document (PAD) dated March 23, 2009.

The PDO was revised during implementation in December 2015, keeping the original PDO but adding two elements to more granularly specify intended objectives as follows **“(i) to improve delivery of government assistance for sustainable agriculture and rural development in a manner consistent with the EU’s pre-accession requirements; (ii) to increase the experience of Montenegrin authorities in administering rural development grants in accordance with EU-IPARD[1] core rules, and (iii) to support a selected number of agricultural holdings and food establishments in upgrading towards EU standards”** (Loan Agreement Additional Financing dated October 5, 2016). This revised/expanded PDO is adopted for the purpose of assessing the project’s achievements in this Implementation Completion Report Review (ICRR), divided into its three elements and referred to as Objectives 1, 2 and 3 in Section 4 of the ICRR.

Following the guidance of the ICRR Reviewer Manual, no split rating was adopted given that the revision of the PDO did not reduce the project’s level of ambition nor alter the Theory of Change and was in line with the original project design to address all three elements (improve delivery of government assistance for rural development, increase experience of authorities in administering IPARD-compatible funds, and support upgrades of food establishment), as outlined in the PAD (paras 20-25). IEG’s interview with the Bank’s task team clarified that the expansion of the PDO was based on the request of the European Union during the preparation of the 2015 Additional Financing (AF) of an EU grant to disaggregate the PDO according to key project support activities. Related to this, the AF expanded the scope of the project by allowing additional beneficiary groups to receive grant financing. Specifically, food establishments (i.e. small and medium sized agro-processors) were eligible to apply for matching grants to comply with EU food safety standards.



The project also specified a Global Environment Objective related to the Global Environment Facility (GEF) grant obtained at original project appraisal as “to mainstream sustainable land use and natural resource management into MAFWM's policies, programs and investments” (ICR, para 9).

[1] IPARD stands for the European Union’s (EU) Instrument for Pre-Accession Assistance for Rural Development.

**b. Were the project objectives/key associated outcome targets revised during implementation?**

Yes

**Did the Board approve the revised objectives/key associated outcome targets?**

Yes

**Date of Board Approval**

11-Dec-2015

**c. Will a split evaluation be undertaken?**

No

**d. Components**

**Component 1: Strengthening MAFWM’s rural development program (Appraisal estimate: IBRD Original Financing and GEF Grant: EUR 8.5 million; Actual cost at ICR: IBRD Original Financing and GEF Grant: EUR 7.11 million; EU Grant: EUR 3.92 million; IBRD Additional Financing: EUR 0.97 million).** This component aimed (i) to improve then delivery of the government assistance for sustainable agriculture and rural development consistent with the EU’s pre-accession requirements and (ii) to mainstream sustainable land use and natural resource management into the Ministry of Agriculture, Forestry and Water Management (MAFWM) policies, programs and investments. To achieve this, key activities under Component 1 were divided into two sub-components focused on (i) the provision of matching (i.e. cost-sharing) grants to farmers and eligible beneficiaries for IPARD-compatible (i.e. national grant funds that simulate IPARD principles and guidelines) rural development sub-projects and agro-environmental measures and (ii) the strengthening of public extension and advisory services to support farmers and eligible beneficiaries in grant proposal/business plan development and uptake of agro-environmental practices as well as the development and mainstreaming of the Code of Good Agricultural Practices (CGAP) into MAFWM support programs (PAD, para 20-21 and ICR para 12-13).

**Component 2: Strengthening MAFWM’s administrative and management capacity in accordance with EU pre-accession requirements (Appraisal estimate: IBRD Original Financing and GEF Grant: EUR 7.6 million. Actual cost at ICR: IBRD Original Financing and GEF Grant: EUR 6.03 million; EU Grant: EUR 1.95 million; IBRD Additional Financing: EUR 1.84 million).** This component complemented the activities of Component 1 through (i) the establishment of key agencies in line with EU requirements to - on the one hand- plan and program the IPARD-compatible rural development funds program and -on the other hand- administer these funds, (ii) the development of improved agricultural information systems in line with EU requirements, and (iii) the modernization of the food safety system in accordance with EU standards. To achieve this, key activities under Component 2 were divided into three sub-components focused on (i) the establishment of the Rural Development Unit in MAFWM with a planning, programming and organizing function and also the Proto-Paying Agency with a management and administration function



of the IPARD-compatible funds; (ii) the execution of an agricultural census and establishment of key components of an Integrated Administration and Control System (IACS) in line with EU requirements, including a Farm Register with and integrated Animal Identification and Registration System; and (iii) the modernization of Montenegro's food safety systems and infrastructure, including the upgrade of National Reference Laboratories (NRLs) to international standards, establishment of the first phytosanitary and veterinary Border Inspection Posts (BIPs), and supporting safe disposal of animal by-products (ABP) (PAD, para 22-25 and ICR para 14-16).

**Component 3: Project Management, Administration and Monitoring (Appraisal estimate: IBRD Original Financing and GEF Grant: EUR 0.6 million; Actual cost at ICR: Original Financing & GEF Grant: EUR 0.85 million; IBRD Additional Financing: EUR 1.18 million).** This component entailed the project implementation and coordination through the establishment of a Project, as well as monitoring and evaluation (M&E) of project activities and impact (PAD, para 26 and ICR para 17).

#### e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

**Project Cost and Financing.** At appraisal in March 2009, the total project cost for was estimated at US\$23.92 million (EUR16.75 million equivalent), of which US\$15.7 million (EUR11 million equivalent) was expected from IBRD loan financing, US\$4 million (EUR2.8 million equivalent) from GEF grant financing, and US\$4.22 million (EUR2.95 million from co-financing by the Government of Montenegro (GoM) (PAD, Annex 5).

In December 2015, an Additional Financing (AF) was approved for a EUR4.72 million (US\$5.2 million equivalent) EU grant through a World Bank-administered Trust Fund (TF), complemented by EUR1.6 million (US\$1.8 million equivalent) of GOM co-financing (ICR, paras 20 and 42). In September 2016, another AF of EUR3 million (US\$3.34 million equivalent) IBRD loan financing was approved (ICR, paras 20 and 42).

Applying the US\$ equivalent amounts of the total project cost (original IBRD US\$23.92, AF EU grant US\$5.2 million and AF IBRD US\$3.34 million), the total estimated cost was US\$32.47 million. According to the ICR (page 2 and Annex 3), the actual total financing at project closing amounted to US\$26.23 million (81%), mainly due to the lack of actual borrower co-financing to the original IBRD loan.

The ICR further states that this loan and grant financing was complemented by the contribution of the grants' beneficiaries (matching 35-50 percent of the grant investments), totaling to about EUR15.3 million at project closure (ICR, page 65).

**Borrower Contribution.** At appraisal, the borrower contribution of the GoM was estimated at US\$4.22 million (EUR2.95 million equivalent) to co-finance activities in Component 1 and 2 (PAD, Annex 5). The ICR reports no borrower contribution in the cost table at project completion (ICR, Financing Table page 2). However, the ICR describes that the "contribution of the Montenegro Government to the IPARD-Like 1 and IPARD-Like 2 grants, ranging from 25% to 28% of the grants, for an amount of about EUR 2.6 million" (ICR, Annex 5). The IEG interview with the TTL confirmed that government financing was not provided to the IBRD loan but to the EU grant, as described in the ICR Annex 5.



**Dates and Restructuring.** The Project became effective on July 23, 2009 and closed on September 30, 2019. The original closing date was June 30, 2014, which was extended through restructurings in May 2014, June 2015, March 2016, March 2018 and March 2019.

The project underwent five restructurings and received two AFs:

- (i) in May 2014, a Level-2 restructuring involved a closing date extension of 12 months and revision of the project Results Framework (RF) to adapt intermediary results indicators for more accuracy in their definition and granular monitoring;
- (ii) in June 2015, another Level-2 restructuring allowed a 9-month closing date extension and reallocation of funds between the disbursement categories to transfer cost savings from the works to the grants category;
- (iii) in December 2015, an AF of a EUR4.72 million EU grant through a World Bank-administered TF was approved, accompanied by the restructuring of the PDO and RF to intensify the scope of Component 1 (to allow also food establishments, i.e. small and large agri-food processors, to be grant beneficiaries in line with IPARD eligibility criteria) and Component 2 (to provide more technical support to agro-processors on EU Food Safety Standards related to veterinary administration and inspection systems and safe disposal of animal by-products), as well as a closing date extension of 27 months;
- (iv) in March 2016, a Level-2 restructuring led to another closing date extension of 6 months to allow for enough time to process the AF request, and reallocation of remaining GEF funds from the grants disbursement category to works;
- (v) in September 2016, another AF of EUR3 million through IBRD loan financing was approved, leading to the broadening of component activities (in particular on institutional capacity building and piloting of direct (area-based) payment scheme for rural development grants required for EU accession) and respective RF changes, and a related closing date extension;
- (vi) in March 2018, another Level-2 restructuring with a closing date extension of 9 months took place, complemented by adjustments of the RF to adjust target values upward/downward given progress; and

(vii) in March 2019, the final Level-2 restructuring led to a 6-month closing date extension to September 30, 2019 to give grant recipients sufficient time to complete their investments and be refunded upon the required verification/spot control, and reallocation of funds between disbursement categories.

### 3. Relevance of Objectives

#### Rationale

**Relevance of Agriculture Sector in Montenegro.** Agriculture has been a priority to the GoM, given the sector's significant contribution to GDP and exports (10 and 5 percent respectively in 2006), rural employment (70 percent of overall rural household income was estimated to come from agriculture at appraisal), and hence food security and poverty reduction. Transforming Montenegro's agricultural sector through higher productivity and competitiveness in line with EU (pre-)accession requirements and to prepare for the full absorption of EU grant resources under the Instrument for Pre-Accession Assistance for Rural Development (IPARD) has been a policy priority throughout project implementation and up to the time



of this review. These objectives were in line with the GoM's longer-term objective of EU and World Trade Organization (WTO) membership. The project objectives were relevant at the time of appraisal and project closing and continue to be so at the time of this ICR Review.

**Context at Appraisal.** At appraisal, the project objectives were strongly aligned with the GoM's development priorities described in its 2006 Food Production and Rural Development Strategy, which promoted rural development and competitiveness, food safety, sustainable resource management, and adequate standards of living in rural areas. The related 2008-2010 Multi-annual Indicative Planning Document highlighted the need for supporting MAFWM and other sector agencies in the implementation of the strategy, including the strengthening of advisory and extension services (PAD, para 13). In addition, Montenegro's EU integration process documents specified the need for improvements in the administrative capacity to manage agricultural policy and to modernize the agriculture sector. The activities of MIDAS were designed to address both of these needs. Moreover, the project objective was consistent with the FY07-10 Country Partnership Strategy (CPS) for Montenegro, which highlighted the three strategic priorities of (i) enhancing sustainable economic growth through increasing economic freedoms and strengthening the role of the private sector, (ii) building institutions and the rule of law, and (iii) improving standards of living for citizens (PAD, para 14). Moreover, the World Bank had experience from lending projects and analytical work in the agriculture sector in the Western Balkans with similar objectives of EU pre-accession, such as Croatia, Serbia, North Macedonia, and Bosnia and Herzegovina, which was considered in the MIDAS project design (PAD, para 27).

**Context at Completion.** At project completion, the project objectives remained relevant in accordance with the GoM's 2015-2020 Strategy for Development of Agriculture and Rural Areas that supported (i) the development of an effective, innovative and sustainable agro-food sector that provides healthy, high-quality, specialized food products that can meet demand and compete on the EU market, (ii) the development of economic activity and creation of jobs in rural areas, with special emphasis on rural tourism and short supply chain in the production of quality products and services and sustainable use of natural resources, and (iii) the promotion of rural development and social services to improve the quality of life in rural areas and reduce migration of rural population to urban areas (ICR, para 29). MIDAS contributed to these strategic objectives, as its activities (i) strengthened the competitiveness of the agricultural sector and supported diversification towards high-value products intended for export and tourist markets and (ii) improving quality of life in rural areas. Moreover, MIDAS was in line with the FY16-20 Country Partnership Framework (CPF) for Montenegro, in particular with the objective of Focus Area 2 to expand access to economic opportunities (ICR, para 28). The project supported economic opportunities in rural areas by increasing access to funding for the agriculture and agro-processing sector, preparing beneficiaries to comply with EU requirements and access EU IPARD funds, and promoting agro-environmental measures.

Based on the above-mentioned information, Relevance of Objectives is rated High given the clear ambition of the (revised) PDO, the continued relevance at completion, and the connection of the PDO to the World Bank's higher-level objectives of poverty reduction and enhancing shared prosperity.

## **Rating**

High

## **4. Achievement of Objectives (Efficacy)**



## **OBJECTIVE 1**

### **Objective**

Objective 1: Improve delivery of government assistance for sustainable agriculture and rural development in a manner consistent with the EU's pre-accession requirements

### **Rationale**

According to the PAD, productivity and product quality of Montenegro's majority smallholder farms were low at appraisal. It highlighted several constraining factors, including lack of resources/credit for on-farm investments, lack of modern technology and knowledge of improved (including agro-environmental) practices among the majority of farmers - leading to the deterioration of natural and agricultural ecosystems. In addition to these farm-level constraints, there were several institutional constraints, such as weak extension and advisory services, lack of experience and agencies to implement IPARD-compatible measures, and low (regulation and inspection) capacity to meet food safety, animal and plant health, and environmental requirements (of the EU).

**Theory of Change.** To address the above constraints and improve the delivery of GoM's assistance in agriculture and rural development, the project provided additional government funds/matching grants for EU IPARD-compatible rural development support measures. The Theory of Change (ToC) behind of Objective 1 was that the familiarization of agricultural producers with EU requirements and procedures, strengthening their capacity to effectively apply for such funds, and ultimately modernize farm-level agricultural production and knowledge would result in productivity and product quality increases. Moreover, at the institutional level, the project support to enhance the capacity of the extension and advisory services was expected to improve the knowledge transfer provided by these services to agricultural producers, to ensure the effective absorption of rural development funds, and to expand their knowledge of modern practices, including agro-environmental applications. The overall objective of these measures was to prepare the sector - both at the farm and institutional level - for future EU grant resources under the Instrument of Pre-Accession Assistance for Rural Development (IPARD) program. The outputs and outcomes towards the achievement of Objective 1 of MIDAS are described in the following:

### **Outputs (based on ICR Annex 1)**

- 659 (target: 400) agro-holdings made physical investments in line with IPARD measures
- 1,511 (target: 1500) clients have adopted an improved agricultural technology
- EUR 7.7 million (target: EUR7million) of IPARD-Like grant funding awarded
- EUR 6.5 million (target: 6.9 million) of IPARD-Like rural development grants disbursed.
- 101% (target: 90%) of IPARD-Like (2) grant funding awarded
- 87.5% (target: 75%) of IPARD-Like (2) grant funding disbursed
- 6,337 (target 6,200) direct project beneficiaries, of which 17% female (target: 15%)
- EU-compatible Direct Payment policy measure developed and under implementation for organic agriculture and the production of olive, vineyard and aromatic plants (target achieved)
- 6,678 (target: 6,000) client days of training provided, of which 1,014 to females (target: 900)
- 98.3% (target: 70%) of targeted beneficiaries satisfied with timeliness and transparency of pay-out of EU-compatible direct payments



- 278 (target: 200) agricultural households adopted agri-environmental measures
- 2,142 (target: 2,000) hectares of land where sustainable land management practices were adopted

**Outcomes** (based on paras 32 and 33 and Annex 1)

**IPARD-compatible Investments and Technical Assistance in Rural Development and Agro-Environmental Measures.** The ICR highlights how MIDAS addressed constraining factors at the farm-level through the provision of (matching grant) investment funding through calls for sub-projects for farmers/agricultural holdings (which with AF in December 2015 was also extended to small and large agri-food processors), complemented by demand-driven technical assistance and advisory services to support beneficiaries in sub-project/business plan proposals, knowledge of EU-IPARD requirements, and modern agricultural practices. At project closure, MIDAS had awarded IPARD-compatible grant funding of EUR7.7 million (10 percent more than the target and 87.5 percent disbursed) to 658 eligible agricultural holdings (exceeding the target of 400), demonstrating a strong interest in and higher than initially expected absorption of available funds. Also, the ICR describes that 1,511 beneficiaries had adopted modern agricultural technologies and improved production practices supported by the project (meeting the target of 1,500). While the receipt of grant financing (and related confirmed purchase of the financed technology which were typically infrastructure investments) verifies the adoption of modern technologies by beneficiary farms, the adoption and continued application of improved practices is not clearly demonstrated in the ICR. The IEG interview with the Bank task team clarified that the adoption of modern technologies is verified by on-spot controls at any time of the grant investment duration as well as by ex-post on-spot controls up to five years after the investment to verify their continued use, according to EU IPARD requirements.[1] The Task Team Leaders (TTLs) at project completion mentioned that the Proto-Paying Agency of MIDAS records the results of these on-spot controls and that no issues had been found with discontinued use of project-supported technologies during project implementation.

With respect to the GoM's objective to promote sustainable land use and natural resource management, the activities piloted through MIDAS through three rounds of grant allocations for the organic agriculture sub-measure which strengthened the capacity of Montenegro's extension and advisory services through the promotion and monitoring of agro-environmental measures, thereby familiarizing and preparing farmers and sector agencies for the implementation of the respective IPARD Measure 104 (Agri-Environment-Climate and Organic Farming). The ICR describes that the complementary GEF grant funding supported the adoption of agro-environmental practices among 278 agricultural households (exceeding the target of 200) in a land area of 2,142 hectares (exceeding the target of 2000), in particular related to on-farm investments to improve manure management, protect water resources, prevent soil erosion, and regenerate pasture. The ICR does not specifically describe how this adoption/land area was verified but confirms that starting with the fourth MIDAS grant, beneficiaries were required to follow the project-supported Code of Good Agricultural Practices (CGAP). As mentioned before, the ICR and TTLs describe regular site visits/on-spot controls to inspect and verify project investments and compliance with the supported activities (ICR para 64 and page 73). The TTL clarified that a lot of the agro-environmental technologies supported were of a physical nature, such as the installment/upgrading of manure pits, upgrading stable sizes to standards, etc., so that the likelihood of the grant beneficiaries of not using those investments anymore are unlikely.

The ICR refers in a footnote to an EU-financed socio-economic impact assessment of the 2015 AF EU grant-financing activities (ICR, page 32) but does not provide information on its finding. Upon IEG's request, the assessment was shared by the Bank project team. Key findings of this assessment [2] relevant to Objective 1 include that (35.5% successful applicants are familiar with the Code of Good Agricultural Practices (CGAP) compared to 30.8% of unsuccessful applicants and 19.6% of respondents from the general public (i.e.,





farmers who did not apply to the grants). Moreover, 37.3% of successful applicants consider the most significant effects of the implementation of the CGAP as environmental protection compared to 26.8% of the general public, and 37.3% of successful applicants versus 20.6% of the general public consider CGAP leading to be an increase in product quality. The assessment reports that all successful applicants think that the grant support has contributed to the improvement of their agricultural practice, in particular through increasing processing capacities (57.6%), product quality improvement (45.8%) and fulfilment of food safety requirements (33.9%). Regarding production and processing capacities, successful applicants involved in meat processing sector recorded an average increase of 5.7% in overall production capacity in 2018 compared to 2017. Similarly, successful applicants in the dairy processing sector recorded an average 8.7% growth in total capacity. The highest increase was reported by the processing sector, with an average 35.5% increase in 2018 compared to 2017 (these results have to consider the relatively low number of respondents per sector). Regarding employment generation, the assessment report states that most of successful applicants “indicated that there was an increase in agricultural production” (page 9): successful applicants recorded an average income increase of 7.7% when comparing 2018 with 2017 and a decrease in production for personal use from 2.3% to 1.4%. Also, 59.35% of successful applicants reported opening new job positions (a total of 240 permanent positions) and 47.%% reported to have increased the number of seasonal workers (a total of 119), both as a direct consequence of the implemented investment.

**Institutional Strengthening of MAFWM and Public Extension and Advisory services.** At the institutional level, MIDAS strengthened MAFWM’s capacity through (i) the development and dissemination of the country’s first CGAP, (ii) the establishment of the Proto-Paying Agency that at project closure executed all (national/IPARD-compatible and IPARD) agricultural and rural development funds, and (iii) the piloting of EU-compatible direct payments implementation, which was adopted as policy measures by MAFWM at project closure. Regarding the latter, the respective PDO indicator on “measures for direct payments implemented and paid” exceeded its target of US\$500,000 by implementing US\$653,742. Further examples of MIDAS’ support to institutional strengthening are the support to central and regional extension and advisory services by providing trainings in new topics (such as agro-environmental measures or direct payment support), study tours to learn from other countries’ agricultural sector experience in moving forward in the EU accession process, and equipment to adhere to EU-IPARD standards. It also contributed to the development of the country’s first CGAP and modern information systems, such as the Land Parcel Information System.

Overall, the ICR provides evidence that this project support on the farm and on the institutional level led to improved outcomes in investment and service delivery of the government for rural development: Specifically, MIDAS supported the generation of the Rural Development Plan for Montenegro[3], which was submitted to (and accepted by) the EU. As a result at project closure, IPARD-compatible rural development measures (Measure 101, 103 and 302) had been fully integrated in MAFWM support programs – initially through MIDAS in MAFWM’s national support programs, and building on this practical experience starting 2013 through the first IPARD and since 2014 through the second IPARD program in Montenegro for Measures 101 and 103. This corresponds to the achievement of PDO 1 on “EU IPARD compatible rural development measures fully integrated in MAFWM support programs.”

**Summary.** Based on the above-mentioned assessment, the evidence in the ICR (paras 32 and 33) points to the success of the project in improving the delivery of government assistance for sustainable agriculture and rural development in a manner consistent with the EU’s pre-accession requirements, despite some shortcomings in the demonstration of (continued) uptake of improved practices. Hence, the efficacy of this outcome for Objective 1 is rated Substantial.



[1] “On-the-spot control is made before signing the Grant agreement, before making the payment and during the five-year period after making the final payment for. In addition to regular controls, on-the-spot controls may be made also at any time of the investment duration with or without announcement of the Directorate for Payments (DP) [i.e. Proto-Paying Agency]. [...] Orders for all on spot controls (prior project approval, prior payment approval and *ex post* controls) have to be issued by Directorate for Payments relevant department of DP. On-the-spot controls are made by DP staff or independent audits hired by MARD or the international audit of the IPARD like 2.3 grant project (hereinafter referred to as: the controllers).” (MIDAS Grant Operations Manual cited by TTL).

[2] The assessment involved face-to-face interviews in June 2019 with agricultural producers/processors, specifically 59 successful project-supported IPARD-compatible grant applicants, 26 unsuccessful grant applicants, as well as 97 farmers who did not apply for these grants/general public.

[3] The IPARD program for each pre-accession country is based around different measures set at European level. IPARD measures focus on different aspects of agriculture and rural development and each country presents their program of IPARD measures to the European Commission for approval. When approved, these IPARD measures are managed by countries’ national institutions and IPARD agencies. The following IPARD measures are operational as of May 2020 in Montenegro: Measure 101: “Investments in physical assets of agricultural holdings” and Measure 103: “Investments in physical assets concerning processing and marketing of agricultural and fishery products.”

## Rating

Substantial

## OBJECTIVE 2

### Objective

Objective 2: Increase the experience of Montenegrin authorities in administering rural development grants in accordance with EU-IPARD core rules.

### Rationale

**Theory of Change.** The project support under Component 1 was expected to be most effective if complemented by institutional strengthening in line with EU requirements. A further critical assumption was that the best way for Montenegrin authorities to gain experience with EU IPARD was to take a “learning by doing” approach, in which MIDAS funds management and administration simulated the “real” IPARD support, like a pilot. The ToC behind Objective 2 was that the establishment of critical and required agencies and (IT) system in Montenegro was necessary to increase GoM’s capacity to effectively and efficiently manage and administer IPARD(-compatible) rural development funds. Without these institutional foundations, the GoM would not be able to authentically gain the experience of implementing IPARD-compatible measures, and to adjust its systems and processes in light of bottlenecks in the process. The outputs and outcomes supporting Objective 2 of MIDAS are described in the following:

### Outputs (based on ICR Annex 1)



- MAFWM Directorate for Payments approved by the World Bank to execute fourth and fifth calls for grant proposals in line with grants operational manual
- Agricultural Census implemented in June 2010 and results disseminated through five books
- Final IPARD I program and draft IPARD II programs submitted to the European Commission in 2014
- Farm register software and hardware system in place with access to central population, business, and real estate registries, and electronic registration of farms ongoing through regional extension service centers
- IT system pilot tested with first round of direct payments, full Land Parcel Information System (LPIS) in use to verify direct payment applications, and Geospatial Aid application pilot tested for the second round of direct payments
- Final IPARD Program II adopted by EU on July 20, 2015 and the GoM on September 10, 2015; Accreditation package submitted to EU on August

### **Outcomes** (based on paras 34 and 35 and Annex 1)

**Establishment of Key Agencies.** MIDAS supported the GoM in developing the institutional capacity and systems required by the EU to plan, program, disburse and monitor rural development grant funds provided by IPARD (once approved by the EU). Specifically, the project helped to establish the Directorate for Rural Development in MAFWM to take on the planning, programming and organizing function (in EU terms “Managing Authority”) as well as the Directorate for Payments (in EU terms “Paying Agency”), in line with EU capacity and equipment requirements for these agencies. The project built capacity of these agencies by, for example, supporting the development of grant operational manuals and sector analyses, including specific GEF-supported research on natural resources, agricultural land legislation, extension service organizational structure, fishery sector, and forestry management. The implementation of MIDAS allowed both these sector agencies as well as agricultural producers to practice the necessary processes with several grant calls for IPARD-compatible funds before MAFWM/the Directorate for Rural Development received the EU’s accreditation to manage the actual IPARD Measures 101 and 103 in October 2017. Consequently, the first full IPARD calls for these measures were launched in 2018. Given the “learning by doing” approach of the previously implemented MIDAS IPARD-compatible grant calls simulating IPARD procedures and guidelines, the interest in and absorption of these actual full IPARD grants was high: 389 applications for Measure 101 and 45 for Measure 103 for a total investment amount of EUR55 million. This demonstrated the improved capacity of the Montenegrin sector authorities to program and administer EU-IPARD measures.

**Development of Improved Agricultural Information Systems.** The project also supported the programming and establishment of and training in various information systems, required by EU guidelines. Specifically, MIDAS supported the development of monitoring and evaluation (M&E) indicators and targets for each rural development measure of the IPARD Program and the installation of a related M&E system to track the use of rural development funds and provide regular progress reporting to the monitoring committee established by the project, which is responsible for reviewing M&E reports and guiding future strategy development processes. In addition, the ICR reports that MIDAS supported the collection and dissemination of the 2010 Agricultural Census (the first after 50 years), which also informed the establishment of key components of an Integrated Administration and Control System (IACS) in line with EU requirements. Specifically, the project financed the development of an electronic Farm Register with and integrated Animal Identification and Registration System, a Land Parcel Identification System (LPIS) IT system, as well as the development of cadaster maps of vineyards, and olive and/or fruit orchards. These systems are all necessary conditions for further EU accreditations. Given the above, the PDO indicator related to Objective 2 “MAFWM



capacity to disburse and track the use of rural development funds and to evaluate their impact in line with EU IPARD requirements” was achieved.

**Summary.** Based on the above-mentioned assessment, the ICR provides evidence (para 34 and 35) that the project activities contributed to the Montenegrin authorities gaining experience in administering rural development grants in accordance with EU-IPARD core rules. Hence, the efficacy of this outcome for Objective 2 is rated Substantial.

## Rating

Substantial

## OBJECTIVE 3

### Objective

Objective 3: Support a selected number of agricultural holdings and food establishments in upgrading towards EU standards

### Rationale

**Theory of Change.** The PAD highlighted the importance of investments to upgrade agricultural producers and food establishments to meet the increasing important of food safety standards and satisfy EU cross-compliance requirements on food safety (PAD, para 5). The ToC behind Objective 3 was that such investments would increase the competitiveness of the Montenegrin agriculture sector. Moreover, strengthening other critical elements of the food safety system -such as sanitary and phytosanitary services at border inspection posts, or upgrading national reference laboratories-were assumed critical to comply with (EU/international) food safety standards and promote agricultural exports. The outputs and outcomes supporting Objective 3 of MIDAS are described in the following:

### Outputs (based on ICR Annex 1)

- 224 (target 120) agro-processors compliant with EU food safety/hygiene regulations (verified by inspection)
- 98 (target: 80) grant applications for food establishments approved, of which 67 (target: 65) grants successfully completed. The ICR explains lower than targeted completion because of difficulties of some grant recipients experienced in obtaining building permits and financing to cover their own contributions to investments (ICR, page 74)
- Border Inspection Post in the seaport of Bar constructed, furnished, equipped, and in operation
- Marine Biology Institute in Kotor designated a National Reference Library (NRL) to implement monitoring of water for needs of mariculture; facilities refurbished and laboratory equipment provided; and accredited for micro-biological testing of sea water
- Veterinary Diagnostic Lab equipped and 16 methods accredited under ISO 17025 covering over 75% of tests in food safety and animal health
- Preliminary classification and annual control plans for food establishments completed according to EU food safety standards
- Veterinary Directorate staff and inspectors training on EU Food Safety requirements has been conducted



- Legal framework on safe disposal of animal by-products (ABP) improvements completed

### **Outcomes (based on paras 36 and 37 and Annex 1)**

**Modernization of the Food Safety System.** The project supported the GoM in its efforts to improve its food safety systems in accordance with EU guidelines. The related PDO indicator was defined as “critical elements of the food safety system upgraded in EU compliant manner.” By project closure, it had established several key components necessary to enhance Montenegro’s capacity to meet increasingly important food safety criteria (e.g. by the EU). Specifically, MIDAS had (i) developed the first EU compliant veterinary and phyto-sanitary border controls at the border inspection posts at the Port of Bar, enabling it to serve as Montenegro’s EU point of entry; (ii) upgraded the facilities and laboratory equipment of the Marine Biology Institute to a National Reference Laboratory (NRL) for monitoring sea water and aquaculture product quality according to international standards and in line with the 2009 Law on Marine Fisheries and Mariculture, in addition to the accreditation of microbiological testing of sea water methods; (iii) modernized the laboratory equipment and capacity of the Veterinary Diagnostic Laboratory, which was reaffirmed as NRL and received ISO accreditation for sixteen analysis methods that cover over 75 percent of the laboratory’s routine monitoring tests in food safety and animal health; and (iv) developed a legal and regulatory framework and trained veterinary inspectors on the safe management of animal by-products (ABP) and trained Veterinary Directorate staff and inspectors in procedures and checklists for official controls of ABP. According to the ICR, these investments were strategic for the modernization, safety, and increased export competitiveness of the Montenegrin food and food processing industry. They are also important for the further accession process to the EU, as increased food system capacity and upgrading of specific agencies are required (for example, the EU regulation 2017/625, Article 100 requires member states to designate National Reference Laboratories (NRL) for each European Union Reference Laboratory).

**Upgrading, Classification and Inspection of Food Establishments.** By project completion, MIDAS had promoted food safety awareness and verified the compliance with EU food safety/hygiene regulations of 224 food establishments, i.e. small and medium agro-processors (compared to the target of 120, and the 2015 baseline of 18). According to the IEG interview with the Bank task team, compliance verification was done through inspections of these food establishments. 98 of those 224 establishments had obtained grant financing (funded by the 2015 AF EU grant) to upgrade their facilities to EU food safety/hygiene standards, while the others financed the upgrades by themselves or with other sources. While this PDO indicator linked to Objective 3 describes the provision of EU compliant modernization for food establishments, it is an output indicator which does not provide additional information on the details of compliance and monitoring procedures – which had to be clarified by the Bank team

The grant investments in food establishments were complemented by institutional strengthening of the Veterinary Directorate through the development of the classification procedures of food establishments applied in a preliminary project-supported classification, as well as the development of multi-year control plans, inspection manuals, checklists, and sampling plans according to EU standards/ISO 17020. The project trained the Veterinary Directorate staff and inspectors in the details of these plans and manuals to support their smooth implementation. Moreover, the ICR highlights the project’s efforts in supporting the alignment of national food safety laws and regulations with the EU acquis through the development and adoption (in September 2015) of a new food safety law. However, these plans and regulations are still to be tested and it is too early to assess the effectiveness of the supported measures in terms of increased food safety.



**Summary.** Based on the above-mentioned assessment, the ICR (para 36 and 37) describes achievements in the project support to a selected number of agricultural holdings and food establishments in upgrading towards EU standards. However, much of the ICR evidence is based on output measures and it falls short of providing robust evidence of a (continued) application of supported systems by producers and their adherence to guidelines resulting in improvements in Montenegrin food safety. Hence, the efficacy of this outcome for Objective 3 is rated Modest.

**Rating**  
Modest

## **OVERALL EFFICACY**

### **Rationale**

The achievement of Objective 1 - to improve delivery of government assistance for sustainable agriculture and rural development in a manner consistent with the EU's pre-accession requirements - is rated Substantial as a result of positive impacts reported by the ICR, despite some shortcomings in the demonstration of continued adoption of improved and agro-environmental practices. The achievement of Objective 2 - to increase the experience of Montenegrin authorities in administering rural development grants in accordance with EU-IPARD[1] core rules - is rated Substantial due to meeting or exceeding indicators and targets. The achievement of Objective 3 - to support a selected number of agricultural holdings and food establishments in upgrading towards EU standards - is rated modest as a result of insufficient outcome evidence, despite meeting all indicator targets (but mostly output-oriented). Based on this evidence and that all targeted project outcomes were either fully achieved or exceeded at project completion, the overall efficacy of this project's achievements is rated Substantial.

### **Overall Efficacy Rating**

Substantial

## **5. Efficiency**

**Ex-ante Economic and Financial Analysis (EFA).** At appraisal, an economic and financial analysis (EFA) was prepared separately for the different sub-components: On the one hand, Sub-Components 1.1, 1.2, 2.1 and 2.2 were assessed together, as they related to the strengthening of MAFWM's rural development program and IPARD establishment of EU IPARD compatible institutions. Quantifiable benefits of the ex-ante EFA for this group of Sub-Components included that the project would accelerate Montenegro's eligibility to access EU IPARD funds in the range of EUR 2.6 to EUR 6.7 million per year, and in total access to an additional EUR 8.5 million. The cost-benefit analysis for this group of Sub-Components (representing 88% of total project cost) estimated an economic internal rate of return (EIRR) for these components of 19% (over the period 2009 to 2016). No details on the specific assumptions used for this estimation of the EIRR are provided in the PAD other than that the estimate was conservative. The analysis for these Sub-Components assumed that (i) Montenegro



would obtain EU candidate status in 2010; (ii) the average annual allocation of EU IPARD funds would be EUR 4.6 million; and (iii) the annual absorption of EU IPARD funds by Montenegro would be in accordance with the experience from previous accession countries (PAD, page 76).

On the other hand, the EFA of Sub-Component 2.3 - related to the modernization of Montenegro's food safety systems and infrastructure - applied a cost-efficiency analysis (PAD, page 78, para 11) to estimate of reduced prevalence and related lower cost of potential slaughter and compensation of key animal diseases of commercial and/or public health significance, such as bovine and ovine/caprine brucellosis, enzootic bovine leucosis, bovine tuberculosis and other zoonoses and zoonotic agents (such as salmonella). The resulting financial internal rate of return (FIRR) of Sub-Component 2.3 (representing 8.6% of total project costs) was estimated at 12%. For this IRR, the PAD states that the estimate was conservative. No sensitivity analysis is reported in the PAD. The analysis for Sub-Component 2.3 assumed a reduction in prevalence and related costs of key animal diseases and other zoonotic agents, based on actual cases and costs in Montenegro in 2006 and 2007 (PAD, page 77 paras 8 and 9).

**Ex-post Economic and Financial Analysis.** At completion, an EFA was carried out considering all rounds of financing for the project (original IBRD loan and GEF grant, AF of EU grant, AF of IBRD loan). It focused on the analysis of grant-financed investments and improved advisory services provided under Component 1 (and partially linked to the institutional strengthening of Component 2). No separate EFA was conducted for the activities supported under Sub-Component 2.3. Specifically, the financial analysis was based on eight illustrative models<sup>[1]</sup> to demonstrate the financial viability of potential investments. The ICR does not provide details on the proportion of total grant investments that these models captured, but states that they are "representative in terms of agricultural sub-sectors and different rounds of project financing" (ICR, page 62, para 16). The FIRR varied across models from 13% (milk production manure disposal) to 54% (honey). The economic analysis was prepared based on the same eight illustrative models and estimated an EIRR of 24.1% and ENPV of US\$12.4 million. The economic analysis assumed that at least 80% of the investments would achieve the estimated returns, i.e. an 80% success rate was applied to the models.

Contrary to the PAD, the ICR EFA includes the results of a sensitivity analysis. It shows that changes in benefits and costs and for various lags in the realization of benefits have no significant impact on the EIRR. For example, at a 20% decline in benefits/increase in costs, the EIRR remains above the assumed discount rate of 12%. Similarly, a one-year delay in project benefits only reduces the ERR to 20.3%.

**Administrative Efficiency.** The project closing date was extended five times due to the provision of AF and restructurings, totaling up to 5 years and 3 months. The ICR states this extension to have been critical for the achievement of the PDO and mobilization of AF (ICR, page 64 para 21). It further states that there were no cost overruns. However, the proportionate cost of Component 3 for Project Management was 8.5% at project closure compared to the estimated 3.6% at appraisal (ICR Annex 3 page 59). Furthermore, MIDAS experienced delays in executing some project activities due to difficulties in finding qualified consultants (ICR, para 61 and 76).

Given the solid internal rates of return and robust results from the sensitivity analysis, the project's efficiency is rated Substantial despite some shortcomings in the economic analysis and administrative efficiency.

[1] These models were for the production of cherry, poultry, grape, milk (heifers), honey, mushroom, fish and milk (manure disposal).

## Efficiency Rating



Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	19.40	88.00 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	24.10	50.00 <input type="checkbox"/> Not Applicable

\* Refers to percent of total project cost for which ERR/FRR was calculated.

**6. Outcome**

Relevance of Objectives is rated High, as MIDAS objectives were relevant to both the former and current national priorities and Bank sector strategies. The achievement of the revised tri-part PDO to “(i) improve delivery of government assistance for sustainable agriculture and rural development in a manner consistent with the EU's pre-accession requirements, (ii) increase the experience of Montenegrin authorities in administering rural development grants in accordance with EU-IPARD core rules, and (iii) to support a selected number of agricultural holdings and food establishments in upgrading towards EU standards” is rated Substantial, given that all targeted project outcomes were either fully achieved or exceeded at project completion and the ICR provided adequate evidence. Efficiency is rated Substantial, given the project’s sound economic rate of return and robust results of the sensitivity analysis. This project had minor shortcomings in the achievement of its objectives, efficiency and relevance and its overall outcome is therefore rated Satisfactory.

a. **Outcome Rating**  
 Satisfactory

**7. Risk to Development Outcome**

**Institutional Sustainability.** Montenegro has made continued progress towards of EU accession: it opened negotiations with the EU on Chapter 11 (Agriculture and Rural Development) in December 2016 and for Chapter 12 (Food Safety) and Chapter 13 (Fisheries) in June 2016 (ICR, para 52). As a result of this progress and the related continuation (and expected increase) of IPARD funding requires the sustained functioning of the agencies established (Paying Agency and Managing Authority), the maintenance of the institutional systems supported by the project (e.g. the IACS and M&E System), as well as producers’ compliance with EU/IPARD regulations.

**Financial Sustainability.** At the time of project closure and this Review, the follow-on Montenegro Second Institutional Development and Agriculture Strengthening Project (P164424) of EUR30 million (US\$34.89 million equivalent) is active, building on the experience of MIDAS and continuing the support to MAFWM in





meeting the closing benchmarks of Chapter 11 and 12 (and adding support for Chapter 13) (PAD MIDAS2 (P164424, para 14). This is expected to sustain and scale up the outcomes from MIDAS and to provide continued financial support to the agencies established under MIDAS. Moreover, MIDAS provided matching grants for investments in rural development measures, in particular related to IPARD Measure 101 (Investments in physical assets of agricultural holdings) and Measure 103 (Investments in physical assets concerning processing and marketing of agricultural and fishery products). Both these measures have become operational, so that IPARD funding is available for these measures after the termination of the MIDAS project.

**Challenges to the Development Outcome.** However, two main challenges to sustaining the development objective in the longer term are (i) maintaining the adoption of improved practices -in particular agro-environmental- among beneficiary farmers and agro-processors and ensuring scale-up for widespread improvements in food production (ii) the implementation of the food safety measures supported by MIDAS which generated to plans, manuals, and regulations but had not put them into practice by project closure. Both of these challenges can be expected to be (at least partially) addressed through the ongoing follow-on project, given its objective of improved agricultural competitiveness and a dedicated component on food safety, veterinary and phytosanitary services. Also, the increased demand in Montenegro and the region for safe food and quality standards can be expected to incentivize farmers and agro-food processes to (continue to) apply improved technologies and practices supported by the project.

The ICR (paras 82-84) discussed further issues that could impact the risk to the development outcome: (i) the need for further strengthen and diversify technical components of Montenegro's Agricultural Knowledge and Innovation System (AKIS) to ensure that agricultural producers and MSMES are effectively supported and sufficiently prepared to adapt to emerging issues like climate change, digital transformation, and changing market demand (ICR, para 82); (ii) the importance of "the right policy mix" to advance the agri-food system transformation in Montenegro, such as an increased shift toward de-coupled (i.e. area based) payments and direct payments to encourage private investments and reduce the distortionary effects of coupled payments (ICR, para 83); and (iii) the need for evidence-based policy decision-making in Montenegro's agri-food sector, related to the further development of sector M&E systems to assess the development impacts of ongoing policy reforms and guide future sector strategies (ICR, para 84).

## 8. Assessment of Bank Performance

### a. Quality-at-Entry

According to the ICR (para 78) the World Bank Task Team designed MIDAS and its objectives in alignment with the World Bank's strategic involvement in Montenegro and the GoM's agricultural sector priorities at the time of project preparation and appraisal. The project was prepared under the uncertainty when pre-accession negotiations with the EU would start (Montenegro had applied for EU membership in December 2008 but pre-accession negotiations started in December 2010 when MIDAS was already effective for 1.5 years) and hence was considerate of the careful formulation of the PDO and RF indicators. At appraisal, the institutional capacity of MAFWM and other sector agencies was assessed as weak and the World Bank team put emphasis on strengthening this capacity to (i) ensure ownership by the GoM and (ii) prepare national agencies for pre-accession and accession requirements of the EU. The team was proactive in collaborating with the EU Delegation and other donors – demonstrated by secured grant financing from GEF and later the EU that complemented the IBRD loan. The ICR highlights the



preparation team's innovation in adopting a "learning by doing" approach to simulate IPARD funding procedures and requirements with MIDAS project funds ("IPARD compatible") under Component 1 to pilot the process and thereby gain practical experience and prepare farmers and sector institutions for the later expected "real" IPARD funds and related systems, processes, and tools (ICR, para 79).

### **Quality-at-Entry Rating** Satisfactory

#### **b. Quality of supervision**

The project was implemented largely according to its design, and actually widened its focus both in terms of activities (e.g. expanded PDO; including eligibility of agro-processors, etc.), funding (i.e. the project had two AFs with a EU grant and a IBRD loan) and duration (i.e. total closing date extension of five years and 3 months). MIDAS was restructured five times (plus two AFs) to respond to client needs and expanding activities to more IPARD-compatible investments, but also due to delays related in particular to capacity constraints in hiring adequate local expertise on various topics (e.g. the agro-environmental measures, ABP, border inspection posts, etc.).

Supervision missions took place on a regular basis with adequate expertise in staffing and included site visits and interactions with various project stakeholders. Regular public awareness campaigns and beneficiary surveys were carried out. In addition, especially at early implementation the World Bank Task Team provided technical advice to the Project Management Unit (PMU) when needed and brought expertise on specific issues requested by the GoM, especially with the EU Delegation. Task Team leadership changed five times during the implementation, but the ICR highlights that the continuous involvement and regional presence of the co-TTL (as well as the safeguards specialists) ensured continuity and a responsiveness to the client implementing agencies (ICR, para 80). At completion, the project fully achieved or exceeded all targets in the RF.

In the last couple of years of project implementation, preparation for the follow-on operation (Montenegro Second Institutional Development and Agriculture Strengthening Project (P164424); EUR30 million (US\$34.89 million equivalent) was conducted by the same core World Bank Task Team and PMT of MIDAS, building on the experience of MIDAS and preserving the institutional memory.

### **Quality of Supervision Rating** Satisfactory

### **Overall Bank Performance Rating** Satisfactory

## **9. M&E Design, Implementation, & Utilization**



### **a. M&E Design**

A Theory of Change (ToC) was not (required to be) prepared at appraisal, but the ICR presents an ex-post ToC with a logical rationale. MIDAS interventions broadly focused at two levels: (i) at the agricultural producer/agro-processing level, the modernization of production and adoption of improved (including agro-environmental) practices supported through matching grants simulating IPARD processes and requirements was expected to increase agricultural productivity, familiarize producers with the procedures and guidelines of IPARD funds, and for the case of agro-processors in particular also to upgrade to EU and food safety standards; and (ii) at the institutional level, the project built the administrative capacity (including the creation of agencies and IT systems) of Montenegro to comply with EU pre-accession requirements which would allow the country to manage IPARD funds, strengthen the technical capacity of a support services in extension and advisory, and modernize various aspects of the country's food safety system in accordance with EU requirements. The project activities at both levels were designed and implemented in a complementary manner, as they shared the same higher-level objectives of increased agricultural competitiveness, stronger capacity to manage agricultural policy and funding (national and EU IPARD), improved food safety, and natural resource management. The Theory of Change did not change with the restructurings/Additional Financing and expansion of the PDO.

The PDO at appraisal was to be measured by three PDO-level indicators: (i) EU IPARD compatible rural development measures fully integrated in MAFWM support programs; (ii) MAFWM capacity to disburse and track the use of rural development funds and to evaluate their impact in line with EU IPARD requirements; and (iii) food safety system upgraded in an EU compliant manner. During implementation they were complemented by two additional PDO-level indicators (discussed under M&E implementation). These were complemented by two outcome indicators related to the GEO: (i) agri-environment measures integrated into MAFWM's rural development program and (ii) improved capacity of extension and advisory services to introduce agri-environment measures. While the above PDO indicator formulation was quite broad, the PAD Annex 3 (PAD, pages 37 and 38) provided more details on the steps that would need to be taken to achieve the respective PDO/GEO indicator targets. With that, the stated indicators were linked to the respective parts of the PDO and were measurable. A shortcoming of the RF was that only few of the PDO and intermediary results indicators had a baseline and that it lacked intermediate indicators to assess the impacts of the strengthening of public extension and advisory services and food safety of food establishments, in particular a measurement to verify the compliance of beneficiaries with the supported activities, such as CGAP, improved practices, and food safety measures.

The overall responsibility of M&E activities was with the Project Management Team, specifically the M&E specialist responsible for planning and coordinating M&E activities. The PAD described only the collection of baseline survey data in year one, but did not refer to a planned endline survey data collection or an impact assessment.

### **b. M&E Implementation**

During project implementation the RF design was adjusted to better align with the revised tri-part PDO and activities supported by the AF, adding the two PDO indicators of "Measures of direct payment implemented and paid" and "Number of agro-processors compliant toward EU food safety/hygiene regulations". While these indicators were more measurable in quantitative terms, a key shortcoming was that they were output-oriented and, as mentioned under Efficacy, the ICR did not provide sufficient complementary evidence to demonstrate the effectiveness of these measures (e.g. how compliance was verified/monitored), but some clarifications were provided during the IEG interview with the Bank task



team. Some intermediary results indicators were also modified as part of project restructurings and expanded project scope supported by Additional Financings (see ICR Annex 1B for details). These changes were appropriate to provide clarifications on definitions, adjustment to targets given implementation progress, and inclusion of more targeted measures to specific activities supported by the project. As mentioned before, the ToC was not affected.

A shortcoming of M&E implementation was the lack of proper baseline collection. The ICR does not provide adequate information on baselines and follow-up survey data collection. However, it does mention regular beneficiary questionnaires used after each grant call and beneficiary surveys (including a control group) applied after the first and fourth rural development grant call (ICR, para 67). The ICR misses the opportunity to present the results of these surveys (apart from the beneficiary satisfaction rate indicator in the RF) and whether and how they provided complementary evidence on the impact of project activities. It merely mentions that “the results of these surveys were used to make necessary adjustments to improve the process for grants’ calls” (ICR, para 67). The IEG interview with the Bank task teams clarified that the purpose of these surveys was to identify bottlenecks in the grant call process, not to assess impact of the investments. The ICR only refers to the EU-financed socio-economic impact assessment of the 2015 AF EU grant-financing activities (ICR, page 32 footnote), but the Bank team provided IEG with a copy of the assessment, whose key findings are summarized in the Efficacy Section of this review. For the MIDAS project overall, no impact assessment was conducted at project closure. Despite these shortcomings, overall the RF provided a sufficient basis for the presentation of evidence on the impact of most of MIDAS activities and achievements towards the PDO.

### c. M&E Utilization

The ICR describes that M&E outputs were used to adapt project implementation, in particular in relation to the process of the grant calls of Component 1 (ICR, paras 67 and 68).

Overall, M&E Quality is rated Substantial. This rating reflects the generally adequate M&E design and implementation despite some shortcomings, and limited utilization.

### M&E Quality Rating

Substantial

## 10. Other Issues

### a. Safeguards

**Environmental Safeguards.** The project was classified as Environmental Category B, as it was not expected to lead to any significant negative environmental changes. It triggered the environmental operational safeguard policies of Environmental Assessment (EA) (OP 4.10), Natural Habitats (OP 4.04), Pest Management (4.09), Forests (OP 4.36) and Projects in International Waterways [1] (OP 7.50). The PAD stated that during project preparation an Environmental Management Plan (EMP) was prepared and found to be satisfactory by the Bank and that the Environmental Assessment (EA) Report was disclosed through the World Bank Infoshop in October 2008 and made publicly available in the country and on the MAFWM website (PAD, para 59). None of the various project restructurings led to changes in the



Environmental Category or Safeguard Policies, but the project adapted environmental screening procedures for the EMF/Environmental and Social Management Framework (ESMF) of the 2015 Restructuring and the Additional Grant Financing (ICR, para 71).

The ICR reports that the project adopted mitigation measures outlined in an Environmental Management Plan (EMP) for each activity to minimize negative environmental impacts at key stages of activities (design, bidding, construction, and implementation) (ICR, paras 70 and 71). Specifically, for the farm-level (and later agro-processing) investments financed through the matching grants under Component 1, the project incorporated eligibility and screening criteria in the Operational Manual and the Grants Operational Manual, developed guidelines for the preparation of subproject-specific EAs or EMPs and specific practices and standards to be adopted based on their assessed environmental impact. It is assumed that the introduction of improved technologies and agro-environmental practices through the subprojects reduced pollution levels generated by farms and agro-processors. The ICR does not report in detail on environmental performance of the supported beneficiaries, but the RF describes that 278 agricultural households adopted agro-environmental measures (compared to target of 200) and that 224 agro-processors were compliant toward EU food safety/hygiene regulations at project closure (compared to target of 120). Moreover, for the activities under Component 2, separate EMPs were prepared for the Marine Biology Institute, the Border Inspection Post in Bar, and the Proto-Paying Agency. The ICR highlights that the project built technical and administrative capacity to better monitor and manage environmental compliance, such as through the development of a legal and regulatory framework for animal by-products. However, an actual reduction was not (intended to be) monitored or measured.

The ICR reports that the part-time Safeguards Specialist of the PMT submitted timely and adequate monitoring reports (although the ICR does not provide details on the monitoring activities) and provided training to the grant applicants on safeguards matters (ICR para 72). The World Bank Safeguards Specialist reviewed the implementation of the EMP/ESMF and provided guidance on safeguards matters. According to the ICR, no significant adverse environmental issues or impacts were encountered during project implementation and environmental safeguard performance was consistently rated as satisfactory. The IEG interview with the Bank task team confirmed that there were no compliance issues with environmental safeguards.

**Social Safeguards.** The project triggered the social operational safeguard policies of Physical Cultural Resources (OP 4.11) and the Involuntary Resettlement (OP 4.12) (PAD, para 55). In response, the Resettlement Policy Framework (RPF) was prepared, but only related to the possibility that land may need to be required for the construction of a building for the proto-Paying Agency under Component 2. The criteria for investments supported under Component 1 excluded financing of proposals that may result in displacement of any third party formally or informally occupying or using the land and grant applicants had applicant to provide written consent from the owner to use the land – and according to the ICR, this was diligently monitored by the Safeguards Specialist of the PMT. The ICR also reports that the project led to no land acquisitions with the decision to use existing facilities instead of constructing a new one for the Proto-Paying Agency (ICR, para 73). Overall, no social or impacts were reported and no major complaints or grievances on environmental or social management were filed during project implementation. The IEG interview with the Bank task team confirmed that there were no compliance issues with social safeguards.

[1] The ICR notes that MIDAS “received an exception to the notification requirements of OP 7.50 at project appraisal and notified riparians (namely the International Commission for the Protection of the Danube River



– and the Mediterranean Action Plan – Barcelona Convention) as part of the December 2015 Restructuring and Additional Grant Financing.”

**b. Fiduciary Compliance**

**Financial Management.** Fiduciary management of MIDAS was done through consultant services by the Technical Services Unit (TSU) in the Ministry of Finance. TSU was functioning before MIDAS and the services were performed on a pro rata basis with other World Bank-financed projects in Montenegro. The TSU prepared quarterly unaudited financial reports and annual audited financial statements on time and in adequate manner (ICR, para 77). The ICR does not provide details on FM supervision missions, but throughout project implementation FM was rated as satisfactory and financial audits were unqualified (which was confirmed in the IEG interview with the Bank task team).

**Procurement.** Procurement was also performed by the TSU, which had extensive experience in World Bank procurement procedures from other projects and whose capacity was considered adequate. Nevertheless, the risk of procurement delays was rated high at appraisal and in fact MIDAS experienced delays in the first two years of implementation due to TSU’s staff capacity constraints. Overall, procurement was largely adequate and there were no major complaints during bidding processes (ICR, para 76 and confirmed in the IEG interview with the Bank team).

**c. Unintended impacts (Positive or Negative)**

The ICR reported that the project has reduced barriers of doing business for agricultural producers and agri-food micro, small, and medium enterprises (MSMEs). In particular, the ICR mentioned that due to MIDAS procedures for issuing building permits on agricultural land in line with spatial plans were improved. Another example is that “flexibility” and “derogation” rules - as provided for in the EU framework- were developed under the new Food Safety Law approved in 2015, which reduced compliance costs in relation to the EU Hygiene package for smaller producers and agri-food MSMEs (ICR, paras 37 and 54).

**d. Other**

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**11. Ratings**

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Substantial	



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Quality of ICR                      ---                      Substantial

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## 12. Lessons

The following lessons are drawn from the ICR with some adjustments in language:

**A prioritized and phased approach of measures allows for successful implementation of complex policy changes.** The piloting and incremental approach adopted by MIDAS for implementing rural development grants in line with EU IPARD procedures helped stakeholders to strengthen their capacities, identify and address bottlenecks in implementation, and gain practical experience before expanding to more complex further measures. The considerable absorption rate of IPARD funds towards the end of the project demonstrated the success of this gradual approach.

**Coordination of complementary strengths provide the basis for effective collaboration and the creation of synergies during project implementation.** The case of MIDAS demonstrates that a strategic collaboration and continuous communication between national and donor agencies can generate synergies in the design and supervision of investments. MIDAS' sector investments and institutional strengthening activities were complemented by EU technical assistance, with the joint goal of moving the country closer to EU accession. This collaborative environment also allowed for testing innovative approaches, such as over-contracting in MIDAS which was adopted in the IPARD program in Montenegro (ICR, para 89).

**Structural sector weaknesses are not overcome by successful pilot projects and will usually need to be addressed separately to make best use of the pilot results.** While MIDAS successfully prepared its beneficiary agricultural producers and MSMEs for IPARD support, this process also highlighted the larger underlying structural issue of limited access to rural finance to scale up producers' capacity to pre/co-finance sector investments (like IPARD). Addressing such issues requires separate targeted action.

## 13. Assessment Recommended?

Yes

Please Explain

MIDAS is a prototype of similar agriculture sector interventions in the Western Balkans with EU membership aspirations.

## 14. Comments on Quality of ICR

The ICR is well-written and comprehensive. The logic of the project is explained well in the ex-post Theory of Change and it provides the reader with a good technical understanding and rationale of the project activities.



For a reader unfamiliar to the EU accession process, however, more details on the process could have been provided in footnotes or an annex.

**a. Quality of ICR Rating**  
Substantial