



ADAPTATION FUND

PROJECT PROPOSAL TO THE ADAPTATION FUND

PART I: PROJECT INFORMATION

PROJECT CATEGORY: REGULAR PROJECT

COUNTRY: MONTENEGRO

TITLE OF PROJECT: ADAPTATION TO CLIMATE CHANGE AND RESILIENCE IN THE MONTENEGRIN MOUNTAIN AREAS - GORA

TYPE OF IMPLEMENTING ENTITY: MULTILATERAL IMPLEMENTING ENTITY

IMPLEMENTING ENTITY: INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

EXECUTING ENTITY: MINISTRY OF AGRICULTURE, FORESTRY AND WATER MANAGEMENT

AMOUNT OF FINANCING REQUESTED: 10 MILLION USD

Contents

PART I: PROJECT INFORMATION	1
Abbreviations and acronyms	iv
Map of the project area	vi
A. Project background and context	1
Introduction.....	1
Sensitivity and adaptive capacity to climate change in Northern Montenegro	2
Exposure to climate change: current climate, observed and projected changes	14
Vulnerability to climate change impacts	21
Project upscaling and lessons learned	25
Theory of Change and Approach	27
Project Area and Targeting Strategy.....	29
B. Project Objectives	32
C. Project Components and Financing	32
D. Projected Calendar	32
Part II: PROJECT JUSTIFICATION	33
A. Project components	33
Component 1. Sustainable Mountain Livelihoods.....	33
Component 2. Integrated Landscape Management.....	40
Component 3. Mainstreaming mountain adaptation strategies	49
B. Project benefits	53
Economic benefits.....	53
Social benefits.....	54
Environmental benefits.....	55
C. Cost Effectiveness	56
D. Strategic alignment	60
E. National Standards and Environmental and Social Policy	62
F. Duplication	65
G. Learning and Knowledge Management	68
H. Consultative Process	68
I. Justification for funding	69
J. Sustainability	71
K. Environmental and Social Impacts and Risks	72
Part III: IMPLEMENTATION ARRANGEMENTS	75
A. Implementation arrangements	75
B. Financial and project risk management	78
Financial risk	78
Project risk.....	81
C. Environmental and Social Risk Management	82
D. Grievance and redress mechanisms	83
E. Monitoring and Evaluation	84
F. Results framework	87
G. Alignment with Adaptation Fund Result Framework	90

H.	Project Budget	92
I.	Disbursement Schedule	93
Part IV: ENDORSEMENT		94
A.	Record of endorsement on behalf of the Government	94
B.	Implementing Entity Certification	95

Annexes

Annex 1: Letter of endorsement by the Government	96
Annex 2: Stakeholder consultation process	98
Annex 3: Environmental and Social Management Plan	108
Annex 4: Climate Vulnerability analysis in Montenegro	136
Annex 5: Gender Assessment and Sensitive Design Checklist	146
Annex 6: Lessons learned from the Rural Clustering and Transformation Project	160

List of Figures

- Figure 1:** Hydrology and hydrogeology of Montenegro (Sekulic and Radulovic, 2019)
- Figure 2:** Revised Universal Soil Loss Equation (RUSLE) in Montenegro in 2021. Sources: ESA Sentinel (NDVI), Gridsoils (Soil), CHIRPS (Prec), NASA SRTM (Altitude).
- Figure 3:** Average mean temperature in Montenegro for the period 1901-2020. Source: Climatic Research Unit – University of East Anglia (CRU)
- Figure 4:** Average minimum (left) and maximum (right) temperatures in Montenegro for the period 1901-2020. Source: Climatic Research Unit – University of East Anglia (CRU) & IFAD.
- Figure 5:** Annual precipitation for the period 1901-2020 (bottom-left) and 1981-2020 (bottom-right) and Monthly rainfall and trend (1981-2018) (Top) in Montenegro. Source: Climatic Research Unit – University of East Anglia (CRU) and Climate Hazards Group InfraRed Precipitation with Station data (CHIRPS) & IFAD
- Figure 6:** Number of heavy rainfall events (>20mm/d) in Montenegro and seasonal historical trends by municipalities for the period 1981-2020. Source: CHIRPS & IFAD
- Figure 7:** Seasonal rainfall average and trend (1981-2018) in Montenegro. Source: Climate Hazards Group InfraRed Precipitation with Station data (CHIRPS) & IFAD
- Figure 8:** SPEI in Montenegro 1981-2020. Source: and Climate Hazards Group InfraRed Precipitation with Station data (CHIRPS) & IFAD.
- Figure 9:** SPEI in Danilovgrad (Centre), Andrijevisa (North) and Mojkovac (North) municipalities in Montenegro 1981-2020. Source: and Climate Hazards Group InfraRed Precipitation with Station data (CHIRPS) & IFAD
- Figure 10:** Change (° C) of the mean winter (DJF), summer (JJA), and annual (ANN) temperatures, for the periods 2011–2040, 2041–2070, and 2071–2100, compared to the period 1971–2000, according to scenario RCP8.5. Source: Third National Communication of the Republic of Montenegro under the United Nations Framework Convention on Climate Change, 2020
- Figure 11:** Projected maximum number of consecutive dry days and projected annual SPEI drought index for the Republic of Montenegro under the RCP4.5 and RCP8.5 compared to the reference period 1995-2014 with the multi-model Ensemble. Source: Climate Change Knowledge Portal, World Bank.
- Figure 12:** Snow occurrence's trend 2000-2021 in Montenegro. Source: NASA MODIS MOD10A2 500m 8days V.6 & IFAD
- Figure 13:** Snow extent in square kilometers at national level in Montenegro 2000-2021. Sources: NASA MODIS MOD10A2 V.6 & IFAD
- Figure 14:** Elevation and graphs of 8 days snow cover and trend's slope by municipality for the period 2000-2021 in Montenegro. Source: NASA MODIS MOD10A2 V.6 – NASA Shuttle Radar Topography Mission 90m & IFAD
- Figure 15:** Montenegro burned area by type of land use for the period 2000-2021. Source: NASA MCD64A1 V.6
- Figure 16:** Geographical targeting based on the establishment of a climate vulnerability index as a function of exposure, sensitivity and adaptive capacity

List of Tables

- Table 1: Key institutions and their responsibilities in climate change management in Montenegro
- Table 2: Project components and financing
- Table 3: Projected calendar
- Table 4: Conditions of operations of the Value Chain Fund
- Table 5: Financial Profitability results per model (VCF – Window 1)
- Table 6: Financial Profitability indicators per model (VCF – Window 1 & 2)
- Table 7: Sensitivity analysis
- Table 8: Cost sharing savings for execution costs
- Table 9: Cost-effectiveness and alternatives to project
- Table 10: ESMP Compliance
- Table 11: Analysis of risks of duplication
- Table 12: Baseline and alternative adaptation scenario the Adaptation Fund will help materialise
- Table 13: Overview of the ESP risk assessment
- Table 14: Main potential risks to project success and mitigation strategies
- Table 15: Breakdown of fee utilisation
- Table 16: Alignment with Adaptation Fund Result Framework
- Table 17: Detailed budget of the project per activity.
- Table 18: Disbursement schedule

Abbreviations and acronyms

ACHM	Ad hoc Complaint Handling Mechanism
APR	Annual Project Report
ASAP	Adaptation for Smallholder Agriculture Programme
AWPB	Annual Work Plan and Budget
B2B	Bilateral business-to-business
CC	Climate Change
COVID-19	Corona Virus Disease 2019
EbA	Ecosystem based Adaptation
EBRD	European Bank for Reconstruction and Development
EIRR	Economic Internal Rate of Return
ESP	Environment and Social Principles
ESP	Environment and Social Policy
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
GALS	Gender Action Learning System
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Greenhouse Gas Emission
GIAHS	Globally Important Agricultural Heritage Systems
GIS	Geographic Information System
GIZ	German Agency for International Cooperation
GoM	Government of Montenegro
ICP	IFAD Client Portal
IFAD	International Fund for Agricultural Development
IFR	Interim Financial Report
IPARD	Instrument for Pre-accession Assistance for Rural Development
IPCC	Intergovernmental Panel on Climate Change
KRS	Cross-Border Region
LCAS	Local Climate Adaptation Strategy
LGBT	Lesbian, Gay, Bisexual, Transgender
LU	Livestock Unit
M&E	Monitoring & Evaluation
MARD	Ministry of Agriculture and Rural Development
MCI	Ministry of Capital Investments
MESPU	Ministry of Ecology, Spatial Planning and Urbanism
MIDAS	Montenegro Institutional Development and Agriculture Strengthening Project
MoAFWM	Ministry of Agriculture, Forestry and Water Management
MoF	Ministry of Finance
MONSTAT	Statistical Office of Montenegro
MoU	Memorandum of Understanding
MSP	Multi-Stakeholder Platform
MTR	Mid-Term Review
NCCS	National Climate Change Strategy
NCSD	National Council for Sustainable Development
NDC	Nationally Determined Contribution
NPV	Net Present Value
NTFP	Non-Timber Forest Products
OECD	Organisation for Economic Co-operation and Development
PCU	Project Coordination Unit

PFM	Public Financial Management
PIM	Project Implementation Manual
PP	Procurement Plan
PPR	Project Performance Report
PSC	Project Steering Committee
RCTP	Rural Clustering and Transformation Project
RUSLE	Revised Universal Soil Loss Equation
SDF	Sector Development Facility
SDG	Sustainable Development Goal
SECAP	Social Environmental and Climate Assessment Procedures
SHARP+	Self-evaluation and Holistic Assessment of climate Resilience of farmers and Pastoralists
SME	Small and Medium Enterprises
SNC	Second National Communication
SWG	Standing Working Group
TNC	Third National Communication
ToRs	Terms of Reference
TSO	Treasury Single Account
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
USA	United States of America
VC	Value Chain
VCF	Value Chain Fund
WA	Withdrawal Application

Map of the project area



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 06-06-2022

Part I: PROJECT INFORMATION

A. Project background and context

Introduction

1. Mountain ecosystems provide vital services, including water, forest, carbon storage and cultural values. People in and around mountain regions depend on these services for livelihood, income generation, food, health and well-being. Due to climate change, average temperatures are raising faster in mountainous areas than in other areas, and climate change induced warming increases with altitude. Increasing temperatures in mountainous areas affect the mountain cryosphere (including, snow, glaciers, permafrost, lake and river ice), whose widespread modifications in turn impact physical, biological and human systems in the mountains and surrounding lowlands. With the combination of reduced snow accumulation zones and accelerated melting, runoff timing changes, resulting in an increased flow after rainfall. The disruption of river and overall water flow in mountainous areas affect water availability for agriculture, throw off existing water storage and delivery infrastructures, and can lead to flash flooding.¹
2. The Western Balkans is a mountainous region and a hotspot for climate change, where climatic extremes are projected to become more common, including a significant increase in the number of extreme heat events. Heavier precipitation events are expected in the winter months, whilst summers are projected to become even drier. Mountain specific climate hazards include reduced snow cover (up to 50 days less by 2050 across the Dinaric Arc); increasing occurrence of winter and spring flooding from intense precipitation and accelerated snowmelt; increases in the frequency and intensity of wildfires; heavy snow precipitation and cold extremes; the appearance of new disease vectors; and decreasing annual river discharge and low flow periods. Many of these impacts are not only a future issue, but also a present-day concern².
3. Montenegro is a small (approximately 13,820 km²) country of the Western Balkan populated by 620,000 inhabitants³. After regaining its independence in 2006, the country swiftly ratified the Kyoto Protocol and became a member of the United Nations Framework Convention on Climate Change (UNFCCC) as a non-Annex 1 Party. It has also progressively aligned with regulations from the European Union (EU) while engaging in negotiations to integrate the Union. Montenegro relies on a dual economy with a thriving model in coastal and central parts, benefiting from a robust growth in services, tourism, construction and light manufacturing sectors. On the opposite, the northern mountainous area is increasingly disconnected from growth drivers, and suffers from reduced investments, limited competitiveness, emigration and isolation. Its geophysical features also create a contrast between Southern coastal region, Central lowlands and Northern mountainous areas. Municipalities in the higher altitude zone are more sparsely populated and face specific adaptation challenges, which the project aims to address.
4. As part of the Dinaric Arc, northern mountainous areas of Montenegro too are particularly vulnerable to climate change: while the impact of climate change is accentuated at high altitude, such regions are often on the edge of decision-making, partly due to their isolation, inaccessibility, and relative poverty. In the absence of adequate adaptation measures, key risks arising from these hazards include economic and livelihood losses, increase mortality and morbidity, decreased public safety, impaired ecosystem functioning and the loss of species, and decrease energy security through water scarcity.

¹ Hock, R., G. Rasul, C. Adler, B. Cáceres, S. Gruber, Y. Hirabayashi, M. Jackson, A. Kääb, S. Kang, S. Kutuzov, Al. Milner, U. Molau, S. Morin, B. Orlove, and H. Steltzer, 2019: High Mountain Areas. In: IPCC Special Report on the Ocean and Cryosphere in a Changing Climate [H.-O. Pörtner, D.C. Roberts, V. Masson-Delmotte, P. Zhai, M. Tignor, E. Poloczanska, K. Mintenbeck, A. Alegría, M. Nicolai, A. Okem, J. Petzold, B. Rama, N.M. Weyer (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA, pp. 131-202. <https://doi.org/10.1017/9781009157964.004>.

² Alfthan, B.; Krilasevic, E.; Venturini, S.; Bajrovic, S.; Jurek, M.; Schoolmeester, T.; Sandei, P.C., Egerer, H, and Kurvits, T. 2015. Outlook on climate change adaptation in the Western Balkan Mountains. United Nations Environment Programme, GRID-Arendal and Environmental Innovations Association. Vienna, Arendal and Sarajevo. www.grida.no.

³ MONSTAT (2011). National census.

5. **Defining climate vulnerability.** As indicated above, Montenegro (and more particularly its mountainous areas) is a country that is particularly vulnerable to the impacts of climate change due to its geographical location, its topography, and its socio-economic characteristics. Montenegro has adopted the conceptual approach of the Intergovernmental Panel on Climate Change (IPCC), which defines that the level of vulnerability of human and natural systems to climate-related impacts is a result of the level of sensitivity and adaptive capacity to cope with climate change⁴. Both changes in the climate system and socio-economic processes are drivers of vulnerability, defined as the propensity of exposed elements to suffer adverse effects when impacted by hazard events. Climate vulnerability can be characterized as a function of exposure, sensitivity, and adaptive capacity:

- **Exposure** is typically conceptualized as the type and intensity of the hazard event affecting a system.
- **Sensitivity** is the predisposition of a system to suffer harm, loss, or damage as a consequence of a hazard event.
- **Adaptive capacity** is defined as “the ability of a system [human or natural] to adjust to climate change (including climate variability and extremes) to moderate potential damages, to take advantage of opportunities, or to cope with the consequences⁵.”

Sensitivity and adaptive capacity to climate change in Northern Montenegro

Development context

6. **Geography.** The population of Montenegro was estimated at 621,718 in 2020 with a population density of 45 inhabitants/km². The country includes about 1,256 settlements, of which 40 are of urban type, where about 62% of the population lives, while the rest of the population live in rural settlements. Out of the total number of females, 65.5% live in urban areas, while for males this percentage is 63.2%. In Northern Mountainous areas, each municipality comprises several settlements (sometimes well over 100, such as for Pljevlja municipality), the size of which can also vary considerably. Some settlements only represent a couple of households or a few dozen inhabitants, while the largest towns in Northern Montenegro concentrate up to several tens of thousands of inhabitants. Out of the total 230,000 people living in the project area (Northern municipalities and Nikšić), an estimated 120,000 can therefore be defined as rural population.

7. Montenegro is administratively divided into 24 political-territorial units – municipalities or *opštine* – which perform the function of local governance. The capital of Montenegro is Podgorica, which is also the largest city (with 186,000 inhabitants), while the municipality of Nikšić is the second largest (with 72,450 inhabitants) and belongs to the Central Region. The Northern Region includes the Municipalities of Plužine, Šavnik, Žabljak, Pljevlja, Kolašin, Mojkovac, Bijelo Polje, Berane, Petnjica, Rožaje, Andrijevica, Plav, Gusinje⁶. It occupies 52.8% of the territory in which one-third of the total population lives. The lowest population density is in the northern municipalities of Šavnik and Plužine (4 inhabitants/km²), Žabljak (8 inhabitants/km²) and Kolašin (9 inhabitants/km²). The migration balance at the regional level is negative with hundreds of people leaving the region every year. The Northern region is the least developed region in the country, and is home to most natural resources, the proper use and management of which can help bring Montenegro closer to the EU standards. It includes smaller urban settlements in Žabljak, Plužine, and Šavnik. Urban and semi-urban settlements can be found in the valleys of the Rivers Lim, Ibar, Tara, and Ćehotina.

8. **Development context.** Montenegro was amongst the poorest regions of the Socialist Republic of Yugoslavia and despite its ability to escape most of the armed violence that engulfed ex-Yugoslavia in the 1990s, the economy collapsed during that time, partly due to the sanctions imposed by UN in 1992 and the disintegration and devastation of the war-torn Yugoslav market. Hyperinflation ensued and poverty skyrocketed to engulf over 65% of the population. Only with the end of hostilities in

⁴ IPCC (2014)

⁵ IPCC, Working Group 2 (2001)

⁶ Some municipalities were created more recently (such as Petnjica, split from Berane in 2013, or Gusinje which was separated from Plav in 2014).

Kosovo and the lifting of sanctions in 2000 did the economy begin to grow again, but at that point the country had been virtually deindustrialized, with a decimated economy and damaged infrastructure.

9. The period between 1990 and 2015 was accompanied by major changes in the structure of economic activity. The share of agriculture, and industry, significantly decreased in terms of gross value added (GVA). The tourism industry is a major source of income for Montenegro, and the share of this sector in the national economy grew steadily to reach 25% of Gross Domestic Product (GDP)⁷, with 2.51 million arrivals⁸. Foreign visitors come predominantly from neighbouring countries (0.85 million for Serbia, Bosnia and Herzegovina, Kosovo and Albania), the European Union (0.5 million) and Russia (0.38 million).

10. **Montenegro's development path is characterized by strong boom and bust cycles that, coupled with vulnerability to shocks, undermine more sustainable and inclusive development**⁹. The latest boom cycle since 2015 started cooling off in 2019 and was brought to an abrupt halt by the COVID-19 pandemic, which further exemplified Montenegro's vulnerabilities: Montenegro's economic growth averaged 4 percent during the five years before COVID-19 but collapsed in 2020. The country's economy is vulnerable to external shocks, as it relies on capital inflows from abroad to stimulate its growth. Montenegro is an upper middle-income country (Gross National Income/capita: USD 9,070 in 2019 and USD 7,900 in 2020). The Montenegrin gross domestic product (GDP) in 2020 was EUR 4,186 million, while in 2019 it was EUR 4,951 million. GDP per capita in 2020 was EUR 6,737 while in 2019 it was EUR 7,959 (MONSTAT- Statistical Office of Montenegro). Since 2006, the country has been intensifying efforts to promote competitiveness, and the Government of Montenegro (GoM) adopted a major growth initiative to boost economic development and connectivity, that are viewed as crucial to EU accession plans, tentatively envisaged for 2025.

11. **COVID-19 Pandemic.** Montenegro is among the hardest hit countries by COVID-19 in the world, ranking sixth in the number of death rates per capita due to COVID-19 and records among the highest infected per million inhabitants in the world. The crisis wiped out the progress in social and economic indicators since 2015. Policy response measures have cushioned the impact, but Montenegro had entered the crisis with long-lasting economic vulnerabilities, limiting the strength of the crisis response.

12. The pandemic has had substantial impacts on economic growth, the labor market, the private sector—particularly tourism, which accounts for a quarter of Montenegro's GDP—and people's livelihoods. As travel restrictions and border closures were enforced across the globe, foreign visitors' arrivals declined by 80% in the first half of 2020¹⁰. Border closures also resulted in a drop of remittances from expatriate workers, returning home or staying abroad but with limitations on their income-generating economic activities. COVID-19 led to a surge in government debt and in the newly poor. It is projected to widen economic and social inequality since poor, marginalized, and vulnerable populations are disproportionately affected by the pandemic, including the long-term impacts on their human capital. Crisis response measures¹¹ have alleviated the social impact, but Montenegro's longstanding vulnerabilities prevented a stronger and more effective policy response as fiscal space has been largely exhausted, financial sector restructuring after the previous crisis has been incomplete, efficiency of social services including social protection mechanisms has been limited, and low private sector productivity and innovation impede a sustainable economic recovery.

⁷ European Economic Forecast (Spring 2020).

https://ec.europa.eu/economy_finance/forecasts/2020/spring/ecfin_forecast_spring_2020_me_en.pdf

⁸ A significant part of the food demand in Montenegro is driven by the seasonal influx of tourists.

⁹ World Bank Group (June 2021). Montenegro Systematic Country Diagnostic Update.

¹⁰ European Bank for Reconstruction Development (2020). Transition Report 2020-21. ISBN:978-1-898802-518. <https://www.ebrd.com/documents/oce/transition-report-202021-pdf.pdf>

¹¹ Various support packages were designed to keep households and business afloat, such as subsidies to cover minimum-wage of closed or partially closed sectors, exemption of the fixed portion of the electricity bill for businesses, low interest rate loans, etc. In agriculture, specific measures were decided, such as the repurchase and storage of surplus agricultural products, obligation for the retail sector to pay domestic producers within 15 days, one-off assistance to the elderly or fishermen, advanced payment of premiums for livestock or per hectare of arable land, etc. (OECD, 2021).

13. **Ukraine war.** Montenegro's economy bounced back strongly in 2021 with a growth of 12.4 percent, the highest rate among the six Western Balkan countries. However, the outbreak of the war in Ukraine and the associated developments have significantly worsened the outlook for Montenegro in 2022, reducing the growth rate to 3.6 percent, down from an estimated 5.9 percent before the war. The main impact of the war on Montenegro's economy is through tourism which will further slowdown exports, private consumption, and employment recovery. Montenegro is an imports dependent country for key staple food such as cereals (including products based on cereal) worth an annual EUR 60 million pre-crisis (2014 statistics) but representing over 97 % of consumption (according to 2011 estimates). The GoM has acknowledged that disruptions in the supply of flour, cereals and animal feed were feared following the Ukraine crisis, but concluded bilateral agreements with Serbia and Bulgaria to secure the quantities to compensate for the lack of availability from Russian and Ukrainian producers. In the long term, decreasing reliance on imports (within the limited extent of Montenegro's agricultural biocapacity) and diversifying supply sources would make the country less vulnerable. Aside from cereals, Montenegro relies heavily on import for other essential commodities such as sugar and edible oils (sunflower oil in particular) which are partly supplied by Russia and/or Ukraine. Meat products, although not directly imported from these 2 countries, are vulnerable to animal feed prices which are impacted by the conflict. A peak in fuel prices is further increasing the pressure on local purchase power (a 3.4 % hike of consumer goods prices has been observed between February and March 2022), as costs for upstream logistics and inputs are also rising.

14. More generally, Montenegro's heavy reliance on import for major food commodities (over 95% for cereals, 100% for sugar and oil) due to the limitation in arable land and the comparatively low fertility of its soils constitutes a vulnerability. The primary impact of concern resulting from climate change, conflicts or other pandemics is therefore the potential disruption of international supply-chains, or global shortages resulting in high commodity prices. Montenegro is also a net importer of fertilizers, as well as animal feed (the latter mostly from neighbouring Serbia).

15. **Governance and institutional weaknesses more broadly continue to hinder the necessary reform policies to reduce the Montenegro's vulnerabilities**¹². EU membership remains the top priority and has been driving the reform process. Montenegro has been working to align its legislation and institutional setup with EU standards. Yet, translating the new framework laws into effective implementation is lagging. There is a need to strengthen transparency, stakeholders' participation, and the GoM's capacity to implement reforms. Slow institutional progress results in partial policy implementation, policy reversals, public sector inefficiencies, and concentrated ownership of business activity. Moreover, the political environment is characterized by high polarization which makes it more difficult to reach consensus and build more inclusive institutions.

16. One of the main ambitions of the Economy Reform Programme 2019-2021 was to reduce rural – urban migration and migration from municipalities of the North to the Central and Coastal area, through increased competitiveness and by linking rural areas to better commercial opportunities. In the agricultural sector, governance has been comparatively robust, with consistent progress toward complying with the EU's Instrument for Pre-accession Assistance for Rural Development (IPARD) requirements. The Strategy for the Development of the Agriculture and Rural Areas 2015-2020 particularly emphasized the need to overcome widespread fragmentation, poor connectivity and increased climate vulnerability. The Strategy for the Development of the Agriculture and Rural Areas 2021-2027 is still under finalization and not approved yet.

17. **Montenegro's population is experiencing poverty and income inequality.** Poverty in Montenegro has been on the decline since 2013, thanks to growth in per-capita GDP and private consumption. In 2016 and early 2017, significant increases in social transfers (the introduction of a generous mothers' benefit and a pension raise), together with public sector wage growth, may have contributed to raising income and reducing poverty temporarily while jeopardizing the sustainability of public finances¹³. The COVID-19 pandemic, however, brought on an economic crisis and continues to

¹² World Bank Group (June 2021). Montenegro Systematic Country Diagnostic Update.

¹³ World Bank (2019). Poverty and Equity Brief – Montenegro.

be a source of uncertainty. Unemployment in Montenegro remains high as the recovery has not ignited the labour market yet, which limits the pace of resumed poverty reduction. Job losses from the recession and its aftermath have disproportionately affected women and youth, which may set back efforts to raise the country's perennially low rates of labour force participation¹⁴. In 2020, 33 percent of Montenegro's total population lived in rural parts of the country, in comparison to 41 percent in 2000¹⁵. Population of rural areas is considerably more exposed to the risk of poverty than the urban population. Non-inclusion of income in kind also contributes to this difference, which is considerably more important in rural than in urban areas. The risk of poverty is present for every third resident of rural areas (36.3%).

18. Spatial inequalities further challenge inclusive development. Montenegro relies on a dual economy with a thriving model in coastal and central parts, and on the opposite, the northern mountainous area is increasingly disconnected from growth drivers, and suffers from reduced investments, limited competitiveness, emigration and isolation. The population of the northern region is the most exposed to the risk of poverty. In 2019, 41.2% of population of the northern region was at risk of poverty, while population of the central region had the lowest risk of poverty (16.6%)¹⁶. Considerably lower income of population in the northern region compared to other regions can be explained to a certain degree by a dominant share of agriculture. In addition to small sized holdings, climate and economic vulnerability, low incomes derived from agriculture stem primarily from weak links to markets and low competitiveness of the output produced. This situation is determined by constraints on both supply and demand sides that together form a vicious circle. On the supply side, farm size and farming patterns, problems related to innovation, lack of connectivity, lack of post-harvest storing facilities, handling and packaging, are the main causes for limited marketing opportunities available to rural producers, not least in northern areas. This in turn is linked to demand side failures, i.e. the under-development of vertically coordinated supply chains that could play a key role in driving demand for agricultural produce in line with market requirements¹⁷.

19. Sixty percent of all unemployed live in the less developed North, which hosts half of Montenegro's poor, and unemployment in the Northern region was over 36 percent in 2019 despite recent economic growth. Citizens in that region also have inferior access to social services and water, sewage, digital, and transportation infrastructure. Deteriorated rural roads in particular cause social, economic and health problems for increasingly isolated rural settlements. This has led to continued strong migration from the North to the South in the past decades. Given the size of the country, access to services and job opportunities for people in lagging regions, especially for the youth, can be boosted by investing both in human capital and productive capacities. The North, hosting the UN world heritage protected national park and other mountainous areas, provides opportunities to develop sustainable tourism such as ecotourism with strong linkages to the local economy's accommodation, agriculture, and travel service sectors, generating well-paid job opportunities and supporting inclusive economic development post-crisis.

20. Although Montenegro has made progress in promoting gender equality, large gender gaps persist, particularly in access to economic opportunities. Montenegro has a Gender Inequality Index (GII) value of 0.109, ranking it 26 out of 162 countries in the 2019 index¹⁸. With the Gender Equality Index¹⁹ value of 55 (out of maximum 100 points), calculated for the first time in 2019, Montenegro scored lower than the EU average of 67.433. The Western Balkans remains a region dominated by patriarchal gender norms. Gender parity in education is good, with nearly equal school

¹⁴ World Bank (2021). Greening the Recovery. Western Balkans Regular Economic Report, 20.

¹⁵ <https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS?locations=ME>

¹⁶ MONSTAT (2021). Statistical Yearbook 2021.

¹⁷ IFAD (2016). Rural Cluster Transformation Project – Project Design Report.

¹⁸ UNDP (2020). Human Development Report – Montenegro.

¹⁹ The Gender Equality Index is a 'tool to measure the progress of gender equality in the EU'. However, as a comprehensive instrument, it can be used to evaluate and compare the state of gender equality in any European country, in any EU candidate country, such as Montenegro, or beyond Europe. It was developed by the European Institute for Gender Equality (EIGE), an autonomous body of the European Union and was first launched in 2013. The Gender Equality Index is based on the definition that gender equality is an 'equal share of assets and equal dignity and integrity between women and men'. It identifies six main domains of gender equality: work, money, knowledge, time, power and health.

attendance of boys and girls. Women are formally employed much less than men. The 2010 Agriculture Census found that 40 percent of the Montenegrin agriculture labour force is composed of women, while women represent less than 13 percent of owners of agriculture holdings²⁰. Gender inequalities also exist in terms of the management of free time. Women spend significantly more time caring for dependent family members and doing housework, which consequently leaves them with less time for themselves and social activities compared to men. Domestic violence is prevalent in Montenegro. According to a 2017 survey, 43 per cent of women in Montenegro had experienced some form of violence during their lifetime, and 18 per cent had experienced violence in the previous 12 months²¹.

21. While the labor force participation rate among women aged 15 and above reached 49.9 percent in 2019, it remains substantially lower than 65.2 percent among men, and women's employment rate of 42.1 percent is still below 55.7 percent for men. Roma female labor participation rate is the lowest rate in the Western Balkans. In entrepreneurship, only 19.3 percent of firms had a woman as manager, and 10.5 percent of firms with female participation in ownership. In public administration, gender balanced representation in higher position is missing, as most of top positions are held by men. In property ownership, Montenegro has almost three times more male property owners than female ones (74 vs. 25.9 percent). Women earn less than men, with a gender wage gap of around 16 percent even after controlling for characteristics such as education and experience. Limited access to affordable quality care, the structure of labor taxes and regulations, and social norms continue to constrain women's access to income-generating opportunities. Closing gender gaps in access to economic opportunities requires removing the barriers and disincentives to employment and entrepreneurship for women.

22. According to the national Law on Youth, youth in Montenegro are defined as people over the age of 15 years up to the age of 30 years old. Public support to agriculture target individual under 40 years old as youth (e.g. Montenegro Institutional Development and Agriculture Strengthening (MIDAS) initiative). In 2011 (latest census), Montenegro counted 620,029 inhabitants, of which 132,702 (21.4%) were young people aged 15 to 29²². Twenty-one percent of youth was not in employment, education or training in 2020²³. Montenegrin society is characterised by a constant threat of a 'brain drain' due to the strong desire of the most educated young people to move out of the country, which poses a dangerous challenge for a small country urgently requiring a systematic approach, which has unfortunately been lacking so far. The reasons for leaving the country are predominantly economic in nature, such as the hope of finding a job based on merit and the quest for better economic conditions²⁴.

23. **Migration.** Montenegro has a significant diaspora, equivalent to its population according to some estimates²⁵. Precise figures are difficult to assess especially in neighbouring former Yugoslavian countries. In addition to Serbia, sizeable communities are established in the United States of America (USA), Germany, Switzerland and Argentina²⁶. Brain drain, and the cost of youth emigration is a concern, although part of the emigrants eventually return after pursuing a career, predominantly in Germany, the USA and other European and OECD countries²⁷. In 2017, the migration rate was 8.4%, continuing the upward trend in population movements. Internal migration is mainly related to the movement of population from rural to urban settlements, and the negative consequences are double, with an increasing pressure on resources in urban regions, and rural areas being left without a population, especially in the mountainous parts. As a result, some pastures and land are left

²⁰ MARD (2015). Government of Montenegro, Ministry of Agriculture and Rural Development. Strategy for the Development of Agriculture and Rural Areas 2015-2020.

²¹ Report on the Rapid Social Impact Assessment of the COVID-19 Outbreak in Montenegro. UN Montenegro, April–June 2020.

²² MONSTAT (2011). National census.

²³ World Bank (2020). <https://data.worldbank.org/indicator/SL.UEM.NEET.ZS?locations=ME>

²⁴ Friedrich-Ebert-Stiftung (2019). Youth Study Montenegro 2018/2019.

²⁵ UKF (2017). [Study of Montenegrin Scientific Diaspora](#).

²⁶ IOM (2007). [The Republic of Montenegro. Migration profile](#).

²⁷ WFD (2018)

uncultivated, and are overgrown with weeds and forest vegetation. This furthers the decrease in investment in uninhabited areas and the reduced development of these parts of Montenegro.

Agriculture

24. Agriculture continues to be an important strategic sector within the economic development of Montenegro and along with the many economic activities that are linked to it, particularly in the rural parts of the country. In 2018, the agriculture, forestry, and fishing sector represented 6.7% of the gross domestic product (GDP). The total number of actively employed persons in agriculture in the country was 99,236 in 2016 (MONSTAT).

25. Agricultural land in Montenegro covers an area of 309,241 hectares. It represents 22.4% of the territory (95.2% is family farms and 4.8% is registered agricultural businesses) and is very fragmented. Utilised agricultural land in 2018 was 256,808 ha, which has slightly increased with 0.2% compared to 2017. In total utilised agricultural land areas, perennial meadows and pastures areas prevail with the share of 94.3%, while arable land is present with 2.8%, permanent crops 2.1% and kitchen gardens 0.8%. In comparison with 2017, perennial meadows and pasture areas increased by 0.2%, arable land increased by 0.5%, kitchen garden increased by 0.5% and permanent crops increased by 0.2% in 2018. The farm structure survey of 2016 indicates a significant increase in utilised agricultural area under arable land, vineyards, orchards as well as meadows and pastures compared to the same areas from 2010²⁸.

26. The most important crops are vegetables and fruits, while the commercial production of farm crops (cereals, maize, sugar beet, or oilseed) is poorly represented or not represented at all for some crops. The main crops are potatoes and vegetable crops. The most commonly grown fruit crops are plums, apples, pears, peaches, and also oranges and tangerines in the south, and figs. There are about 495,200 fruit-bearing olive trees in the country. Holdings in the North, prevailing in mountainous regions, mainly breed livestock (big cattle, sheep and goats). In lower northern regions, continental fruits and berries are grown.

27. Farm sizes are small and very few farms specialize (80% of all agricultural holding being mixed). An average farm has less than 5ha of used agricultural land, since pastures and meadows make a big part of the total agricultural land in Montenegro. As for land quality, the most fertile plots are situated in river valleys, karst fields and plateaus. Many arable plots have a slope of more than 10%, which limits farmers' choice of crops. Less than 1‰ are registered as business entities. Small agricultural producers and processors are disadvantaged in terms of access to markets as they are often located away from well-maintained roads. Key challenges are better connectivity and productivity. With EU accession, Montenegro will have unhindered access to export to the world's largest market, where demand for especially high-value agricultural products (including organic products) is soaring. On the other hand, accession will increase competitive pressures and require structural transformation.

28. **Livestock.** The total number of cattle, sheep and goats in 2020 were respectively 78,000, 177,000 and 28,000. Together, they produced 180,000 tons of milk. The estimated number of poultry was 600,000 the same year, producing over 113 million eggs. Roughly 26,000 pigs and 4,000 horses are also reared²⁹. According to the results of the Survey on the structure of agricultural holdings from 2016, agricultural holdings that breed cattle had 4.1 piece on average. The majority of farms with cattle had 1 to 2 pieces. The average number of sheep per farm was 34.8, while the number of goats was 9.3.

29. Distribution of cow breed has evolved a lot in the past 5 years, with the share of Holstein increasing from 15% in 2017 to 26.2% in 2021, the share of Simmental increasing from 5% to 25.2%, and the share of the Montenegrin Brown³⁰ (previously the most common milking breed especially in the mountainous North), similar to the Brown Swiss, decreased from 20% to 18% of the cattle. Other

²⁸ MONSTAT (2017).

²⁹ [MONSTAT \(2021\)](#).

³⁰ [University of Montenegro \(2017\)](#).

breeds Tyrolean grey (decreasing from 5% to 1.2%) and the autochthonous Busha (decreasing from 2% to 0.4%). The rest belong to different crosses (29%). For sheep, Pivska Pramenka and Sjenicka Pramenka are the major breeds, while Bardoka, Ljaba and Zuja are less common. The autochthonous Balkan breed is dominant in flocks of goat, but crosses with Alpine or Saanen breed also exist.³¹

30. Direct payment to support the livestock sector through the agro-budget is designed to target both intensive and extensive farms, with eligibility thresholds as low as 3 animals for cattle, 20 for goat and 30 for sheep. This system however de facto excludes most semi-subsistence farms³².

31. **Katuns or summer pastures.** Seasonally accessible communal summer pastures in the mountains are known as katuns in Montenegro. For centuries, communities would move with their livestock, family and belongings from foothills villages to upper grasslands after snowmelt. Unwritten rules regulated the use and benefit of these pastures, which could only be accessed each year after the izdig (transhumance to summer pastures), a collectively agreed and celebrated date generally around May. Each household would maintain and occupy a dwelling, and the right to occupy a portion of the katun with one's herd was inherited. The ownership of land and/or housing in katuns is rarely formalized (the land usually being owned by the state), which can be an issue to access specific subsidies.

32. According to available data, there are about 500 katuns in Montenegro of which a significant number are still used today, but with a much smaller number of cattle. Thanks to the rural households who still practice this type of livestock keeping, mountain pastures are being maintained and the negative consequences of abandoning pastures is thus reduced. However, there are many still underutilized pasture resources. Preservation of mountain pastures and katun's way of cattle breeding is critical to preserve natural and cultural heritage. As part of this heritage, the lifestyle in katun was dictated, and still is, by many elements beyond use of pasture, such as gastronomy, leisure, entertainment activities, and the most importantly by the close relationship and coexistence of nature and man, which influenced the formation of certain habits and customs peculiar only to katuns. Sustainable use of mountain pastures and raising cattle to pastures are key for biodiversity conservation (specific flora and fauna, use of adapted local breeds animals), and have a special economic significance for the farm producing very high-quality mountain cheese and cream. In line with the role of katuns as living, evolving system of human communities in an intricate relationship with their territory, cultural or agricultural landscape or biophysical and wider social environment, Montenegrin stakeholders are now exploring the possibilities and relevance of applying to Globally Important Agricultural Heritage Systems (GIAHS)³³ to make the Katuns listed at the Agricultural Heritage of the Food and Agriculture Organisation of the United Nations (FAO).

33. This way of life is still perpetuated nowadays, but transmission to younger generations is not always easy, as remote mountain pastures are difficult to access and hardly meet the modern standard of living³⁴. As a result, some katuns are progressively abandoned, especially in the Western municipalities³⁵. However, with over 123,000 hectares in total, katuns are a valuable asset for Montenegrin agriculture, especially rearing of ruminants which represents more than 50% of the output. To incentivize the use of high-altitude pastures, a rural development policy was applied in 2012, allocating a payment per livestock unit (LU) that spends a minimum of 3 months in katuns and own a minimum number of conditional heads of livestock (initially 10, but this criteria was lowered to 4 in 2022). In the last 10 years, 1,600 farms per year on average benefited from Subsidies for the sustainable use of mountain katuns with a total of 24,486.43 conditional heads (LU) per year on average (with an average of 15.3 LU per farm). For the period 2017-2020, 146 users were also able to

³¹ Sectoral analysis for the dairy sector in Montenegro for purposes of preparation the Strategy of Agriculture and Rural Development 2021 – 2027 and IPARD III (2021 – 2027) programming.

³² [SEE-HNV \(2021\)](#).

³³ <https://www.fao.org/giahs/background/en/>

³⁴ Outdated huts, the traditional habitat in katuns, need to be adapted and upgraded to provide decent living standards. Water supply is often an issue for farms and families that use katuns during the summer period, together with access to electricity and refrigeration units (for milk and dairy conservation).t

³⁵ Prof. Dr Milan Markovic, Biotechnical Faculty, University of Montenegro (2013). [Use of pasture resources in Montenegro](#).

improve their huts on the katun, invest in water supply or procure solar panels. Revitalization initiatives are also seen, e.g. combining livestock rearing with agritourism.

34. **Fisheries.** The oxygen-rich water flowing from the mountains to the fishponds offer an ideal environment to grow fresh water fish such as rainbow trout and brown trout. Several Small and Medium Enterprises (SMEs) in the municipalities of Bijelo Polje, Berane and Andrijevica were supported to form a freshwater fish cluster and optimize the production³⁶ Lack of investment in recent technical equipment, insufficient volume of water in smaller ponds, and difference in Value Added Tax rate with products from neighbouring countries were pointed as obstacles to improved business perspectives. Processing in smoked or filleted fish were identified as high value niches, especially if linked with hotel chains and high-end restaurants. The potential volumes of fresh water and aquaculture fish in Montenegro are viewed as too limited to compete on European markets. However, the development of coastal and pelagic fisheries and processing infrastructure may create new international sales channels in the future. Ad hoc spatial planning is necessary to further develop aquaculture inlands³⁷.

Environment and natural resources

35. **Montenegro faces an urgent need to ensure more sustainable management of the environment and natural resources, the basis of its comparative advantage in tourism and clean energy.** Montenegro is by constitution an ecological state, yet the protection of its environment and ecosystems continues to lag comparators in the EU. Environmental degradation and climate change typically have the strongest negative impact on the income and health of the poor and vulnerable. They also involve high economic costs by undermining tourism, Montenegro's growth and jobs engine. Sustainable management of Montenegro's natural assets is therefore critical to ensure delivery of basic services and adequate infrastructure, such as waste and water waste management, to support tourism activities. Sustainable tourism potential not only in the coastal regions but also in mountain areas could spur job creation and inclusive economic development.

36. **Biodiversity and protected areas.** Montenegro's territory under protection covers 13.41% or 185,269.69 ha. The biggest areas are the national parks, half of which are situated in the mountainous north (Durmitor, Biogradska gora, and Prokletije). Montenegro has developed and preserved 5 National Parks. In 2022, two natural areas at sea out of the planned three were protected. National parks represent a total of 7.27% or 100,427 ha, while nature parks cover 79,583.10 ha or 5.76% of the territory of Montenegro. Orographic features and the refugial character of many habitats have made the abundance and diversity of wildlife (flora and fauna) a quality specific to Montenegro. The floristic diversity comprises 3,250 plant species and the index (S/A-species/area) of 0.837 makes Montenegro one of the most important biodiversity centres in Europe. Although these sanctuaries are protected from human activities such as clearcutting, they are not immune to damaging events such as uncontrolled wildfire or downstream contamination by pollutants from rivers.

37. **Water resources.** Major rivers in the mountainous North of the country include the Lim, Cehotina, Tara and Piva rivers, which all converge as tributaries of the Drina River. Other significant rivers are the Ibar, a tributary of Western Morava (Serbia) and the Moraca, which flows towards Lake Skadar in the South of Montenegro, ultimately merging with the Drin to form the Bojana, ending in the Adriatic Sea.

38. The total mean annual runoff from the territory of Montenegro is around 595 m³/s (the average specific runoff is 43 l/s/km²). However, the karst regime of flow causes a significantly uneven time distribution of water resources throughout the year. In the dry season, discharges are more than a thousand times lower than during the rainy period; even at the end of summer, numerous springs and riverbeds are completely dry. Water resources in Montenegro thus refer to surface and underground water, which are affected by climate change in different ways. The Water Management Strategy of Montenegro (2017) aims to ensure the protection and conservation of water resources in the country.

³⁶ UNIDO (2016). [Cluster Development in Montenegro](#).

³⁷ MARD (2015). [Fisheries Strategy of Montenegro 2015-2020 with an Action Plan](#).

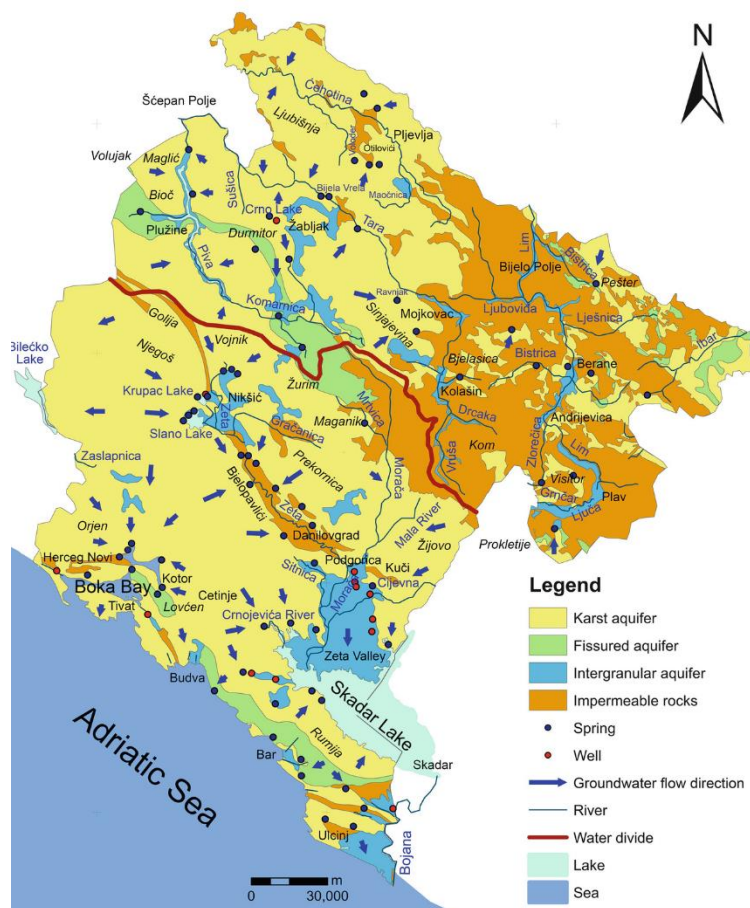


Figure 1: Hydrology and hydrogeology of Montenegro (Sekulic and Radulovic, 2019)

39. **Land resources.** Montenegrin mountain landscape is characterized by abundant forest coverage interspersed with pastures. The threat of desertification as a result of land degradation is a concrete environmental issue. Degraded soils and land are unable to retain as much water, leading to increased flooding, and increased pollution and sedimentation in rivers and streams. The loss of topsoil is a global problem, which also affects the Western Balkan countries. In Serbia and Montenegro, the excessive cutting of trees in mountainous areas is among the causes of increased erosion and flooding³⁸.

40. The quality of land has improved in certain areas. Parts of Montenegro have, rather than degrading, become steadily more resilient since the 1950s, due to a significant increase in vegetation across the country, leading to decreased run-off and better infiltration (Nyssen et al., 2012). However, the IPCC Special Report on Climate Change and Land (2019) also shows with high confidence that climate change creates additional stresses on land and in particular on already degraded land by exacerbating the existing risks to food systems. Where occurring, land degradation in Montenegro makes agricultural production more sensitive to climate change impacts. An assessment of Land Degradation Neutrality (LDN) is required to understand the level of land degradation in the country.

41. The remote sensing analysis of soil erosion in Montenegro situates where land degradation represents a serious issue, with extreme loss of topsoil per hectare and per year as presented in the figure 2 below. The soil erosion is caused by both natural and anthropogenic factors and is visible across the country, especially in the North-East. Erosion follows the precipitation patterns and depends on the presence of vegetation and on soil conservation practices (forest, agro-forestry, and physical infrastructure) put in place.

³⁸ Environment and Security Initiative (ENVSEC) and UNEP (2012).

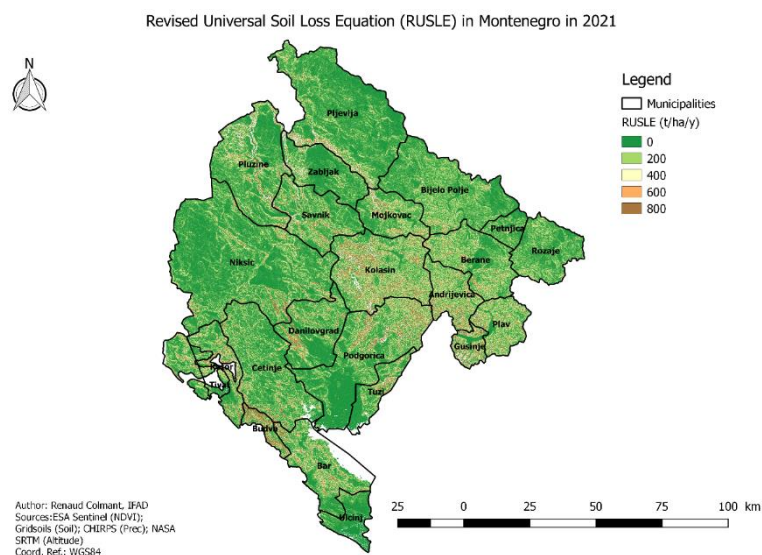


Figure 2: Revised Universal Soil Loss Equation (RUSLE) in Montenegro in 2021.
 Sources: ESA Sentinel (NDVI), Gridsoils (Soil), CHIRPS (Prec), NASA SRTM (Altitude).

42. Major Natural hazards threatening land resources are floods and forest fires. Other threats from anthropogenic activities include excessive logging, mining projects, and soil pollution from industrial activities and landfills.

43. **Forests.** Over 60% of Montenegro is covered by forests, which is far above the European (46%) and global (30%) average. The high percentage of forest cover represents a big advantage in terms of environmental protection and improvement, and is also positive in terms of adapting ecosystems to meet future changes. High forests cover 61%, shoots cover 12%, shrubs 13%, and forest land 14% of the total forest area. In the national parks (Lake Skadar, Lovćen, Biogradska Gora, Prokletije, and Durmitor), forests (37,125 ha) and forest land (2,825 ha) cover 40.5% of the area. Compared to the total area under forests in Montenegro, this is 53.7% of forests and 14.6% of forest land in the Emerald Network zone. In national parks, 66% of the area under forests is high forest (24,475 ha), conifer forests cover 20.4% (7,575 ha), shrubs 13.6% (5,050 ha), and artificially raised communities cover 25 ha.³⁹

44. Unsustainable forest management practices have resulted in the deterioration of forest ecosystems in Montenegro. It has been observed that forests have become more susceptible to climate change, air pollution, and fires, as well as parasitic fungi, insects, and to a lesser extent rodents and parasitic flowering plants. Some of these phenomena are a direct consequence of climate change, i.e. storms, generally extreme weather events, increased air temperature, altered precipitation, and more frequent droughts increasing the risk of forest fires. The factors that threaten forest ecosystems are primarily wildfires, abiotic factors (droughts, floods, frost, snow, high winds, etc.), and pests and diseases. The number of wildfires varies from year to year. Given the ecological and economical damage, wildfires are the biggest threat to forest ecosystems in Montenegro, with a current (and increasing) rate of 0.5% total forest area burnt on a yearly basis.

45. **Energy security and clean energy production.** Oil, coal and renewable energies respectively accounted for 35%, 34% and 31% of the supply in primary energy for the country in 2018. The same year, total demand was equivalent to 44,000 TJ or 12.2TWh⁴⁰. Half of the supply in renewables consists in biomass from Montenegrin forests, while hydropower provides 42%, and wind power 8%. More specifically:

- **Fossil fuels.** Coal is extracted locally in the northernmost municipality of Pljevlja, but some is also imported from Turkey⁴¹ and fuels the 225 MW thermal power plant which supplies 40% of

³⁹ Third Biennial Update Report of Montenegro (2021).

⁴⁰ IRENA (2018).

⁴¹ Trend Economy (2021).

electricity. It was supposed to be phased out after a maximum operation time of 20,000 hours starting in 2018. That limit was trespassed in 2020 but operations continued.

- **Hydropower.** The 307 MW Perucica (between Nikšić and Danilovgrad) and 342 MW Piva (in the northern Plužine municipality) are the two main operational capacities. In addition to many small-scale projects, two large new hydroelectric dams are also considered in Morača (238 MW) and Komarnica (172 MW).
- **Wind power.** Krnovo wind farm started operations in 2017 and was built in a favourable windy area at the South of the Šavnik municipality, in a katun-like area. In addition to windmills, transmission lines and 2 power substations were built.
- **Solar energy.** With a potential of 1200 to 1600 kWh/kWp/yr across most of its territory, Montenegro has a significant yet underexploited resource in solar energy. A tender for a 250MW solar project near the coastal town of Ulcinj was launched in 2018⁴². In remote off-grid settlements such as katuns, solar energy combined with a battery can also provide an improved living standard, although this kind of equipment is still costly for some households.
- **Powergrid.** The electric power transmission systems is run by state-owned CGES and consists of 28 substations across the country. 400kV lines runs from the Pljevlja PP with Podgorica through Bijelo Polje, and all the way to the Croatia border. Another 400kV interconnection also goes towards Kosovo. A game-changing 1GW high-voltage direct current (HVDC) submarine cable connecting Kotor to the Italian station of Cepagatti also started operations in 2019⁴³.

Proper maintenance of the clearance distance between transmission cables of the power grid and high trees (by regular trimming and inspection) is necessary to prevent sparks that can lead to forest fires. Increased scrutiny will be vital as droughts become more frequent.

- Overall consumption of **wood biomass** for energy and non-energy purposes in Montenegro in 2011 was 1.06 million m³, of which 732,900 m³ as fuel wood or 69.1%, and 326,600 m³ as industrial round wood or 30.9%, while the overall production was 1.16 million m³, which is bigger than consumption, as part of produced wood fuel and industrial round wood was exported from Montenegro.

46. Over the last years, substantial investments have been made, and will continue to be made, in new renewable energy sources (wind generators and small hydroelectric power plants (HPPs) and solar power plants (SPPs)). Current amendments of the Law on Energy envisage the prosumers (producer-consumers). At the same time, the amended Energy Law has established a legal basis for prosumers installment in housing/commercial/public sector, while the Government has announced its intention to subsidise such installations to citizen. The Law offers the possibility for each household to install photovoltaic systems to generate electricity. A certain amount of funds will enable households to obtain interest-free loans from commercial banks for these purposes in order to encourage citizens to quickly realize such an investment.

Institutional framework and adaptation policies

47. Montenegrin presidential election was held on 15 April 2018 for a 5-year term in office. There were 81 elected members of the Parliament of Montenegro at the election held in 2020 in compliance with the Constitution of Montenegro. Members of local assembly are elected within a polling precinct consisted of the territory (area) of municipality for a 4-year term.

48. The Ministry of Ecology, Spatial Planning and Urbanism is the main national entity responsible for national environmental and climate change policy and the National Focal Point to the UNFCCC. Montenegro has also established a high-level multi-institutional council, chaired by the President of Montenegro, which focuses on sustainable development. The council was established by the GoM in 2008, marking a positive development in inter-institutional coordination and cooperation. The council's 2013 reform strengthened its mandate in the field of climate change. In 2016, this became the National Council for Sustainable Development, Climate Change, and Coastal Area Management

⁴² [Bankwatch \(2021\)](#).

⁴³ [Balkan Energy News \(2019\)](#).

(NCSDDCCAM), which more recently (December 2021) became the National Council for Sustainable Development (NCSDD), placed under the General Secretariat of the Government of the Montenegro and presided by Prime Minister to improve the coordination framework at national level.

Table 1: Key institutions and their responsibilities in climate change management in Montenegro

Organization	Responsibilities
Ministry of Ecology, Spatial Planning and Urbanism-MoESPU, Climate Change Division of the Climate Change and Mediterranean Affairs Directorate	In charge of climate policy adoption, implementation and monitoring. The Climate Change Division is a focal point for the UNFCCC. It also deals with waste as a part of its remit.
Agency for Nature and Environmental Protection (EPA)	Works under the MoESPU and has an important role in inventorying Greenhouse Gas (GHG) emissions.
Institute of Hydrometeorology and Seismology (IHMS)	The Institute of Hydrometeorology and Seismology is a state administration body, with numerous competencies in the field of meteorology, climatology, hydrology, hydrography, oceanography, and seismology. The Institute takes care of the establishment, development, and work of the meteorological and hydrological observation and forecasting stations on the entire territory of Montenegro. The Institute is also the contact institution for the IPCC
Environment Protection Fund (Eco Fund)	It was established by the Decision of the GoM (22 November 2018) on the basis of Article 76 of the Law on Environment with the aim of providing funds for financing environmental protection and respect for the basic right of citizens to a clean and healthy environment.
Ministry of Finance (MoF)	In charge of energy and industrial policy. Additional possibilities in climate change (CC) mitigation also exist.
Ministry of Agriculture, Forestry and Water Management (MoAFWM)	In charge of agricultural and forestry policy. Additional possibilities in CC mitigation also exist.
Ministry of Capital Investments (MCI)	Important role in CC policy making (replaced former Ministry of Transport and Maritime Affairs)
Ministry of Internal Affairs (MIA), Directorate for Emergencies	Important role in CC policy making
National Council for Sustainable Development (NCSDD)	Responsible for monitoring development and implementing national sustainable development and CC policies. Also involved in planning, alignment of development policies for sustainable development and CC requirements, and the implementation of EU sustainable development frameworks under the Energy and Climate Package.
Mitigation and Adaptation Working Group (MAWG)	Offers support and guidance for the national climate policy to implement mitigation, i.e. emissions reduction, and adaptation measures to adverse CC impacts. The working group is an inter-governmental body composed of the representatives of all relevant authorities, civil society, business alliances, and academia.

49. National policy framework for adaptation. For 30 years now, Montenegro has been the first ecological state in the world declared by the Constitution. The Constitution of Montenegro was adopted in 2007 and enshrines the protection of environment in its article 23. The same year, Montenegro ratified the Kyoto Protocol and became a member of the UNFCCC as a non-Annex 1 Party. Its First, Second and Third National Communications were submitted to the UNFCCC in 2010, 2015 and 2020 respectively. The updated NDC for Montenegro (2021-2030) focuses mainly on mitigation, but also highlights the sectors of water, agriculture, tourism and health as priorities for adaptation. On 11 October 2017, the Parliament of Montenegro enacted a law ratifying the Paris Agreement. In accordance with this, Socio-economic analysis of investments to confirm the Paris Agreement was done. In October 2018, the Parliament of Montenegro passed the Law on Ratification of the Doha Amendment to the Kyoto Protocol, and at its session on December 28, 2018, it adopted the Law on Ratification of the Kigali Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer. Most recently, Montenegro has endorsed the Glasgow Leaders' Declaration on Forest and Land Use (15 November 2021 at COP26). Montenegro is transposing the European Union

acquired into its national legislation, including in environment and energy sectors, due to its membership to the Energy Community. Montenegro emits only 0.009% of GHG globally, but despite its small share in global emissions, is taking significant steps to meet international obligations to improve measures to slow down and prevent climate change and promote green growth and a strong economic recovery.⁴⁴

50. The Ministry of Ecology, Spatial Planning and Urbanism (MoESPU) is the body responsible for environmental policy, including climate change. The Environmental Protection Agency plays an important role in its implementation through permitting, inspection control, monitoring and reporting. The Agency maintains a national GHG Inventory. The Institute for Hydrometeorology and Seismology also plays a significant role. In 2008, the Ministry was designated as the national authority for approving Clean Development Mechanism (CDM) projects. Funding for climate change is heavily dependent on international support (EU funds, European Bank for Reconstruction and Development-EBRD, KfW, Global Environment Facility-GEF/UNEP, German Agency for International Cooperation-GIZ), although some projects are implemented through national budget funding.

51. A number of national policies and strategies contribute to the definition of a national framework for adaptation and are highlighted in section II. D. Strategic Alignment. Amongst those policies are included: the National Strategy on Climate Change by 2030 (2015); the National Strategy of Sustainable Development until 2030 (adopted in 2016); the National Strategy with Action Plan for Transposition Implementation and Enforcement of the EU Acquis on the Environment and Climate Change 2016–2020; the National Strategy for Gender Equality (2021-2025); the Strategy for development of agriculture and rural areas for 2015-2020 (adoption in 2015), currently being updated; the National Forestry Strategy 2014-2023 (adopted in 2014); the Technology Needs Assessment for Climate Change Mitigation and Adaptation (as part of the National Strategy and Action Plan) (adopted in 2012); the Water Management Strategy (adopted in 2017); and the Land Degradation Neutrality Target Setting Process (implemented in 2017 and 2018). The Strategy for Disaster Risk Reduction with Dynamic Activity Plan for period 2018-2023 (adoption in 2017) is also relevant to climate adaptation action.

52. **Regional and subregional policies.** The Green Agenda for the Western Balkans, envisaged by the European Green Deal, was endorsed at the Summit in Sofia in November 2020 by the Western Balkans leaders. The EU has financed cooperation programmes and projects for the broader South-East Europe transnational region and other initiatives as part of the EU accession process to support candidate countries to transpose and implement new sets of climate change legislation. Transboundary cooperation with neighbouring countries is particularly active around river basins management. The Danube River Protection Convention, implemented by the International Commission for the Protection of the Danube River, is one such instrument.

Exposure to climate change: current climate, observed and projected changes

Current climate

53. Owing to its proximity to the Adriatic, Montenegro has a Mediterranean climate with warm and somewhat dry summers, and mild and rather humid winters. The weather and climate in Montenegro are greatly influenced by the Genoese Cyclone, the Adriatic Cyclone, the Icelandic Depression, the Black Sea Depression, the Azores Anticyclone, the Siberian Anticyclone, the Central European Anticyclone, the cold frontal system from the north – the Arctic Cold Front, and the warm, tropical front from the south. Additionally, large bodies of water, its altitude and the position of its coastal mountains, along with the relief of its terrain, affect both its local and regional climates; translating in large differences between the climates in the coastal and high mountain regions. The dominant climate types in Montenegro are: Maritime, Continental, and Mountainous.

54. The large water surface, the height and direction of the coastal mountains, and the relief of the land locally and regionally affect its climate, creating, in a small area, large differences between the

⁴⁴ Third Biennial Update Report of Montenegro to the UNFCCC (2021).

climate of the coastal region and the climate of the highland region, with numerous transitional forms of the local climate. The mean annual air temperature has a range of 4.6°C in the Žabljak area at an altitude of 1,450 m, to 15.8°C on the coast. The average annual rainfall ranges from 800 mm in the far north to about 5,000 mm in the far southwest. During the year, there are between 115 and 130 days of rainfall on average and 172 days of rainfall in the northern mountainous areas of Montenegro. Snow cover forms at altitudes above 400 metres, and with a depth of more than 50 cm it lasts on average from 10 days (in Kolašin) to 76 days (in Žabljak). In mountainous areas, snow falls much more frequently in the spring than in the autumn.

55. Montenegro is particularly exposed and vulnerable to climate hazards, such as droughts, floods, forest fires, and heatwaves. Climate projections show that these climate extremes will increase in frequency and magnitude in the future. Moreover, seasonal patterns may shift, leading to greater variability that may affect agriculture in Montenegro.

Observed changes in climate

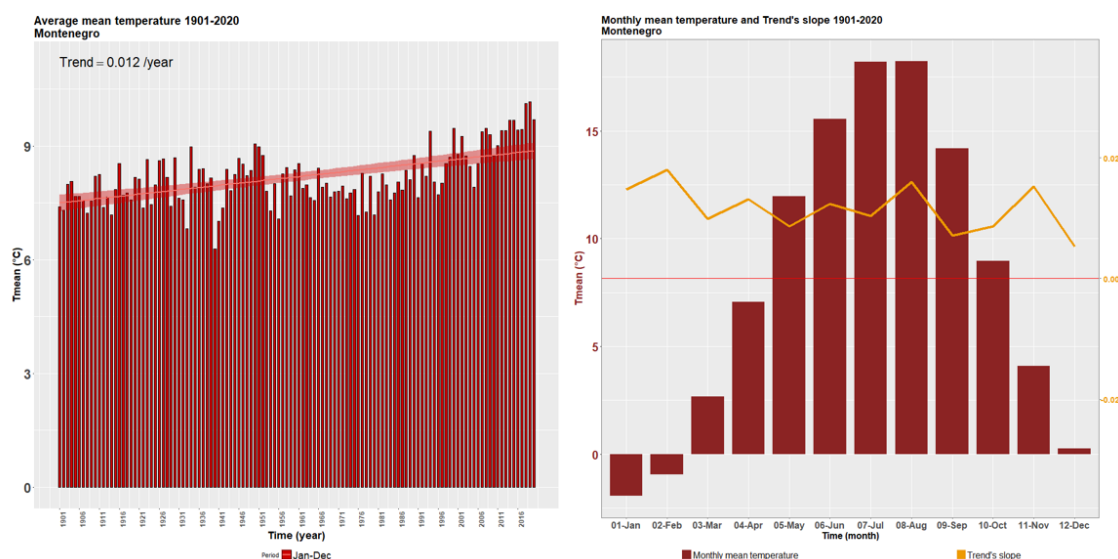


Figure 3: Average mean temperature in Montenegro for the period 1901-2020. Source: Climatic Research Unit – University of East Anglia (CRU)

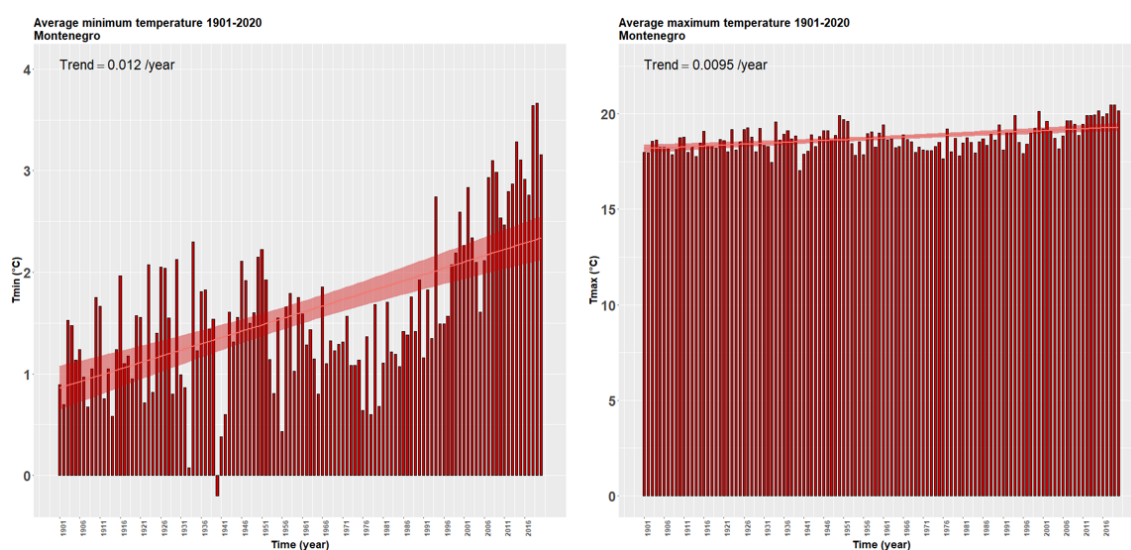


Figure 4: Average minimum (left) and maximum (right) temperatures in Montenegro for the period 1901-2020. Source: Climatic Research Unit – University of East Anglia (CRU) & IFAD.

56. **Temperatures.** The country has experienced a considerable warming of its climate over the past century, with higher increase in the past 50 years. The temperature analysis uses data from the Climatic Research Unit – University of East Anglia (CRU) at national level covering the 1901-2020 period (figure 3 above). It shows that the mean temperature rise was recorded at an average rate of

0.12 °C per decade for the full period since 1901. The increase in temperature is accelerating, and mainly concentrated in the period 1971-2020, during which the positive trend was of 0.16°C per decade compared to 0.07°C per decade for the period 1901-1970⁴⁵. The monthly mean temperature positive rise trend was higher during winter months with an impact on snow presence during that period as presented in figure 12⁴⁶.

57. Historical changes are observed for the annual maximum temperature at an average increase of 0.095 °C per decade for the period 1901-2020. These trends and averages at national level reflect the trends and averages found when analysing available weather stations' data.

58. **Precipitation.** Precipitation is unevenly distributed geographically in the country (figure 7)⁴⁷. Indeed, most of the Central and Southern coastal regions of the country receive an average of 2,000 mm per year or more compared to the Northern region with around 1,000 mm per year average for the 1981-2020 period. At national level, annual precipitation rose non-significantly by 1.8mm/y during the 1981-2020 period. The increase in precipitation is concentrated during the January-May season and June-August season as shown in figure 5 below⁴⁸.

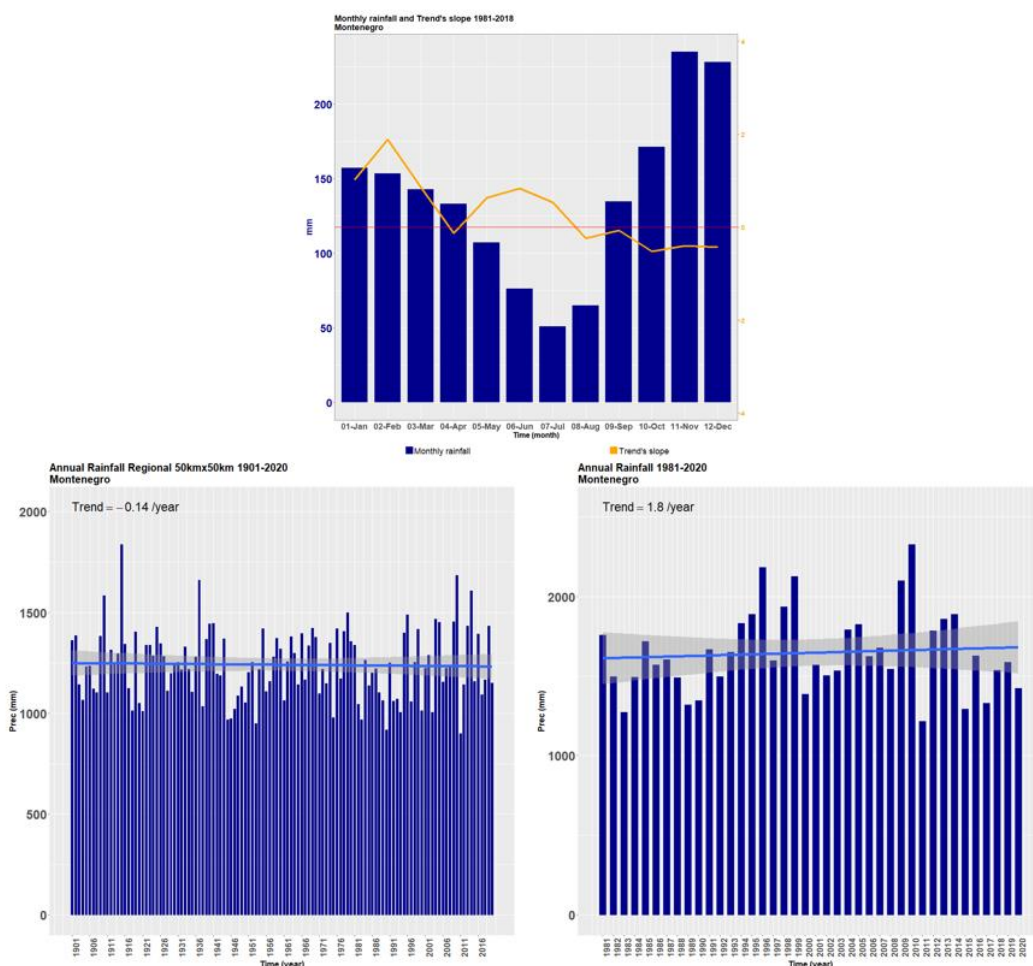


Figure 5: Annual precipitation for the period 1901-2020 (bottom-left) and 1981-2020 (bottom-right) and Monthly rainfall and trend (1981-2018) (Top) in Montenegro. Source: Climatic Research Unit – University of East Anglia (CRU) and Climate Hazards Group InfraRed Precipitation with Station data (CHIRPS) & IFAD

59. However, even if the 1981-2020 period presents an increase in annual precipitation at national level, there is a significant decrease of this parameter for the overall 1901-2020 period which could

⁴⁵ Climatic Research Unit – University of East Anglia (CRU).

⁴⁶ NASA MODIS MOD10A2 500m 8days V.6 & IFAD.

⁴⁷ Climate Hazards Group InfraRed Precipitation with Station data (CHIRPS) & IFAD.

⁴⁸ Climatic Research Unit – University of East Anglia (CRU) and Climate Hazards Group InfraRed Precipitation with Station data (CHIRPS) & IFAD

indicate a negative trend on the long term. The increase in precipitation during summer months are associated with a significant increase in heavy rainfall events in the mountainous areas of Montenegro as presented in figure 6 below⁴⁹.

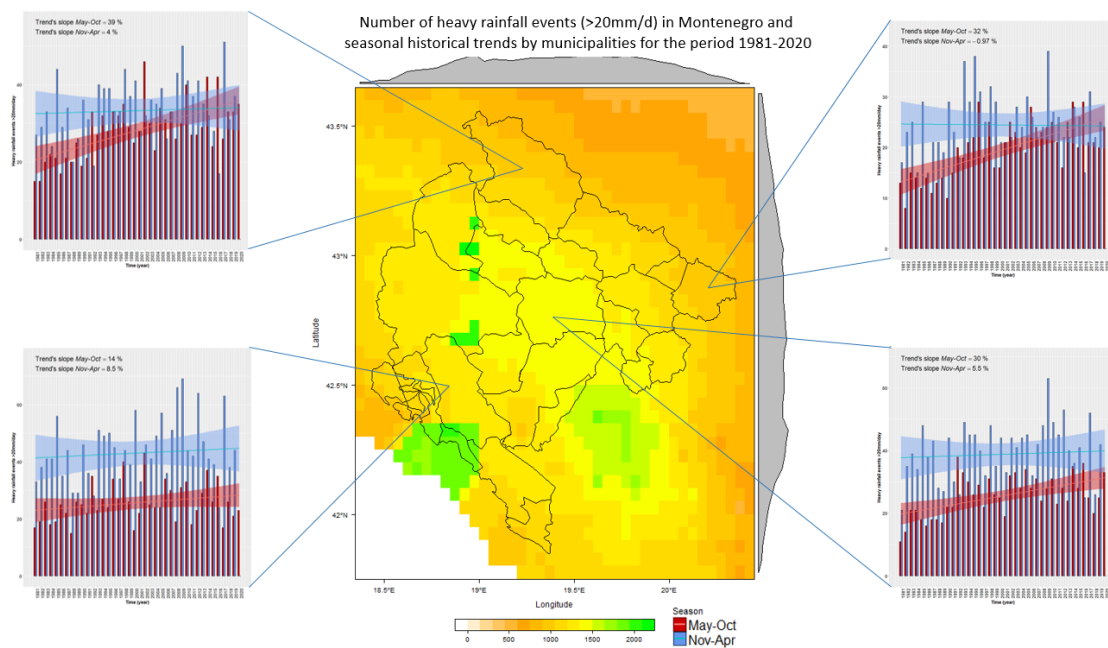


Figure 6: Number of heavy rainfall events (>20mm/d) in Montenegro and seasonal historical trends by municipalities for the period 1981-2020. Source: CHIRPS & IFAD

60. The analysis of the annual precipitation geographically (figure 7 below) gives a clear idea of the differences between regions in the country: the South and Centre have experienced a significant positive trend in annual precipitation for the 1981-2020 period while most of the municipalities of the Northern region experienced a significant decrease (reaching up to 15% decrease compared to the average precipitation for the period)⁵⁰.

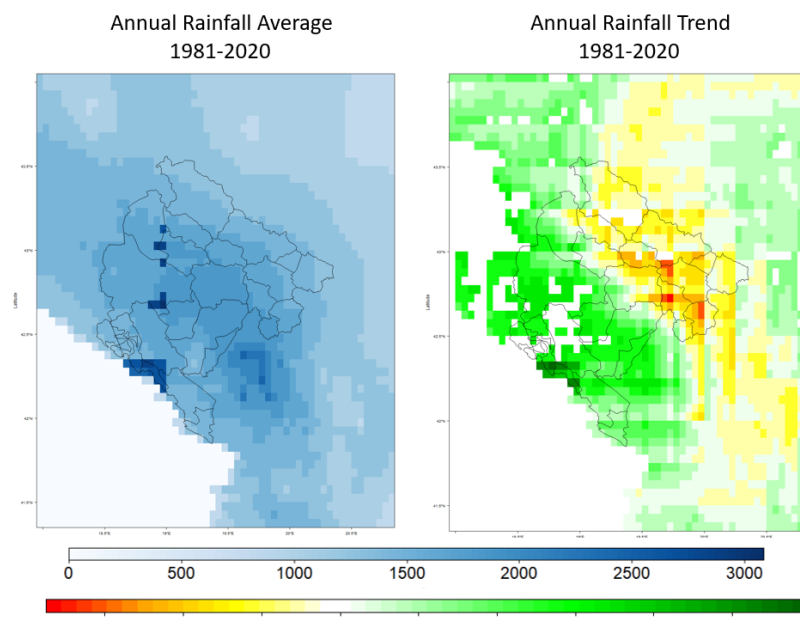


Figure 7: Seasonal rainfall average and trend (1981-2018) in Montenegro. Source: Climate Hazards Group InfraRed Precipitation with Station data (CHIRPS) & IFAD

⁴⁹ CHIRPS & IFAD.

⁵⁰ Climate Hazards Group InfraRed Precipitation with Station data (CHIRPS) & IFAD.

61. The precipitation analysis indicates a clear shift in the precipitation pattern and increase in precipitation intensity, with an increase of 30–40% of intense rainfall events during summer months and reduced precipitation in the Northern region of Montenegro during the winter months when water is usually stored in form of snow.⁵¹ This shift has a major impact on water availability, decreasing the amount of water effectively stored in soil. This gap is increasing ecosystem vulnerability to drought.

62. **Droughts.** The trend of the Standardised Precipitation-Evapotranspiration Index (SPEI)⁵² for the 1981–2020 period is negative at national level, indicating a clear increase in long term droughts. The SPEI for the 18 months' time-step has been negative since 2015 (figure 8)⁵³.

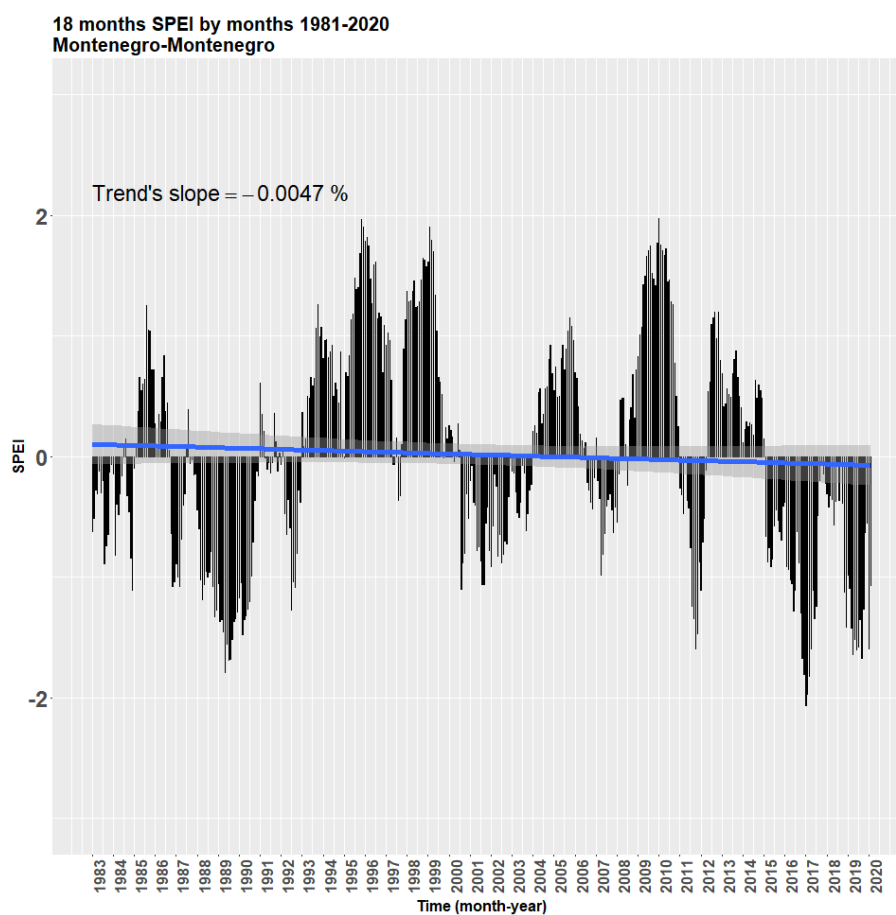


Figure 8: SPEI in Montenegro 1981-2020.

Source: Terraclimate and Climate Hazards Group InfraRed Precipitation with Station data (CHIRPS) & IFAD.

63. As presented in the Third National Communication, the drought of 2011 evolved into a social and economic challenge that affected the whole country and led to an extreme hydrological deficit in the Zeta–Bjelopavlići region, which includes the largest agricultural area in Montenegro⁵⁴. These extreme dry conditions led to forest fires in the following year. The frequent and intense drought impacted the quality and quantity of the agricultural yield, revenues, the costs to prevent and control the spread of diseases, insects, and weeds, as well as the irrigation rate. The agricultural drought during the autumn of 2017, appearing clearly in figure 8, developed into a hydrological one, and this

⁵¹ Climate Hazards Group InfraRed Precipitation with Station data (CHIRPS).

⁵² SPEI is a multiscale drought index based on climatic data (precipitation, evapotranspiration) allowing the index to account for the effect of temperature on drought development through a basic water balance calculation. SPEI has an intensity scale in which both positive and negative values (-5.5) are calculated, identifying wet and dry events. It can be calculated for time steps of as little as 1 month up to 48 months or more, with longer period deeper layer of soil can be analysed. Source: Copernicus Climate Change Service ERA5 reanalysis.

⁵³ Climate Hazards Group InfraRed Precipitation with Station data (CHIRPS) & IFAD.

⁵⁴ The Government of Montenegro. Third National Communication of the Republic of Montenegro under the United Nations Framework Convention on Climate Change, 2020: <https://unfccc.int/documents/254489>.

affected the water levels in the rivers and hydroelectric plants⁵⁵. This was observed in 2018 and 2019. In 2017 and 2018 the intensity of the drought varied from moderate, very arid to extremely arid.⁵⁶

64. The SPEI analysis by municipalities in figure 9 below shows that the Northern municipalities are the ones most affected by drought compared to municipalities from the Central and Southern Coastal regions⁵⁷.

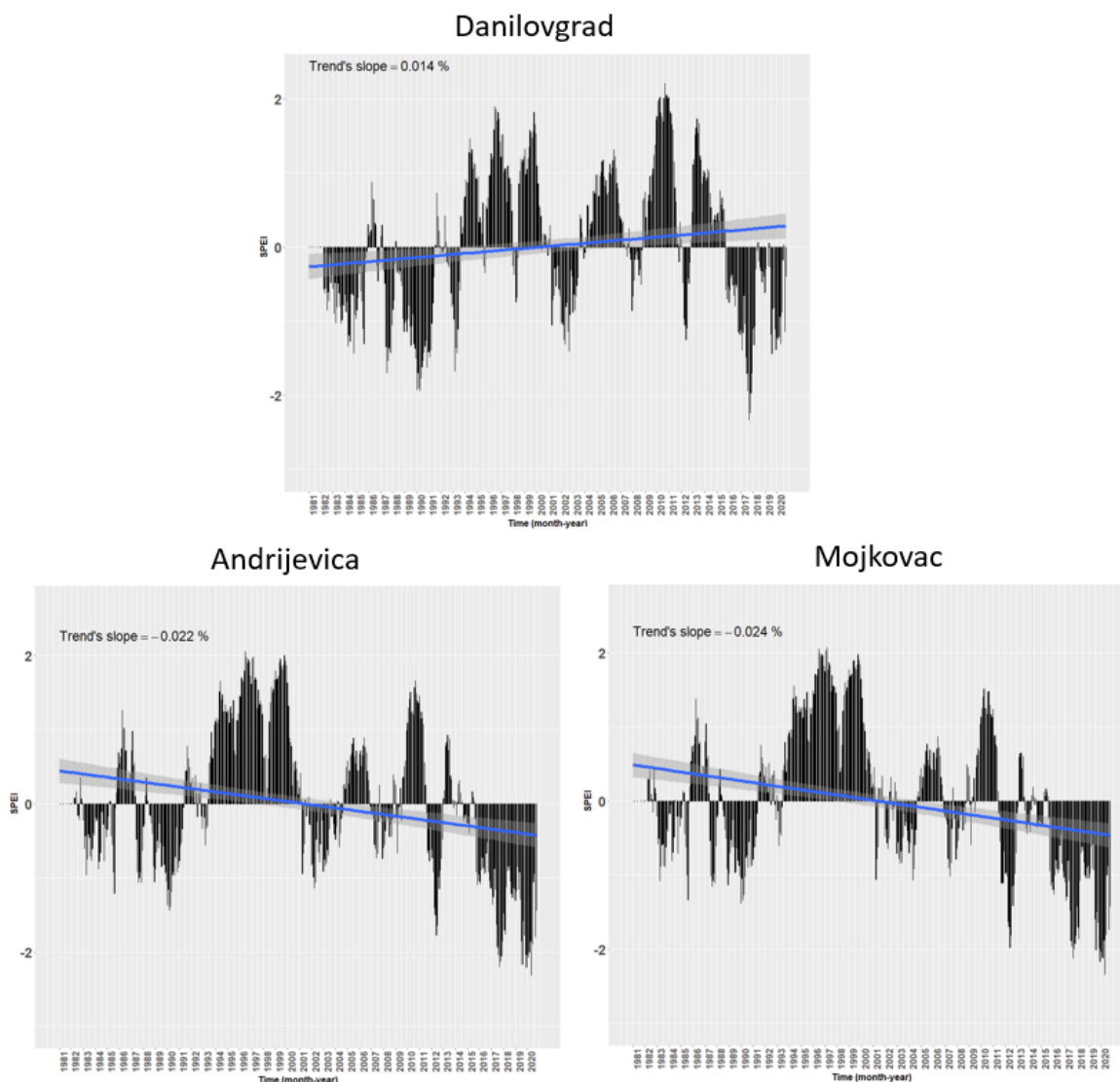


Figure 9: SPEI in Danilovgrad (Centre), Andrijevica (North) and Mojkovac (North) municipalities in Montenegro 1981-2020.
 Source: Climate Hazards Group InfraRed Precipitation with Station data (CHIRPS) & IFAD

Projected changes in climate

65. **Temperatures.** The results from the climate projections (according to scenario RCP8.5 as illustrated in Figure 10 below) show an increase of 1.5°C to 2°C in the mean annual temperature by 2040 throughout the country. By 2070 the mean annual temperature will increase by up to 3°C and by 2100 the increase is projected to be with 5.5°C.⁵⁸

⁵⁵ Ministry of Sustainable Development and Tourism Government of Montenegro, 2020. [Montenegro National Drought Plan](#).

⁵⁶ The Government of Montenegro. Third National Communication of the Republic of Montenegro under the United Nations Framework Convention on Climate Change, 2020: <https://unfccc.int/documents/254489>

⁵⁷ Climate Hazards Group InfraRed Precipitation with Station data (CHIRPS) & IFAD.

⁵⁸ TNC, 2020.

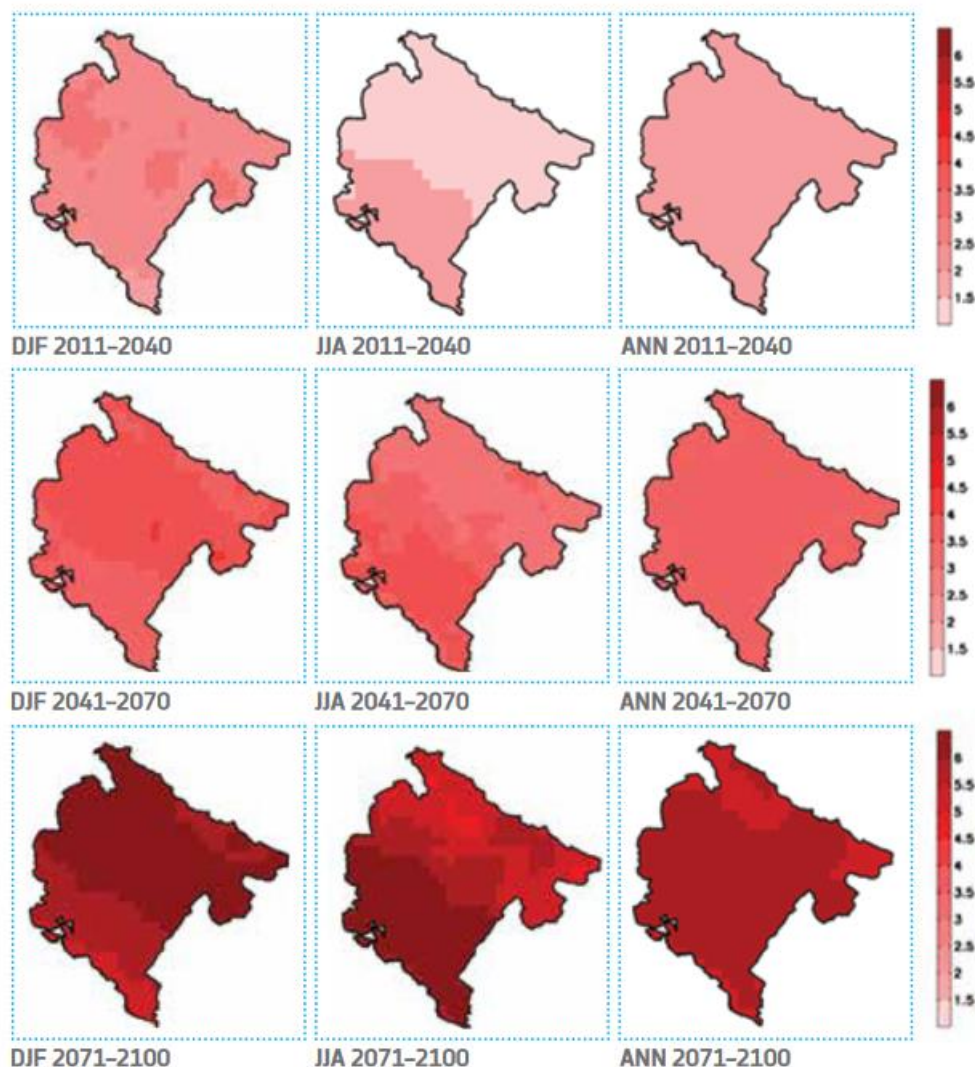


Figure 10: Change ($^{\circ}$ C) of the mean winter (DJF), summer (JJA), and annual (ANN) temperatures, for the periods 2011–2040, 2041–2070, and 2071–2100, compared to the period 1971–2000, according to scenario RCP8.5. Source: TNC, 2020

66. As presented in figure 10, during the winter months, the projected increase in temperature for the period 2071–2100 is expected to exceed 6° C in the northern mountainous areas. During the period 2041–2070 the change in the number of summer and tropical days is expected to be more pronounced in the northern, mountainous part of the country, where up to 200% more summer days and up to 500% more tropical days are expected compared to reference period 1971–2000.

67. **Precipitation.** The mean annual rainfall is expected to decrease, especially during the summer months and to increase in the winter months in some parts of the country. By 2070, the country is expected to experience a decrease of up to 20% of the mean annual rainfall throughout the territory. Significant changes are expected in snowfall, which will decrease by 50% in the north to up to 90% in central parts by 2070. At the same time, the number of days with snow is expected to decrease by 50% to 70%. An increase in the average annual number of episodes with five-day rainfall greater than 60 mm based on the scenario RCP8.5 is expected in the north of Montenegro during all of the three future periods analysed (2011–2040, 2041–2070, and 2071–2100 compared to the period 1971–2000, according to scenario RCP8.5), with local peaks exceeding 40% over the 1971–2000 reference period. In the rest of the country, this change is negative and its maximum amount is around -40% for the period 2071–2100. These changes can be particularly important when analysing the risk of torrential floods, triggering landslides in mountainous areas. On the other hand, the projected maximum consecutive dry days to projected to double by 2100 compared to historical data (1995–

2014) and the SPEI drought index is projected to decrease (more intense and more frequent drought events) at national level (figure 11).

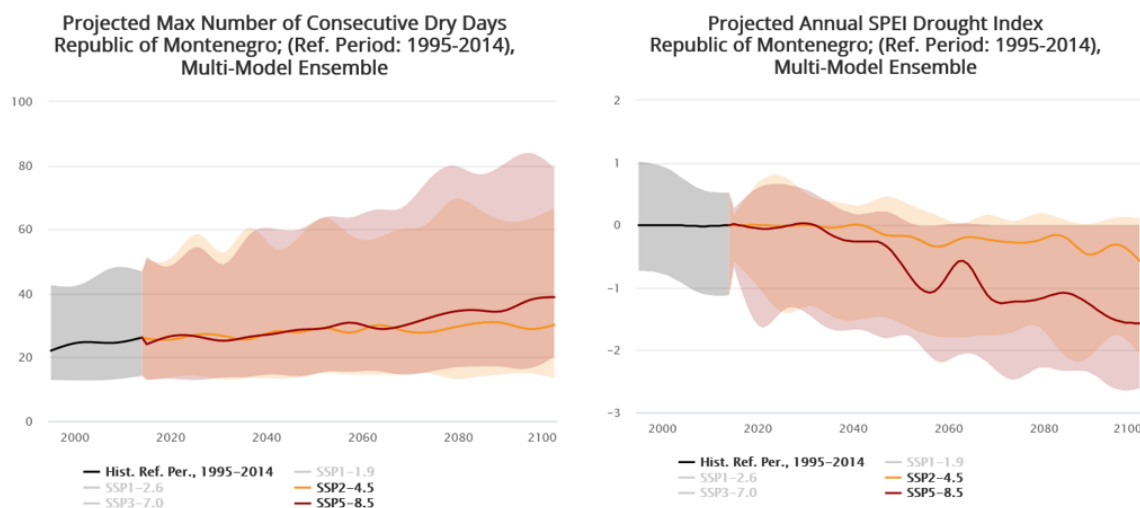


Figure 11: Projected maximum number of consecutive dry days and projected annual SPEI drought index for the Republic of Montenegro under the RCP4.5 and RCP8.5 compared to the reference period 1995-2014 with the multi-model Ensemble. Source: CCKP, World Bank.

68. The Second National Communication (SNC) highlights that the water balance in all river basins shows a reduction in the amount of precipitation of, on average, 4% during the period 2001–2030 and a reduction in the amount of precipitation on average of 14% during the period 2071–2100 in comparison to the period 1961–1990. By the end of the 21st century a reduction of 27% is expected in the average annual flow⁵⁹. Similarly, projections indicate that the reduction in the amount of snow cover for the River Lim basin amounts to about 25%, while in the River Tara basin it amounts to 36%. By the end of the 21st century, a reduction is expected to be observed in the amount of water present in the snow cover of about 70%–80% as compared to 1961–1990. The reduction of rainfall and snow cover will directly affect the water balance in Montenegro and the surface and groundwater resources.

Vulnerability to climate change impacts

69. **Impact of climate change on snow extent, water availability and erosion.** The analysis of the NASA Snow satellite imagery since 2000⁶⁰ in Montenegro reveals a significant decrease in the snow extent in 77% of the whole territory of Montenegro (see figure 12)⁶¹. Negative trends in snow presence are found in the mountainous areas in the North around the main rivers' tributaries and in some areas of the West (Nikšić municipality) and South (Cetinje municipality) of the country. Considering that the snow is one of the main source of water of Montenegro's rivers in spring, the decrease will play a major role on the medium and long term, reducing streamflow into the country's rivers throughout the year. Water is released faster when snow melts because of high temperature which can increase the risk of floods, erosion⁶² and droughts. Furthermore, erosion would especially increase in winter, in response to smaller snow accumulation, and larger liquid rainfall share thereby⁶³.

⁵⁹ Ministry of Sustainable Development and Tourism, 2015

⁶⁰ Hall, D. K. and G. A. Riggs. 2016. MODIS/Terra Snow Cover 8-Day L3 Global 500m SIN Grid, Version 6. [2000-2020]. Boulder, Colorado USA. NASA National Snow and Ice Data Centre Distributed Active Archive Centre. doi: <https://doi.org/10.5067/MODIS/MOD10A2.006>. [December 2021].

⁶¹ The analysis is considering the seasonality and the 8 days data collecting time step with the function TrendRaster of R.

⁶² Yuyang Wu, Wei Ouyang, Zengchao Hao, Bowen Yang, Li Wang, Snowmelt water drives higher soil erosion than rainfall water in a mid-high latitude upland watershed, Journal of Hydrology, Volume 556, 2018, Pages 438-448, ISSN 0022-1694, <https://doi.org/10.1016/j.jhydrol.2017.11.037>

⁶³ L. Maruffi, L. Stucchi, F. Casale, D. Bocchiola, Soil erosion and sediment transport under climate change for Mera River, in Italian Alps of Val-chiavenna, Science of The Total Environment, Volume 806, Part 2, 2022, 150651, ISSN 0048-9697, <https://doi.org/10.1016/j.scitotenv.2021.150651>.

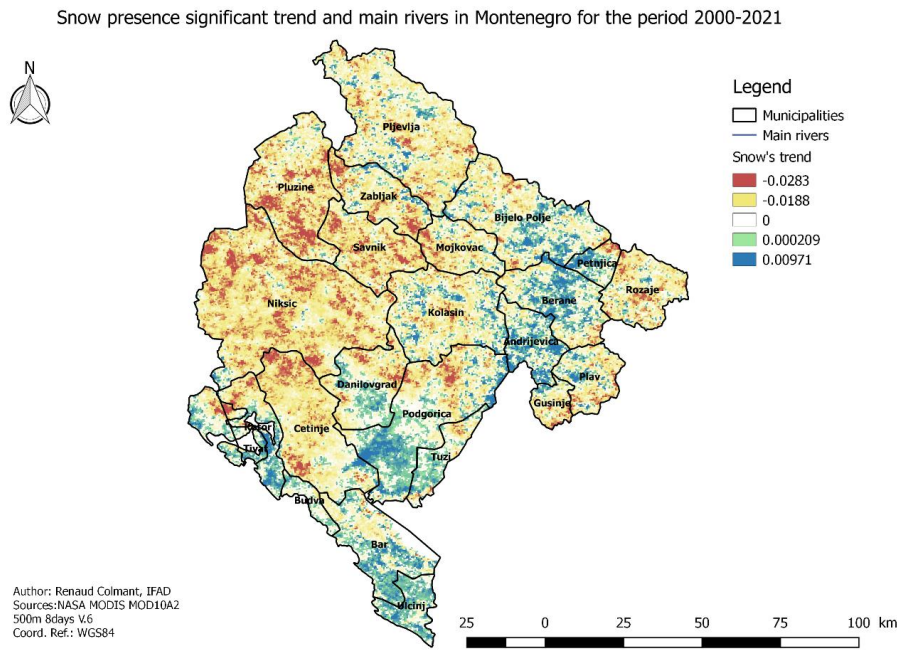


Figure 12: Snow occurrence's trend 2000-2021 in Montenegro. Source: NASA MODIS MOD10A2 500m 8days V.6 & IFAD

70. The analysis of the snow extent at national level shows that the total snow cover extent has decreased by around 7 square kilometres (0.23% of average snow extent) for the period 2000-2021 (see figure 13).

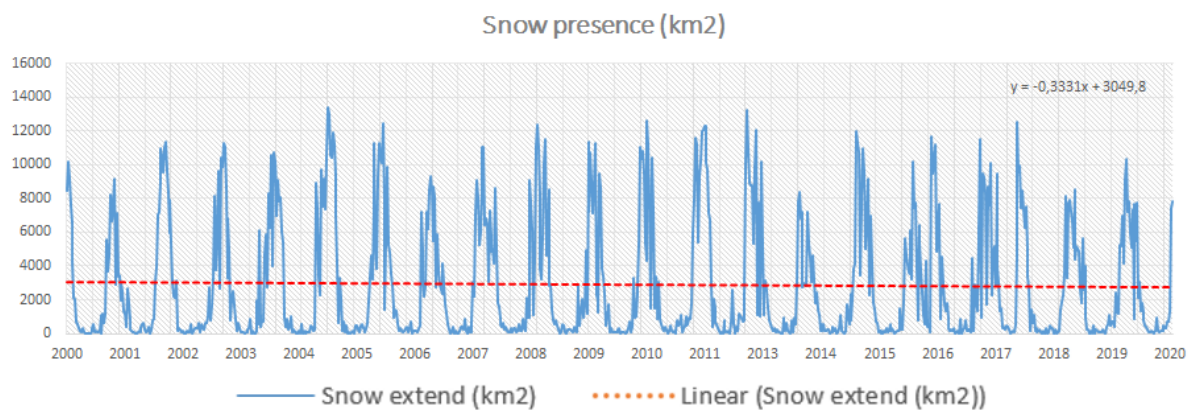


Figure 13: Snow extent in square kilometres at national level in Montenegro 2000-2021. Sources: NASA MODIS MOD10A2 V.6 & IFAD

71. The data of figure 13 is aggregated for the whole country and specific areas are more affected than others as presented in figure 14. It is possible to understand where the negative trend is the most prevalent by overlaying the results of the snow cover trend analysis with the land use in Montenegro. Indeed, the results show that the pasture areas are the most affected with a negative trend of snow presence for the 2015-2021 period with 84% the surface affected compared to forest (80%) and to the whole territory of Montenegro (77%).

72. Furthermore, the monthly analysis by region gives a clear understanding of the dynamics of snow extent by months (January to December) in figure 14. There is a significant reduction in snow cover throughout the winter season, more specifically around the months of November and January. The negative trend in November indicates a decrease in maximum snow cover in the municipalities (especially in the Northern region). The negative trend in January could indicate rapid snowmelt in late winter/early spring due to higher temperature with reduced water uptake into soils and possible increased risk of landslides and floods.

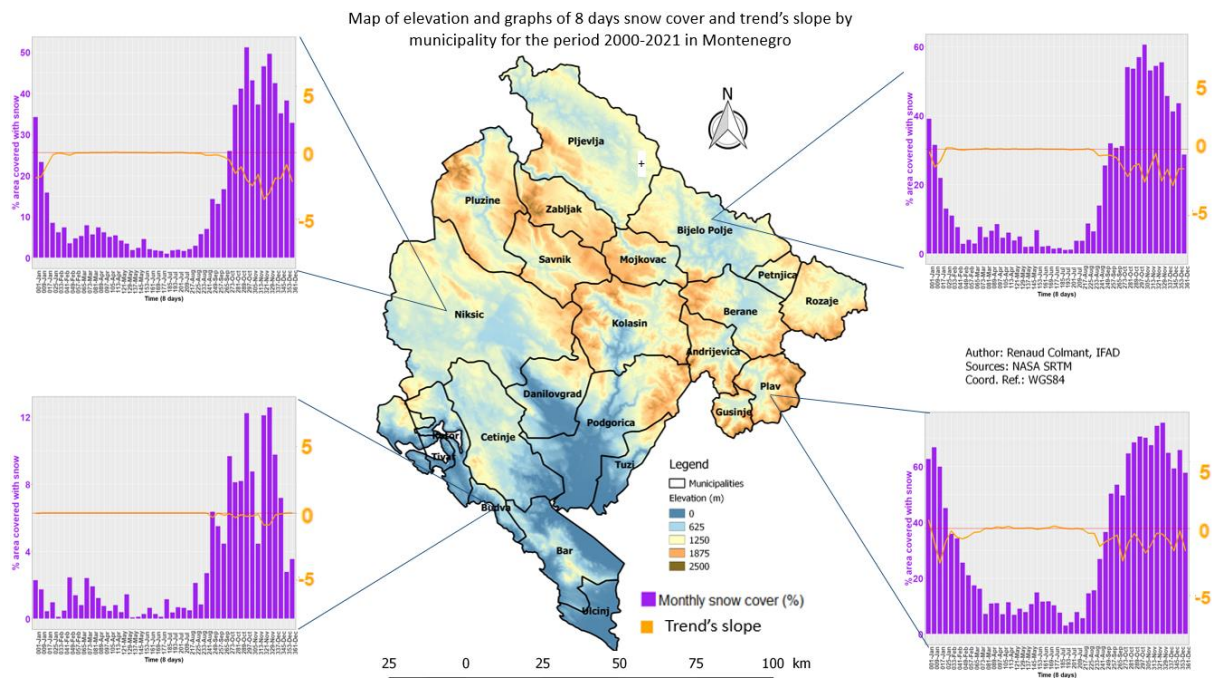


Figure 14: Elevation and graphs of 8 days snow cover and trend's slope by municipality for the period 2000-2021 in Montenegro.
 Source: NASA MODIS MOD10A2 V.6 – NASA Shuttle Radar Topography Mission 90m & IFAD

73. Projected prolonged droughts are expected to increase pressure on water resources and competition between agriculture irrigation, hydroelectric production, domestic and industrial use of water, as well as for tourism infrastructure or firefighting efforts. A reduction in the annual amount of snow could have a negative impact on groundwater supply through the earlier occurrence of the hydrological minimum at these sources (early August instead of September), which may coincide with peak water use due to tourism. It can also inflict an additional burden to occupants of seasonal high mountain areas (katuns), as inhabitants rely on snow to store consumption water needed during their stay at the grazing season. Groundwater is a resource that is very vulnerable to climate change. Increasing air temperatures, prolonged drought, uneven rainfall, increasing rainfall, and a reducing annual amount of snow lead to disruption of the runoff and more pronounced formation of torrential flows, floods, landslides, and landslides.

74. **Agriculture.** The agricultural sector is highly vulnerable to climate change due to its dependence on specific temperature conditions and water availability. It is also exposed to climate hazards such as droughts, floods, late frosts or hail, and climate change may induce expansion of the distribution areas for crop pests and diseases that do not currently affect Montenegro. Hilly and mountainous karst areas are comparatively less productive than the lowlands, but also less prone to regular floods.

75. The results of future climate projections for Montenegro show that a further increase in temperature, changes in the amount and redistribution of precipitation, and intensification and increase in frequency of weather and climate extremes can be expected. Due to the increase in temperature, a further extension of the vegetation period is foreseen in mountainous areas. By the end of the century in the Northern region, vegetation period could last from 11 to 18 days longer. The expected higher number of consecutive dry days, especially in the northern areas, as well as shorter rainy periods, should lead to more arid conditions throughout the territory of Montenegro.

76. Rainfall, especially during the summer months, combined with the increased number of days with high daytime temperatures, makes Montenegro, as well as the entire region of Southeast Europe, very vulnerable to droughts. As the movement of the vegetation period is expected to be larger towards the beginning than towards the end of the year, there is a risk that the movement of the vegetation period to an earlier time will expose the plant to a greater risk of late spring frosts.

77. Due to the early onset of vegetation, the shortened duration of some phenophases, the ripening of crops in months with a higher average temperature, and a higher risk of extreme weather events, a decrease in the yield and quality of some crops can be expected; yields of fodder could decrease by 10% by 2050 in Northern mountainous areas (see in Annex 4, Climate Change's impacts on agricultural systems using the Climate Adaptation in Rural Development-CARD assessment tool). Due to the changing climatic characteristics of areas where some varieties have traditionally been grown, these may become unfavourable, while in some new ones the optimal climatic conditions for their cultivation will be created.

78. **Forests fires.** With the expected increase in the frequency and severity of droughts as a result of climate change, the risk of fire will increase in the future, in particular, during the months of July and August, when the amount of rainfall is very low, as well as during the months of February and March in the case of dry and warmer winters. Besides direct impacts, fires can also cause indirect damage that can result in the degradation of the environment, a reduction in the resistance of forests to pests and diseases and the destruction of authentic landscapes and soil structures.

79. Montenegro's fire season was the worst in 2017 since 2000 (figure 15). There were 124 fires covering over 30 ha, affecting a total of 51,661 ha, six times the area mapped in 2016. Fires were recorded through the year from February to November, although the worst of the damage occurred in July and August. The largest fire of the year burned 5,687 ha in Danilovgrad in July, but there were also 28 other fires larger than 500 ha.⁶⁴

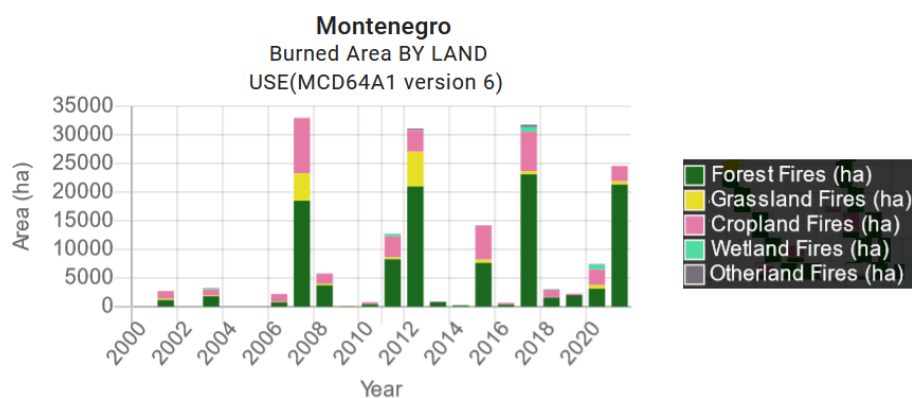


Figure 15: Montenegro burned area by type of land use for the period 2000-2021. Source: NASA MCD64A1 V.6

80. The SNC indicates that climate change is expected to have a negative impact on the distribution of most of the key tree types in Montenegro. This primarily refers to the distribution of spruce, silver fir, and Aleppo pine. It can be expected that climate change will have a negative impact on the distribution of these types of trees on larger surfaces, primarily in the furthest eastern part of Montenegro, in the territory of Lower Prokletije, Mokra Planina, Hajla, Suva Planina, Mokra Gora, and in all the mountain areas north of Berane and Rožaje.

81. It is also likely that these species will become endangered in larger lower mountain areas around Pljevlja. Conversely it is possible that certain tree types will spread, such as: spruce, silver fir, and Aleppo pine in the mountain pasture areas of the high mountains (Maglič, Volujak, Bioč, Planina Pivska, Durmitor, Ljubišnja, Sinjavina, Maganik, Bjelasica, Komovi, Prokletije, Hajla, and Mokra Planina). Projections show that beech will preserve the largest part of its current area, with the exception of some border habitats, such as the areas of Rumija, the coast, and Polimlje. There is a moderate likelihood that beech will spread into the mountain pasture areas of the high mountains where other conditions are favourable, primarily the quality of the soil.

⁶⁴ Fernandez-Anez, N., Krasovskiy, A., Müller, M., Vacik, H., Baetens, J., Hukić, E., Kapovic Solomun, M., Atanassova, I., Glushkova, M., Bogunović, I., Fajković, H., Djuma, H., Boustras, G., Adámek, M., Devetter, M., Hrabalíkova, M., Huska, D., Martínez Barroso, P., Vaverková, M. D., Cerda, A. (2021). Current Wildland Fire Patterns and challenges in Europe: A synthesis of National Perspectives. *Air Soil and Water Research*, 14, 11786221211028184. <https://doi.org/10.1177/11786221211028185>

82. **Transport and communication infrastructure.** With especially flash floods or heavy rains occurring more frequently, rural roads have deteriorated significantly in Northern mountainous areas of Montenegro and many are now not negotiable during winter, causing social, economic and health problems for increasingly isolated rural settlements. Combined with new innovations in tarmacking roads, climate change has also changed the cost-benefit of when it becomes economically feasible to tarmac gravel roads and the GoM (both at central and municipality level) has accelerated a programme for rural connectivity, but still lacks funding.

83. **Gender and social inclusion.** Climate change – especially droughts, floods and other extreme weather events – together with food and water insecurity impact men and women differently. Due to higher unemployment rates, a high percentage of women in the Montenegro tend to stay at home, where they are responsible for the household's food production and its water and energy supply. These are the resources most affected by the impacts of climate change, making women more vulnerable than men to climate change.

84. For this reason, it has become increasingly important in Montenegro to involve women and men equally in decision-making processes. According to the analysis of the available documents, however, the question of gender mainstreaming in policy and strategic documents tends to remain superficial. In order to ensure that both men and women have equal opportunities to participate in the adaptation regime, women need to be proactively engaged in the planning and implementation of adaptation measures. They should be involved in both consultative and decision-making stages, with the aim of facilitating their safety and productivity. For this reason, strategic documents must identify women as a special stakeholder group and include them in action planning.

85. **Human health.** The potential for outbreaks of vector-borne diseases (including zoonosis) not typically present in European continent to spread in Montenegro as a consequence of Climate Change in the coming decades is also considered seriously. Sporadic cases of Lyme disease, Leishmaniosis or West Nile fever have been observed⁶⁵. Rodents, cattle, other domestic and wild mammals can act as intermediate host and reservoirs⁶⁶. Prevention and control of invasive and re-emerging vector-borne diseases require surveillance and early detection through an integrated involvement of environment, spatial planning and agriculture sectors, along with health and education. To prevent economic losses, 350 veterinarians were trained in Balkan countries including Montenegro to detect African swine fever⁶⁷. In addition, general adaptation efforts such as prevention and improved readiness are necessary for populations in Northern Montenegro that will be increasingly exposed to extreme heat and cold waves, as well as the stress generated by potential loss of income and assets resulting from climate change.

Project upscaling and lessons learned

86. The Rural Clustering and Transformation Project (RCTP) (2017-2023) is the first International Fund for Agricultural Development (IFAD) financed project in Montenegro. The project's overall goal is to contribute to the transformation of smallholders' livelihoods in Northern Montenegro, enabling them to become more competitive and resilient to climate change. The RCTP specific cluster approach, focused on economic diversification with a territorial continuity, has enabled a strong cohesion between all local stakeholders, thus increasing their resilience to shocks. RCTP, notably through its Adaptation for Smallholder Agriculture Programme (ASAP) grant, responded to climate threats by working on land and water management in mountainous areas of seven Northern municipalities of Montenegro: the project enhanced water storage and soil health with the promotion of climate resilient practices through matching grants, resulting in a reduced vulnerability of communities to climate change, especially during recurring periods of drought, but also (since 2021) to fight forest fires, an increasing climate change related hazard. RCTP also helped local communities protect natural habitats and productive lands. Finally, the rural roads rehabilitation in remote areas co-financed by Municipalities was a key activity to enhance access to land more adapted to fragile productions (e.g. raspberries), to improve access to markets and to reduce vulnerability to climate shocks.

⁶⁵ WHO (2013).

⁶⁶ Bogdranka *et al.*, (2012)

⁶⁷ FAO (2020).

87. The ongoing RCTP is showing an excellent track record, with steady disbursements, and exceeding physical realisation targets (high efficiency), with the 11 clusters established, 729 grantees of the Value Chain Fund, 78km of rural access roads rehabilitated in 114 microlocations⁶⁸, and the establishment of 42 water infrastructures (as of April 2022). Successes and lessons from the implementation of the project include (Annex 6 presents lessons from RCTP in detail):

- **Rural clustering of value chains through the support to Multi-Stakeholders Platforms (MSPs).** The rural clustering approach and associated social engineering are key to enhancing the social capital in mountainous areas, and enhanced social capital is in turn a pre-requisite to collective actions needed to address climate resilience at the landscape level. Rural clusters identified sectors of investment with the private sector that could rapidly benefit most producers providing them with a secured outlet: milk-collecting centres, meat processing plants, cold storage facilities. Experience shows that most opportunities for smallholders lie in developing linkages with existing off-takers present in the municipalities through commonly identified and focused investments, both in terms of economic infrastructure to aggregate the agricultural production, and in terms of socio-economic skills facilitation to ensure the economic sustainability and its social acceptance. The RCTP implementation has also illustrated the strong potential of this approach in increasing the resilience of local stakeholders and their willingness to become involved in their local development processes beyond these first concrete activities.
- **Adaptation to climate change.** A key aim of RCTP was to reduce the vulnerability of the rural poor to climatic risks. The project benefited from ASAP fund to support Climate Change adaptation and to ensure a rational and sustainable use of natural resources. ASAP financing 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 Value Chain actors, to acquire and demonstrate the use of climate-resilient equipment and technologies. Beyond interventions financed by ASAP, all RCTP activities have contributed to increasing the climate resilience of local stakeholders, through improved land and water management, economic diversification with a territorial continuity, and rehabilitation of rural roads, critical to ensure accessibility during a longer time range.
- **Increased smallholder revenues through small grants and graduation mechanisms.** Small grants provided by the Value Chain Fund (VCF) have a huge impact on small farmers' gross incomes due to increased production capacities and better selling prices through guaranteed outlets by private off-takers within rural clusters. Small farmers benefiting from RCTP support may then access other grant mechanisms (IPARD, Agro-budget, MIDAS, etc.) and achieve an effective social and economic mobility and/or graduation.
- **Gender and youth inclusion, and targeting.** A differentiated targeting approach is needed for gender equality and funding, according to the poverty level of the direct beneficiaries, and such an approach requires a robust understanding of the characteristics of the most vulnerable, particularly women and youth, and of how they can benefit from a project. Achievement of gender equality being constrained by socio-cultural stereotypes, IFAD has (i) drawn on United Nations Development Programme (UNDP)'s experience which has been championing the gender and youth cause in Montenegro, and (ii) leveraged knowledge of the relevant institutions in charge of Labour and Social Welfare, Minorities and Human Rights.
- **Partnerships.** RCTP is well anchored in the national context. Additionally from the implementing MoAFWM (particularly the Directorate for Rural Development), the project has established communication with key partner ministries as well as the Union of Municipalities of Montenegro to better align on their respective strategic priorities and simultaneously to share with them lessons learnt from RCTP implementation. The engagement of RCTP team in the Municipalities has succeeded in guaranteeing a strong ownership of all local stakeholders, and their adoption of project approaches. This also translates in the high level

⁶⁸ RCTP focused on the construction or rehabilitation of critical points of uncategorized rural access roads to resolve bottlenecks in relation with the targeted value chains. On average, portions were rehabilitated on lengths of about 685m, with the longest constructed segment amounting to 1.5km, and the longest rehabilitated to 4.4km.

of local co-financing (mobilised by both private investors and municipalities), an additional factor of ownership at national and local levels.

- **A strong implementation team.** The success of RCTP is the direct result of its strong and committed implementation team, half of which was specifically contracted when the other half (Monitoring & Evaluation-M&E, administrative and fiduciary functions) was seconded from the Ministry of Agriculture, Forestry and Water Management. RCTP can rely on: highly-capable human resources (who developed a know-how on the specific modalities of implementation of the project); a network of relations with other stakeholders (projects, partners, service providers, clients, etc.); as well as relevant and well-defined implementation mechanisms, guaranteeing that the project delivers on its objectives.

88. Gora will scale up the successes of RCTP in 14 mountainous municipalities of northern Montenegro (including the municipalities of Plužine, Pljevlja, Kolašin, Rožaje, Andrijevića, Plav, and Gusinje) in addition to the “RCTP municipalities” of Šavnik, Žabljak, Mojkovac, Bijelo Polje, Berane and Petnica, as well as Nikšić), capitalizing on the experience of the ongoing RCTP, and addressing the gaps identified during its implementation. Further to expanding the landscape approach of RCTP, connected with the promotion of dynamic clusters, Gora will strive to integrate all elements of the territorial unit (including summer pastures or katuns), will reinforce the technical capacity building provided to local stakeholders, and will widen the choice of targeted Value Chains (VC) to ensure the promotion of climate resilient farming systems. Through this integrated landscape approach, Gora will promote the inclusive identification of solutions to climate challenges at local level.

Theory of Change and Approach

89. As indicated in introduction, mountain ecosystems provide vital services, including water, forest, carbon storage and cultural values. They are at the same time particularly vulnerable to climate change. Accelerated snowmelt in spring translates in a disruption of water flow resulting in flash floods and excess accumulation downstream, while reduced upstream infiltration leads to water deficits in highlands, including katuns or summer pastures. This has direct impacts in terms of water availability within the watershed throughout the year, which can already be observed. Heightened temperatures and intensifying droughts translate in an increased vulnerability of forests to fires and the degradation of natural resources in general. Fragile soils and burnt areas are in turn more at risk of landslides with the increased water runoff, with impacts on infrastructures such as roads. The heat and drought increases, together with the disrupted water flow, make reliable water supply more urgent.

90. Small scale producers are particularly vulnerable to climate shocks as they rarely have the means to anticipate and adapt to these accelerating changes. The multiple impacts of climate change on production systems go beyond drought and heat cycles, and also include hail, late spring frost, and an increase in pests and diseases. Income instability, limited social capital and poor infrastructure (in particular roads) are additional barriers that constrain the adaptive capacity of poorer producers in northern mountainous areas. Gora will seek to address these vulnerabilities, aiming at the following goal: *enhance ecosystem and smallholder livelihood resilience to climate change in northern Montenegro through the adoption of environmentally sustainable and climate resilient technologies and practices*, through a comprehensive approach:

- First through the **enhanced the resilience of smallholders' livelihoods to climate change in mountainous areas** (Outcome 1), by replicating RCTP's rural clustering approach. Indeed the success of RCTP in bringing together all the stakeholders of selected commodities translates both in the stable source of income resulting from the secure outlets negotiated through the clusters, and in the increased social capital, enabling these local actors to work together in identifying common priorities and goals. Gora will go beyond RCTP by ensuring the inclusive provision of information and training on agroecology and other climate resilient practices, and encouraging the diversification of income and production systems with the promotion of secondary value chains (including agro-ecotourism) and provision of climate adaptive matching grants. Support brought under the value chain fund will enable the graduation of poorer and marginalized producers, who are excluded from Government

support (under the agro-budget), and who should progressively become eligible to other types of support and subsidies (beyond Gora). Overall, it is expected that up to 20,000 local stakeholders (50% women, 30% youth) would benefit from the support delivered under this outcome, notably through the enhancement of services provided by extensionists. By the end of the project, up to 80% of directly targeted households should report (i) the adoption of environmentally sustainable and climate resilient technologies and practices, and (ii) an increased stability of income, while 80% supported rural enterprises should report an increase in profit. It is also expected that the adoption of agroecology and other climate resilient practices at farm level could contribute to the resilient management of up to 720 hectares of agricultural land.

- Under its second component, the project will leverage the social capital built at cluster level to engage all local stakeholders in collectively mapping the key climate vulnerabilities of the local landscape through an integrated landscape management approach, leading to an **improved resilience of ecosystems and infrastructures assets** (Outcome 2). This participatory mapping will take a close look at women, youth and minorities' perspective on the local landscape. The resulting Local Climate Adaptation Strategies will highlight priority areas for resilient investments protecting both the landscape and livelihoods. Such investments will include the climate proofing of portions of uncategorized rural roads and other infrastructure, as well as the water storage at critical points to ensure the breakage of runoff and reduction of erosion risk. Biotechnical measures will also be piloted in a strategic manner, to restore degraded areas, protect infrastructures and increase water infiltration. These investments will result in a better management of the water flow at ecosystem level, aiming at an enhanced infiltration and water storage upstream, in summer pastures, for reduced runoff and enhanced soil conservation downstream. The prioritization of infrastructure will also include livelihood criteria, in relation with priorities identified at cluster level (under component 1). Under this outcome, 22 Local Climate Adaptation Strategies will be developed at community level, paving the way to the maintenance/improvement of at least 67 natural resource assets (through land restoration/reduced erosion, and improved water infiltration), over an estimated surface of 2,140 hectares. 285 infrastructure assets will also be improved to withstand climate change and variability-induced stress (including a cumulated 180km of rural access roads).
- Finally, the third component of Gora will aim at ensuring that **strategies and mechanisms for mountain adaptation, based on lessons from project approaches and implementation, are integrated at municipal and national level** (Outcome 3). This will be achieved by using the experience of the project to develop detailed vulnerability analysis and maps for all targeted municipalities, and supporting them in preparing 14 municipal rural climate adaptation strategies and adopting at least 70% to reflect climate adaptation priorities. Additionally, support will be provided to the National Council for Sustainable Development as a key space to discuss adaptation in Montenegro: a dedicated Working Group on Mountainous Areas will be established, to act as an arena where mountain adaptation solutions can be discussed and capitalized. These Municipal strategies together with the Working Group will enable an advocacy process at national level, contributing to a better integration of rural poor from mountainous areas.

91. Throughout its interventions, and based on lessons from the ongoing RCTP, Gora will rely on the following:

- **Landscape approaches**, recognizing that the stakeholders of a given value chain interact in a local territory that can be identified as the “landscape”⁶⁹, and that within this landscape, key climate vulnerabilities can be mapped, in particular in relation with the flow of water at the scale of the watershed (with impacts in terms of drought/water availability, erosion, and flooding). As such, Gora will support local communities in integrating all elements of their territorial unit (including summer pastures or katuns) and preparing local strategies to address the current and potential impacts of climate change.
- **Social engineering** as a means to engage local stakeholders and build social capital, resulting in truly participatory prioritization of investments both for Value Chains and at landscape level (green and grey infrastructure).
- **Demand-based investments** through Public Calls made in relation with key priorities identified in local planning processes.
- **Ecosystem-based Adaptation (EbA)**. Gora will promote EbA technologies and practices both at the scale of the farming system (agroecology) and of the landscape (bio-engineering). EbA proposes cost-effective and accessible solutions to rural or poor communities and can integrate and maintain traditional and local knowledge and cultural values.
- **Gender mainstreamed and youth sensitive implementation**. As explained below, Gora will put special emphasis on addressing gender inequalities and empowering women, through the recognition of gender differences in adaptation needs and capacities; by ensuring equitable participation and influence in decision-making processes (notably in relation to adaptation); and through a gender-equitable access to finance and other benefits from the project.

Project Area and Targeting Strategy

92. **Target groups**. Building on the experience of RCTP, Gora’s target groups will be: (i) vulnerable semi-subsistence farmers (households below the threshold for already existing subsidies from the GoM); (ii) commercial and economically active smallholders and small-scale processors; as well as (iii) private sector actors along the selected value chains, such as agro-enterprises and traders; as well as all relevant stakeholders for the resilient management of the sub-watershed, and who will benefit from the enhanced resilience of local ecosystems and their services. All smallholders engaged in the selected commodities and those living within the broader landscape will benefit from Gora’s interventions. It is estimated that Gora will reach out to up to 40,000 persons, including current RCTP targets. Rural women and youth will be specifically targeted, with 50% women and 30% youth.

93. **Geographic targeting**. Gora will work in 14 municipalities located in the Northern part of Montenegro: 13 municipalities of the Northern region: Plužine, Šavnik, Žabljak, Pljevlja, Kolašin, Mojkovac, Bijelo Polje, Berane, Petnjica, Rožaje, Andrijevica, Plav, Gusinje; and the municipality of Nikšić in the Central region. These municipalities are amongst the most vulnerable to climate change and poorest ones in the country. Their climate vulnerability was calculated taking into account exposure, sensitivity, and adaptive capacity with regards to climate change (detailed methodology presented below and in Annex 4). Under the second component, project interventions will also target the broader landscape within which cluster stakeholders operate, while identifying priorities of investment for the resilience of the local landscape. As such, RCTP’s cluster approach will be upscaled using a broader landscape approach. The project will focus on rural areas, where farm land is mostly above 600 m.

94. Climate vulnerability and the size of affected populations is location specific and derives from unique interactions of different biophysical and socioeconomic variables so that different levels of vulnerability characterize different places. IFAD conducted a vulnerability analysis to prioritize areas to

⁶⁹ The Law on Spatial Planning and Construction of Structure (2017) recognizes the “landscape” (*predio, pejzaz*) as an area, as perceived by people, whose character is the result of the action and interaction of natural and/or human factors.

be targeted. The analysis is based on official statistics and data⁷⁰, improved with additional data⁷¹ and analyses to increase the evidence base and knowledge on how climate change affects rural populations. The indicators of exposure, sensitivity and adaptive capacity were chosen on the basis of the socio-economic, climatic and environmental analysis presented in Annex 4. The composition of these indicators results in a vulnerability index, reflecting the areas that are most vulnerable to climate change. Figure 16 below shows the approach used to determine the index (disaggregated by watershed).

95. **Social targeting.** The Gora project will apply a combination of different measures to target its beneficiaries, e.g. selecting clusters suitable for poor households, earmarking funds for women and youth and providing training on business skills and resilient agricultural practices. Gora will put special emphasis on addressing gender inequalities and empowering women. This will be done in three ways: (i) recognition of gender differences in adaptation needs and capacities as part of landscape and cluster planning processes; (ii) gender-equitable participation and influence in adaptation decision-making processes; (iii) gender-equitable access to finance and other benefits resulting from investments in adaptation. In addition, rural youth will be targeted. Emphasis will be put on promoting their economic empowerment and enabling them to have an equal voice and influence in rural institutions and organizations, especially in terms of landscape and cluster management. Fifty percent of Gora's beneficiaries will be women and thirty per cent youth⁷².

⁷⁰ Committee on emergency, PPRC, NDC, IPCC.

⁷¹ Remote sensing analysis undertaken by IFAD and EO4SD Atlas.

⁷² Gora will use RCTP's definition of youth, namely below 40 years old.

A TARGETING APPROACH BASED ON A CLIMATE VULNERABILITY INDEX

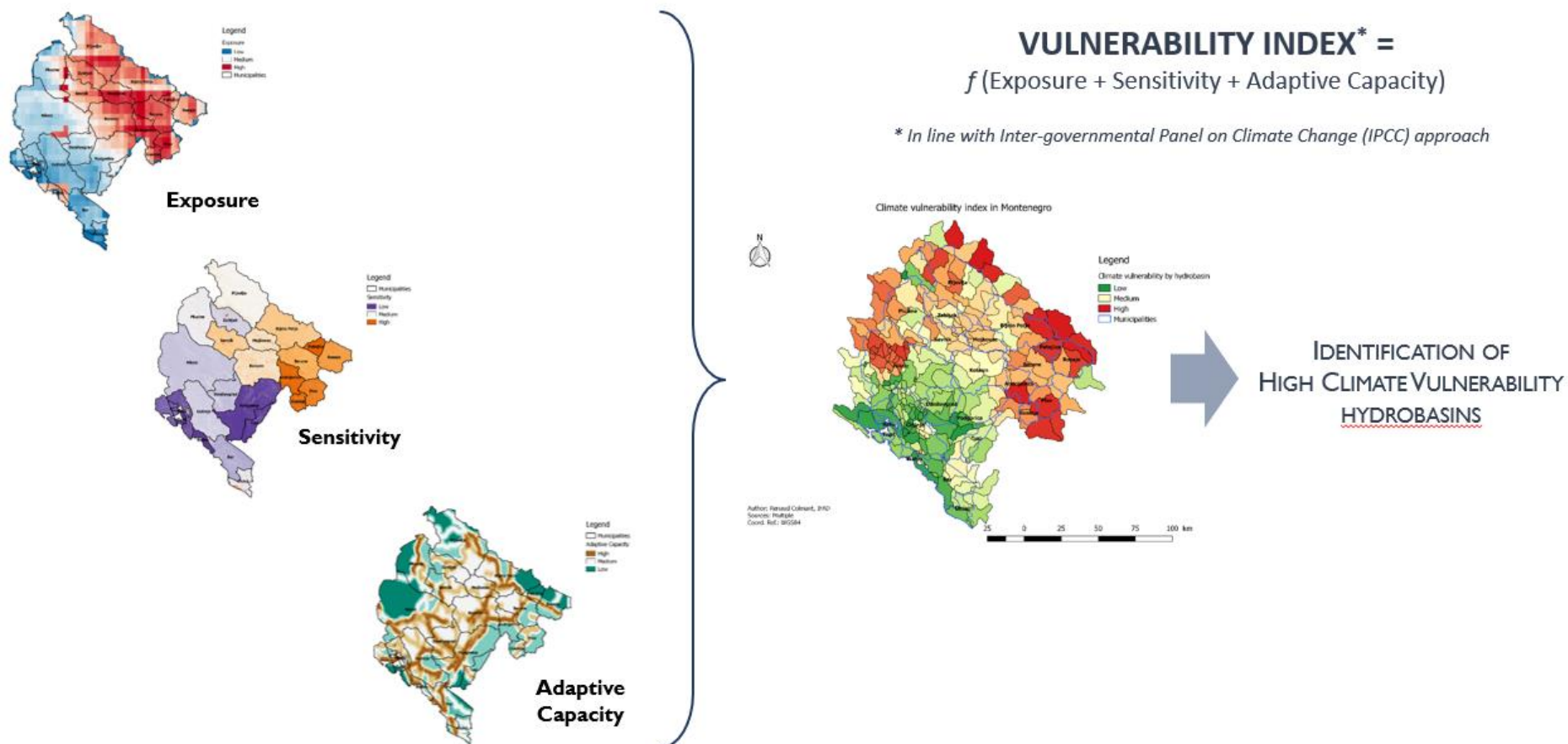


Figure 16: Geographical targeting based on the establishment of a climate vulnerability index as a function of exposure, sensitivity and adaptive capacity

B. Project Objectives

96. **Goal.** Enhance ecosystem and smallholder livelihood resilience to climate change in northern Montenegro through the adoption of environmentally sustainable and climate resilient technologies and practices.

97. **Objective.** The project objective is *reduce the vulnerability of livelihoods & ecosystems in northern Montenegro to the negative impacts of climate change.*

98. **Outcomes.** The project will achieve the stated goal and objective through three outcomes:

- **Outcome 1.** Enhanced resilience of smallholders' livelihoods to climate change
- **Outcome 2.** Improved resilience of ecosystems and infrastructures assets
- **Outcome 3.** Strategies and mechanisms for mountain adaptation, based on lessons from project approaches and implementation, are integrated at municipal and national level

C. Project Components and Financing

Table 2: Project components and financing

Project Components	Expected Outcomes	Expected Concrete Outputs	Amount (USD)
Component 1 Sustainable Mountain Livelihoods	Outcome 1. Enhanced resilience of smallholders' livelihoods to climate change	Output 1.1. Multi-stakeholder clusters established and facilitated for selected commodities	1,126,749 USD
		Output 1.2. Adaptive capacity of farming systems strengthened and local businesses developed	552,559 USD
		Output 1.3. Financial support to adaptive activities provided	1,583,652 USD
Component 2 Integrated Landscape Management	Outcome 2. Improved resilience of ecosystems and infrastructures assets	Output 2.1. Participatory Local Climate Adaptation Strategies developed	340,159 USD
		Output 2.2. Ecosystem protecting measures implemented	2,362,459 USD
		Output 2.3. Rural adaptation collective infrastructure rehabilitated or constructed	1,940,291 USD
Component 3. Mainstreaming mountain adaptation strategies	Outcome 3. Strategies and mechanisms for mountain adaptation, based on lessons from project approaches and implementation, are integrated at municipal and national level	Output 3.1. Relevant knowledge products prepared and disseminated to key stakeholders.	214,435 USD
		Output 3.2. Local and national institutions supported in the creation of mechanisms and strategies for mountain adaptation	222,674 USD
Total project activity cost			8,342,978 USD
Project Execution cost (9.5%)			873,612 USD
Total Project Cost			9,216,590 USD
Project Cycle Management Fee charged by the Implementing Entity (8.5%)			783,410 USD
Amount of Financing Requested			10,000,000 USD

D. Projected Calendar

Table 3: Projected calendar

Milestones	Expected Dates
Start of Project Implementation	(June) 2023
Mid-term Review (MTR)	(June) 2026
Project Closing	(December) 2029
Terminal Evaluation	(June/August) 2029

Part II: PROJECT JUSTIFICATION

A. Project components

99. The project is structured around three components:

- **Component 1.** Sustainable Mountain Livelihoods
- **Component 2.** Integrated Landscape Management
- **Component 3.** Mainstreaming mountain adaptation strategies

100. Historical climate trends and future projections demonstrate how Northern Mountainous areas of Montenegro are expected to be impacted by climate change. Rising temperatures and the modified precipitation regime will lead to increased droughts and fires (notably forest fires), and heightened ecosystem degradation. Reduced precipitation over the winter months as well as the early melting of snow due to higher temperatures will translate in a modification of water regime, associated with reduced water availability in summer pastures (katuns) and increased downstream erosion and possible flooding. The occurrence of extreme weather events (storms) is expected to increase, affecting road accessibility. The projected changes will also affect crop and cattle productivity, as well as the overall cultural calendar.

Component 1. Sustainable Mountain Livelihoods

Outcome 1. Enhanced resilience of smallholders' livelihoods to climate change

101. The multiple impacts of climate change on production systems go beyond drought and heat cycles, and also include hail, late spring frost, and an increase in pests and diseases. A resilient agricultural strategy in mountainous areas combines risk management through diversification of crops (species as well as varieties) with the development of high nutritional value products (dairy, meat, fruits, Non-Timber Forest Products-NTFP), an optimized use of productive surfaces (katun pastures, agroforestry) and resources (water, manure) as well as physical and social infrastructures that optimize their market value (collection, storage, processing, certification or branding, access to high-end consumers, etc.). Outcome 1 under component 1 aims at facilitating value-chain clustering for resilient transformation of the farming systems and local businesses through an accompaniment of the stakeholders and financial support directly impacting the most vulnerable, through public calls thus responding to priorities in terms of diversification and resilient value-chain development. It is expected that up to 20,000 local stakeholders (50% women, 30% youth) would benefit from the support delivered under this outcome, notably through the enhancement of services provided by extension services. By the end of the project, up to 80% of directly targeted households should report (i) the adoption of environmentally sustainable and climate resilient technologies and practices, and (ii) an increased stability of income, while 80% supported rural enterprises should report an increase in profit. It is also expected that the adoption of agroecology and other climate resilient practices at farm level could contribute to the resilient management of up to 720 hectares of agricultural land⁷³.

102. Special attention will go to improving the economic empowerment of women, youth and other vulnerable groups and strengthening their voices. The value-chain mapping exercises will look into opportunities for greater involvement of women, youth and other vulnerable groups. Applications from women and youth for Value Chain Fund support will be prioritised. Special attention will be given to providing support for the introduction of time and labour-saving technologies in order to reduce women's workload. Female and young entrepreneurs will be promoted as role models.

⁷³ With an estimation of 360 producers trained on agroecology and other climate resilient practices.

Subcomponent 1.1: Mountain value chain clustering for resilient rural transformation
Output 1.1. Multi-stakeholder clusters established and facilitated for selected commodities

103. **Rural clustering.** The project will focus on promoting the expansion of competitive and resilient clusters for a portfolio of products with confirmed market and adaptation potential, and comparative advantages for smallholder production in the project's intervention areas. Specifically, 11 new product clusters will be prioritized (in addition to the 11 clusters supported by RCTP) based on the following criteria: (i) adaptive potential of the commodity, to be confirmed in the initial mapping, (ii) opportunities for competitive, profitable and sustainable (including climate resilience) smallholder production, (iii) clear, current market demand for the specific products – sufficient to guarantee stable income; (iv) interest from traders and agribusinesses to grow their sourcing from the cluster locations; (v) interest from farmers, including smallholders, to improve their production; (vi) practical intervention opportunities for the project to facilitate the accelerated development of the particular market and local cluster; and (vii) opportunities for greater involvement of women, youth and other vulnerable groups. The main agricultural commodities value-chains will be identified and supported from production to marketing.

104. Careful consideration will be given to viable "investment pathways" for smallholders in each of the prioritized products. Clustering of production to help aggregate supply and reduce transaction costs between buyers and farmers is also vital if smallholders and especially those making minimum initial investment are going to be able to succeed in becoming reliable suppliers. Clustering can thus help sustainably improve market access for small farmers and hence make the above investment pathways viable, likewise increasing the resilience to shocks. In contrast, small farmers operating in isolation face problems in accessing competitive markets and their investment pathways are challenging, often requiring much larger minimum investments to reach a viable minimum scale as a standalone producer. Drawing lessons from RCTP experience, Gora recognizes the high value of coordination between smallholders in a locality – e.g. in jointly negotiating with buyers or bulk purchasing of inputs and services (see Annex 6 on lessons learned from RCTP for more detail).

105. **The first step of rural clustering is the mapping of pre-targeted commodities.** The mapping is a pre-condition to cluster development, and entails the identification of all stakeholders connected to the value chain, confirmation of potential of the value chain, verification that the project target groups will benefit from its development, as well as confirming buyers' demand, climate risks analysis, analysis of players, and attractiveness of opportunities to smallholders, especially the next generation of younger farmers. The mapping initiates the identification and engagement of the stakeholders which will later compose the MSP⁷⁴. Based on RCTP learnings, these mappings will provide a sound basis to develop clusters in related territories where a multi-stakeholders platform will be promoted to lead the innovation and transformation processes. The initial mapping and animation process will also introduce discussions around elements that characterize the resource, using participatory approaches such as those adopted in Participatory Guarantee Systems⁷⁵.

Social engineering

106. **Multi-Stakeholder Platforms and meetings.** Cluster development processes are driven by the main actors themselves, primarily farmers and agribusinesses, and not directed by external experts: the role of the project team (and supporting extension services) is not to dictate specific actions or directions for the clusters' development but rather to facilitate the dialogue between all stakeholders. MSP create a space for engagement and dialogue, help create trust and deepen networks among farmers and agri-businesses, share knowledge, address common issues, identify prospects for business opportunities between participants, leading to the strengthening of the VC. These dialogues

⁷⁴ The key actors in a cluster are farmers, buyers, processors, input suppliers, financial service providers, other private and public service providers and staff of government agencies, municipalities and other supporters of the cluster.

⁷⁵ For example, traveling in the past using collective local memory, asking local stakeholders on key resources from the region, identifying local experts on the resource, meeting local leaders who are ready to reveal/mobilize/activate the resource, and proposing technical analysis of elements that can specify the resource. This approach can help transform a resource "from the past" into a live asset (e.g. a local traditional building which becomes a place of commercialization for tourists).

and action plans then generate spin-off activities and investments driven by the priorities jointly identified by the stakeholders. Some actions and investments can happen without external support, while other may require some form of enabling public support. The expertise of the project team therefore needs to be in mobilizing the primary actors, facilitating and brokering these processes and subsequently deploying the project's investment instruments (i.e. VCF, Sector Development Facility – see subcomponent 1.3.) to respond to the joint priorities. Gora will actively work to create opportunities for meaningful participation by women, youth and others whose voices are often left out of decision making. This will require targeted consultations, capacity building, and engagement of facilitators from the excluded groups. Gora will support 22 active MSPs (including the 11 established under RCTP). It is expected that a total of about 880 households would be actively involved in these MSPs.

107. The MSP meetings will have a rolling cycle of dialogues organized 1-2 times per year in each cluster, to provide a space to reflect on and address emerging opportunities and bottlenecks as the local clusters develop. As a result, it is expected that priorities to enhance the value chain's resilience will be identified, including training needs to improve the climate resilience of the farming systems and of local businesses (under subcomponent 1.2.).

108. As key drivers of local economy, municipalities should also play a role within the process of cluster development, and municipalities' representatives should have regular meetings with clusters regarding the rural infrastructure to jointly agree about the priorities, taking into consideration the municipalities' budget and needs of the cluster, recognized by the project.

109. **Bilateral business-to-business (B2B) meetings.** B2B meetings will be held, typically between one of the businesses (a buyer or service/input provider) and a set of farmers who met through the MSP or on other occasions and identified opportunities to do business together. In the early stages of cluster development, these meetings will be facilitated by the project team and extension services to help build trust among partners. The B2B follow-up meetings will typically focus on developing and negotiating practical trading plans between farmers and businesses to do business together. In turn, the trading plans will often lead to the need for specific actions or investments to be made by the farmers, business or both. The investments and actions may be taken individually or jointly, depending on what has been agreed. If requested, technical support will be arranged by the project and extension services to assist the farmers and businesses to prepare well-informed investment plans, which will include climate-resilient best options (see subcomponent 1.2.).

110. **Exchange visits.** Gora will support the expansion from the existing 11 RCTP-supported clusters to 11 new clusters (including in new Municipalities). The 11 clusters from RCTP will act as valuable examples of the success of the approach, and exchange visits will be planned for the new clusters, at early stages of cluster development and once the cluster is more mature, allowing for knowledge and experience exchanges with the stakeholders of the RCTP clusters. MSPs from RCTP will benefit from these visits as well, as they will give them the opportunity to reflect on their practices by explaining them to others.

111. **Social inclusion training.** Every year, extension staff (as well as field level PCU members) will receive training on poverty targeting, gender equality (including Lesbian, Gay, Bisexual, and Transgender – LGBT issues) and youth inclusion. This will allow them to get familiarised with the Gora project's gender and social inclusion action plan, to improve their understanding of social inclusion issues and to acquire the necessary skills to address these issues in an adequate manner. The introduction of household methodologies, such as the Gender Action and Learning System⁷⁶, will be explored. Information campaigns and outreach events targeting women and youth will also be carried out throughout the project implementation period.

Value chain selection and phasing

112. RCTP supported four value chains, focusing on livestock (meat and dairy), raspberries and seed potato. Gora will pursue the support to commodities that are at the core of mountainous farming

⁷⁶ See [Integrating the Gender Action Learning System \(GALS\) in IFAD operations](#)

systems (livestock, berries, some vegetables such as cabbage or onion, fruits such as plums, apples, pears, etc.), but will also look at secondary productions such as (but not limited to) honey, mushrooms, wild berries, aromatic and medicinal herbs. Depending on the opportunities that are identified during project implementation, these secondary commodities could be supported following a phased approach, with the possibility for them to also rely on the services provided by pre-existing clusters. As such, it is possible that more than 22 clusters would emerge during project implementation, and that the geographic area of some would overlap. More in-depth mappings/studies will be conducted for these secondary value chains, to assess the market opportunities and potential, as well as climate adaptation relevance of the targeted products, in each of the targeted municipalities.

113. **Agro-ecotourism** in particular will be targeted with a wider geographic scale: a study covering all municipalities will be conducted, and a network of stakeholders (following the same approach of rural clustering through the establishment of a MSP) will be animated, targeting especially smaller producers, women and youth. The creation of the network will rely on local leaders, supported by previous and/or ongoing projects, such as the FAO/EBRD project, or Cross Border Region (KRŠ) initiatives (see section II. F. Duplication), as well as local Slow Food focal points. The study will take into consideration previous similar studies done in the area, and envisage recommendations to link project supported clusters with agro-ecotourism (as an outlet). Solutions for most vulnerable stakeholders who want to engage in tourism will also be considered. A fund will be established for the development of specific activities or infrastructures related to agro-ecotourism, and that demonstrate their potential for a shift towards increased climate adaptation (as part of the VCF under subcomponent 1.3.).

Subcomponent 1.2. Cluster services for resilient agriculture and business development
Output 1.2. Adaptive capacity of farming systems strengthened and local businesses developed

114. The implementation of Gora will rely on the support to and from local extension services (whether municipal or from the MoAFWM). In RCTP, extension services played an important role as MSP facilitators and as key local stakeholders, and this role will be reinforced under Gora, with a view to build their capacities to sustainably enhance the services they provide to the cluster and the whole community. At cluster level, they will thus receive training to increase local knowledge on agroecology and other climate resilient practices, as well as training on business skills development. More specifically, two staff (ideally one woman and one man) from the extension services intervening in the municipality will be identified as focal points collaborating with Gora throughout its implementation.

Climate resilient agriculture and agroecology

115. Communities highly vulnerable to climate change have a strong need to adapt, but their risks of adopting inappropriate interventions are also significant,⁷⁷ as high vulnerability results from a combination of high exposure, high sensitivity⁷⁸ and low adaptive capacity.⁷⁹ When interventions for adaptation are inadequate, or unsuccessful adaptation (maladaptation) occurs, vulnerability is further elevated to create a vicious cycle.⁸⁰ In the future, large-scale agricultural models alone cannot meet the challenges of a changing climate and increased demands for food; small-scale productions will become increasingly important due to greater environmental concerns⁸¹. There is no doubt that, in the face of increasingly pronounced climatic impacts, the importance of agroecology, which puts small

⁷⁷ Magnan, A. K., et al., 2016. "Addressing the risk of maladaptation to climate change." WIREs Climate Change, Vol. 7, Issue 5, 646-665.

⁷⁸ Ibid.

⁷⁹ Eriksen, S. et al., 2021. "Adaptation interventions and their effect on vulnerability in developing countries: Help, hindrance or irrelevance?" World Development. Vol. 141, 105383.

⁸⁰ Magnan, A. K., et al., 2016. "Addressing the risk of maladaptation to climate change." WIREs Climate Change, Vol. 7, Issue 5, 646-665.

⁸¹ Altieri, M. A., F. R. Funes-Monzote, and P. Petersen. 2012. Agroecologically efficient agricultural systems for smallholder farmers: Contributions to food sovereignty. *Agronomy for Sustainable Development*.

Gliessman, S. R. 2014. Agroecology: A global movement for food security and sovereignty. Proceedings of the FAO International symposium: Agroecology for Food Security And Nutrition, Rome, Italy 18–19 September 2014.

farmers and farms in focus, will increase⁸². To fill that gap, modern sustainable development based on agroecological concepts must cover the following areas: (i) soil protection from degradation of its physical, chemical, and biological properties; (ii) implementation of sustainable soil management intervention (e.g., conservation soil tillage, sustainable disposal/usage of post-harvest residues); (iii) climate change mitigation/adaptation through agrotechnical interventions in plant/crop production; (iv) below-soil interaction in agroecosystems⁸³.

116. Agroecology is considered a bottom-up, wider approach mostly used to describe a holistic ecological system of small-scale self-sustained farming in which environmental principles are highly apparent, regardless of payment schemes or short-term profit. Agroecological measures in the Western Balkans, on the other hand, are introduced during the EU accession process and represent a policy-supported top-down approach and include a wide range of predefined practical activities and measures which are a precondition for payments, including a so-called greening payment for environmental public goods.⁸⁴ Such subsidies are also not accessible for Gora's primary target group, which is at the same time most vulnerable to climate change. Agroecology in Montenegro is still in the initial stages of development. The term itself does not have a clearly defined meaning as of now, and is generally used at the academic level⁸⁵. The number of initiatives dealing with agroecology is however slowly increasing.

117. A paper on agroecology in the Western Balkans⁸⁶, aiming to identify trajectories of agroecology development and capacity in the transformation toward resource-efficient agriculture and management of natural, social, and economic capital, selected the following 16 practices to represent "agroecological practices": cover crops, crop rotation, organic fertilization, mulch, organic farming, intercropping, biofertilization, biological pest control, conservation tillage, agroforestry, green manure, compost, agroecological zones, genetic resources, and biodiversity and buffer strips⁸⁷.

118. **Training of Extension Services in agroecology and other climate resilient practices.** In order to adopt the bottom up approach specific to agroecology and strengthen/establish farmers networks, the 28 staff from the extension services identified to support the project, together with the regional coordinators, territorial specialists and gender and youth specialist from Gora will participate in an in-country training exposing the principles of agroecology and climate resilient agriculture (relevant to farming systems in mountainous areas). The purpose of this training will be to capacitate them to both (i) identify producers who adopt such techniques and may be willing to share their knowledge and practices with their peers; or (ii) identify which of these practices could be relevant for the producers involved in the project implementation. As a result, and during day-to-day implementation of the project, extensionists and project team will seek to identify practitioners amongst the producers they support, and to map out needs (e.g. for training on composting or other techniques). Periodically, the project team at local level will produce synthetic mappings of identified needs and opportunities. Supervision missions will also support this exercise, and a follow up training will be organized at mid-term.

119. **Peer to peer learning and focused trainings.** Following on this mapping, Gora will encourage peer to peer learning by facilitating visits from other producers to practitioners who adopt agroecology and other climate resilient practices. Additionally, specific punctual trainings will be organized to

⁸² Jovović, Z., and S. Kratovalieva. 2016. Global strategies for sustainable use of agricultural genetic and indigenous traditional knowledge.

Nicholls, C. I., and M. A. Altieri. 2018. Pathways for the amplification of agroecology. *Agroecology and Sustainable Food Systems*.

⁸³ Srđan Seremesic, Zoran Jovović, Danijel Jug, Mirha Djikic, Željko Dolijanović, Franci Bavec, Suzana Jordanovska, Martina Bavec, Boris Đurđević & Irena Jug (2021): Agroecology in the West Balkans: pathway of development and future perspectives, *Agroecology and Sustainable Food Systems*.

⁸⁴ Ibid.

⁸⁵ Academic courses and curricula related to agroecological approaches in agriculture are introduced into the teaching process in Montenegro but most of them deal with organic production and genetic resources, while a smaller portion deals with agroecology and sustainable development.

⁸⁶ Ibid.

⁸⁷ Wezel, A., M. Casagrande, F. Celette, J. F. Vian, A. Ferrer, and J. Peigné. 2014. Agroecological practices for sustainable agriculture. A review. *Agronomy for Sustainable Development*.

address the gaps identified, for example on composting, vermicomposting, integrated pest management, water use efficiency, etc. (12 trainings are planned over the course of implementation).

120. **Youth learning routes.** Through the MSP, 80 young farmers-to-be (women and men aging 18-20) will be identified and accompanied on a learning route to improve their skills and rural life project through peers exchanges and practical hosting in neighbouring farming communities where they will be exposed to agroecology and other climate resilient practices that they may replicate in their original farming family. In each cluster, up to four young farmers-to-be (50% young women) will participate to such learning routes, for example for two periods in the hosting community. Both the young farmer and his/her family and the hosting family will receive a compensation.

Business skills development

121. **Support to partnerships and commercial relationships development.** Business skills for farmers are vital if they are to succeed in the supported clusters and critically important for households to properly assess opportunities and risks (in particular regarding climate stresses), enabling them to better negotiate their interests in VC transactions and become reliable partners to agri-businesses. Extensionists involved in Gora implementation (as well as PCU field staff) will receive a short in-country training on business skills development (and in particular on the topic of partnerships and commercial relationships development), and will thus be able to provide advice to interested producers.

122. **Business plan development.** Producers and SMEs willing to invest in specific activities will be supported to develop bankable business plans in a systematic way. Tools such as the Rural Invest⁸⁸ software (free tool that is available online) could be used, with the translation and adaptation of the tool to the local context, and a dedicated training of the extension staff (as well as relevant members of the Project Coordination Unit-PCU) on the use of the tool. Business plans will then allow producers and agri-businesses to better access finance, to monitor progress and to do comparison between various hypotheses.

123. **Linking smallholders and agri-SMEs with financial institutions** is important if widespread investment in higher value and resilient agriculture is to be achieved and the country's agricultural potential fully developed. Gora will facilitate the dialogue between local financial institutions and smallholders or agri-SMEs interested in taking up loans. In parallel, the project experience in developing and financing resilient businesses may be valued by national stakeholders from the financial sector for the development of climate adapted financial services (greening of financial services, ESG criteria, etc.).

124. **Support to women entrepreneurship.** Building on RCTP experience, Gora will provide targeted support to women entrepreneurship, engaging groups of women to organize themselves (including into formalized associations), providing dedicated trainings on business skills and negotiation, promoting exchange visits, participation to local, regional and national events such as agricultural fairs, etc.

Information on access to land and land rights

125. Agricultural producers use state-owned pastures and meadows for agricultural production. However, many state-owned arable lands are not being utilised. State-owned arable land can be leased for short (1+1 year or 3+3 years) or long periods (30 years). The process is managed at central level and entails the launching of a public call. Obtaining confirmation of a lease can take up to 2.5 years. In case of short-term leases, any investment made may attract others to compete for a new lease. This can discourage smallholder producers to carry out long-term investments, for example planting trees or even raspberries, as they only enter into production after two to three years. Smallholder producers face difficulties in obtaining long-term leases and face the risk of losing the land in which they have invested. The Government of Montenegro is currently revising the cadastre and, more specifically, conducting a systematic review of the status of state-owned arable land. In parallel to the planning exercise, the Gora project will support the preparation and diffusion of

⁸⁸ <https://www.fao.org/in-action/rural-invest/about/en/> – an e-learning course about the tool is available [at this link](#) (English).

information on how local producers can access state-owned arable land in accordance with the Law on Land Management. Special attention will be given to opportunities to strengthen women’s rights to state-owned lands. This will also be informed by the gender analysis.

126. **Awareness raising on access to land and land rights.** Very few women are registered in the register of agricultural holdings or hold land titles in their names. This however is one of the conditions for receiving state support. The Gora project will raise awareness on the benefits for families to register women in the register of agricultural holdings (e.g. increasing possibilities to receive state support) and support women in doing so.

Subcomponent 1.3. Financial support to adaptive activities
Output 1.3. Financial support to adaptive activities provided

127. **Value Chain Fund (VCF).** Matching grants for private investments promotion will be offered on a competitive basis to smallholders and SMEs engaged in the clusters, specifically targeted to stimulate resilient investments in the priorities identified via the multi-stakeholder cluster meetings. E.g., this may be on investments in small commercial nurseries to increase supply of certified plant material, expansion of smallholder production to increase the supply of products in a target locality, small machinery to reduce workload and accelerate farm works in critical periods, and/or investment in collection/storage/cooling/processing facilities to absorb production thus reducing post harvest loss. Any required technical advice or training to farmers will be included in the investment plans, and first of all the climate resilience dimension, and will be provided under subcomponent 1.2., including by specialised service providers. The rationale for the use of grants is to stimulate resilient investment to address identified bottlenecks, introduce innovations and/or achieve minimum critical mass in local clusters. Once the investments are successful and the clusters become more dynamic, other smallholders will be able to copy them at lower risk, and without the same level of grant subsidies. To ensure reasonable transaction costs, the minimum grant size and clear procedures applied by RCTP will be replicated (and detailed in the Project Implementation Manual-PIM).

128. Matching grants under the VCF will have specific eligibility, selection and screening criteria, with a focus on their adaptive potential. The indicative list of eligible activities is provided above (and below for window 3) and has been screened against the ESPs in Annex 3. It will be critical that activities financed by matching grants have minimal impact on environment and comply with national regulations on environment and social impact to mitigate risks whenever relevant. In particular, the use of renewable energy will be preferred wherever relevant, to reduce emissions of the promoted businesses, but also to increase their resilience to market shocks (market fluctuation of energy costs). The VCF will operate three windows for its grants with the conditions summarized below.

Table 4: Conditions of operations of the Value Chain Fund

<p>Value Chain Fund (VCF): Matching grants for private investments promotion, offered on a competitive basis to smallholders and SMEs engaged in the clusters</p>	<p><u>Window 1: Investment in primary production for a total investment cost of EUR 3,000 on average (maximum EUR 4,000) NET</u> Amount of grant: maximum EUR 2,000 - net value. Beneficiaries contribution: from 50% of net value Total: 620 matching grants Targeting: Up to 60% of the grants to be allocated to the economically active farmers, whether in group or as individual, and at least 40% of the grants to be allocated to the poorer ones (i.e. without any economic activities and willing to start a small business). 50% grants to be allocated to women and 30% to youth. Focus: production in the targeted value chains</p>
	<p><u>Window 2: for SME investments in post-harvest handling, storage, processing, marketing, etc. up to EUR 40,000 NET</u> Maximum grant: EUR 13,000 (net value) for Gora support – Investments larger than EUR 40,000 are redirected to IPARD or other similar programmes. Beneficiaries’ contribution: from 50% and up to 67.5% of net value. Total: 70 matching grants Targeting: Economically and commercially viable entrepreneurs. Up to 20% of the grants to be allocated to beginners (particularly enthusiastic young entrepreneurs) based on the viability of a submitted business plan.</p>

	<p>50% grants to be allocated to women and 30% to youth. Focus: post-harvest handling, storage, processing, marketing etc. that buy from or supply inputs and services to smallholders in the target clusters</p>
	<p>Window 3: Investment in upgrading hosting conditions in relation with tourism for a total investment cost of maximum EUR 3,000 NET Maximum grant: EUR 1,500 (net value). Beneficiaries contribution: 50% of net value Total: 200 matching grants Targeting: small producers with strong motivation to diversify into tourism 50% grants to be allocated to women and 30% to youth. Focus: agro-ecotourism</p>

129. **The third window** will target small producers, with support in diversifying their activities by enhancing hosting conditions for agro-ecotourists (200 matching grants, with 50% contribution from beneficiaries on the net value), thus creating a favourable environment for market access for farmers. Eligible expenditures under this window would include: (i) structural and completion work (masonry, wooden framework, plaster, flooring, etc.); (ii) thermal comfort (insulation, heating system, ventilation network, etc.); (iii) connecting utilities (cabling, drainage, lighting, waterpipes, lavatories, etc.); (iv) furniture; etc.

130. Grant applications will be prioritized based on credible projected impact on target smallholders if the proposed investment is fully implemented, in line with current RCTP criteria. Similarly, applications from women and youth will be prioritised, with a target of 50% women benefitting and 30% youth. For agri-business investment where total investment is larger than EUR 40,000, the enterprise, co-operatives and groups will be informed about IPARD.

131. **The Sector Development Facility (SDF)** will be managed directly by the PCU for investment in private-public goods that address specific bottlenecks to the cluster development identified by the primary actors themselves. The SDF will focus on public good investments only that cannot reasonably be delivered through private investment in the current context of the specific clusters. The pre-identified types of investments possible under the SDF will include the improvement or upgrading of existing facilities, for example: milk collecting centres, slaughterhouses, other processing facilities, action research on production/post-harvest issues, veterinary support, variety/production trials, upgrading public testing labs or sanitary and phytosanitary inspection capacity at local level, actions related to significant improvement of the quality of life in targeted areas, etc. No maximum total investment cost is defined, but for SDF investments of more than EUR 20,000 value, the Project Steering Committee shall be responsible for making the final decision on the selection of the implementing partner and approval of the investment. Gora will support up to 9 investments under the SDF, with an expected 20% contribution (of the net value) from the beneficiaries (which can either be groups of producers from the cluster or the municipality). Based on RCTP experience, SDF investments can target municipal goods (e.g. Milk Collecting Centre), that serve the interest of cluster members, and are managed by a private entity (through a lease).

Component 2. Integrated Landscape Management

Outcome 2. Improved resilience of ecosystems and infrastructures assets

132. **Integrated watershed management.** Watersheds are coherent territorial units for landscape management, delineated by the natural, topographic boundaries of the total surface that feeds a river with its precipitation and seasonal snowmelt. As a consequence of more erratic precipitation patterns, accelerated snowmelt in the spring, and extreme temperatures, soil erosion and flash floods from water runoff occurring in higher altitude areas will affect downstream settlements with increased severity. Watersheds also often overlap socio-economic ensembles, as inhabitants of the upper territories often rely on markets and services that tend to be concentrated in the more accessible settlements at the core of the valleys. These natural and human relationships of interdependence often qualify the watershed (encompassing several settlements) as the relevant scope of intervention for climate adaptation efforts related to landscapes.

133. Because tributaries eventually merge with other water bodies, thus forming a larger watershed, the actual delineation of a watershed for the purpose of participative landscape management is somewhat arbitrary. The territorial extent to consider in order to apply the watershed management approach should therefore be adapted by the PCU in agreement with stakeholders such as value-chain cluster members and municipal authorities (e.g. spatial planning administration). Other practical constraints such as the existing road network, economic and social ties between members of adjacent or distant settlements, etc. will also be considered to realistically optimize the cohesion and mobilisation of stakeholders in the formulation and implementation of Local Climate Adaptation Strategies developed under subcomponent 2.1.

134. The second component of Gora will promote an Integrated Landscape Management approach, through collective identification of climate change challenges and introduction of holistic and context-specific resilient infrastructure in the targeted territorial units. The latter will consist in a combination of Ecosystem Based Adaptation solutions, referred to as biotechnical measures and small-scale conventional engineering works such as multipurpose water storage (e.g. ponds). Climate proofing of critical points of rural access roads will also be supported. Gender considerations will be integrated in the planning and implementation of EbA actions. Under this component, 22 Local Climate Adaptation Strategies will be developed at community level, paving the way to the maintenance/improvement of at least 67 natural resource assets⁸⁹, over an estimated surface of 2,140 hectares⁹⁰. 285⁹¹ infrastructure assets will also be improved to withstand climate change and variability-induced stress. In order to support the shift toward climate resilient ecosystems in the targeted areas, Gora will focus on the following outputs and activities:

Subcomponent 2.1. Local Climate Adaptation Strategies

Output 2.1. Participatory Local Climate Adaptation Strategies developed

135. Climate change induces multiple risk on the livelihood of rural communities and their surrounding agroecosystems. While most of the stakeholders consulted are familiar with the notion of climate change, and can relate it to some of its already visible consequences (e.g. increased duration and severity of droughts), the full scope, scale and cascading consequences to which populations must prepare is less tangible. At the same time, effective climate adaptation strategies for communities in mountainous areas of Northern Montenegro need to be anchored in their physical reality, taking into account existing and predicted risks at the relevant local landscape level (settlement, watershed, katun or municipality). Providing an objective and scientific ground to prioritize interventions will help diffuse conflicts within a community and build a consensus to support investments in climate-resilient collective infrastructures.

136. **Training on climate change and adaptation in mountainous areas.** During the first year of project implementation, all technical staff from the PCU (project coordinator, environment and climate specialist, regional coordinators, territorial specialists, gender and youth specialist, rural infrastructure engineer, and M&E officer) will participate in an international training on climate risks and adaptation measures in mountainous areas. The training would adopt a mixed format of technical sessions and field visits in a relevant mountainous territory in Europe, covering the following aspects over up to four days: (i) main climate trends and their effects on temperatures and precipitations in Europe and mountainous areas in particular; (ii) understanding of socio-ecological systems in mountainous areas and conceptual framework for systemic changes; (iii) sensitivity analysis of natural systems to climate changes; and (iv) value chain studies and territorial scenarios for climate adaptation. Field visits would focus on the creation of a dialogue with local stakeholders in the perspective of a participatory approach to resilience. The training would also adopt a “training of trainers” approach, with the view

⁸⁹ With the following estimates: 10 assets protected through improved pastoral management practices; at least one asset protected using biotechnical measures in each cluster for a total of 22 assets; and 35 assets protected thanks to water storage facilities (possibility of rapid action against fire and breakage of runoff).

⁹⁰ With biotechnical measures implemented over a total of 300 hectares, leading to the downstream protection of 1,200 hectares (for a total of 1,500 hectares); an estimated 10 hectares protected for each water storage facility (total 350 hectares);

⁹¹ With 263 microlocations of rural access roads rehabilitated to ensure their climate resilience (for a cumulated 180km), and 22 rural adaptation public investments (one in each cluster).

for the PCU to organize ad-hoc trainings on this theme for extensionists involved in the targeted municipalities, ahead of the participatory mapping exercises. As part of this approach, the PCU will receive some material (presentations, notes) to be translated for use in the national trainings.

137. Study tour on integrated landscape management. During the second year of implementation, further capacity building on climate adaptation and integrated landscape management and Ecosystem based Adaptation solutions will be planned in the region for all technical staff from the PCU.

138. GIS rapid vulnerability analysis to inform community participatory groups. While the complexity of mountainous landscapes induce localized variations (micro-climates) which require time-consuming observations for a comprehensive representation, available public, open-source and academic data combined with generic predictive models can be used as a readily available tool to assess general trends and quickly deliver a first-step description of the climate vulnerability of target territories. GIS rapid vulnerability analysis will be established at the level of the relevant territory for the target groups for all clusters supported under RCTP and under component 1 of Gora, compiling:

- (i) Cartographic resources mapping the vulnerability to a standard set of climate risks (exposure to wildfires, floods, water scarcity, landslide, extreme heat, late frost) and other features such as administrative and other regulatory boundaries (municipalities, settlements, protected areas, land use according to spatial plan, etc.);
- (ii) Location and quality of infrastructure (paved and unpaved roads, water and electricity distribution network, internet coverage);
- (iii) Oro-hydrographic elements (elevation, streams and rivers);
- (iv) Vegetation cover, vegetation index time series comparison (e.g. NDVI/EVI for katuns) and type and basic services (schools, hospitals, etc.);
- (v) As well as generic socio-economic indicators (population density, income levels, etc.).

139. A national consultant with GIS expertise and a good understanding of adaptation to climate change issues will be recruited to compile available cartographic resources including past time series for key environmental factors (average, daily and extreme values for precipitation and temperature, etc.) and their predicted values according to mainstream climate models, as well as layers of geographic, topographic, oro-hydrographic information, spatial distribution of key infrastructure and socio-economic indicators, using data from the following sources: (i) open source databases (CRU, CHIRPS, Terraclimate, googleengine, openstreetmap, overpassturbo, etc.); (ii) other publicly available databases, including UN agencies and multilateral or bilateral cooperation organisms; (iii) relevant ministries and administrations of the Montenegrin state (including Hydrometeorological institute, spatial planning department); (iv) relevant academic publications and (v) archive maps, including maps pre-dating the independence of Montenegro. Ad hoc training will be organised by IFAD to ensure that PCU can autonomously access, edit and adapt the layout of maps. The PCU should in particular be capacitated to translate labels and understand the metadata associated to GIS layers.

140. Self-evaluation and Holistic Assessment of climate Resilience of farmers and Pastoralists (SHARP+) surveys. Investing in a multifactor risk-exposure assessment at the level of household and territorial units is an essential pre-requisite to foster ownership and agency among impacted communities, which in turn will reduce the cost of adaptation. The SHARP+ is a tool developed by FAO and used in 45+ countries to assess the climate resilience of farmers and pastoralists at household and community level. It identifies the drivers and barriers to farmer's climate resilience and underscores the priorities that need to be addressed after analysing a set of 17 mandatory and 16 context-specific optional indicators on social, economic, environmental and governance aspects. SHARP+ will be translated in Montenegrin and adapted to the national context, and the project staff, national consultant identified to support the mapping exercise and participatory process, as well as 28 extensionists intervening in the targeted Municipalities will receive training on how to conduct SHARP+ surveys. The initial training will be led by an international expert/team of experts, with experience in conducting SHARP surveys in various contexts. Some remote support will be provided by the same expert(s) when the surveys are conducted and to analyse the data.

141. SHARP+ surveys will be conducted at the level of each cluster, with 30 to 35 interviewees per cluster for a total of 700 interviews. The sampling should prioritise participants to the clusters, while considering diversity criteria such as gender, age groups, ethnic or religious minorities, size of households, type of livelihoods, income levels. Spatial distribution of interviewees within the considered territory should also reflect the composition of the community (higher, remote, isolated settlements versus central, accessible, larger settlements, etc.). The timing of surveys should consider periods when the intensity of professional and social activities is comparatively lower. At survey completion, participants will immediately receive a synthetic outcome highlighting vulnerable and resilient aspects of their households (agro-pastoral system). The information generated at the level of each cluster will be aggregated and analysed (with the production of a short report and presentation) by the national expert with the support of the project team and international expert(s).

142. **Participatory mapping process.** Improving the climate resilience of mountain landscapes, including pristine ecosystems surrounding highland pastures, agricultural fields and human settlements, cannot succeed without the support and participation of the local populations at the forefront of these environmental shifts. While geophysical observations and models can assess the relative vulnerability of different territorial components, an effective prioritization of adaptation efforts can only result from the involvement of the stakeholders whose livelihoods, resources and quality of life will be affected.

143. The participatory mapping process will rely on the data generated through the GIS rapid vulnerability analysis and results of the SHARP+ surveys. The project Environment and Climate Specialist will lead the process, with the support of a national consultant with GIS expertise. Other PCU members (regional coordinators, territorial specialists and gender and youth specialist) as well as extensionists involved in the project's implementation will also act as facilitators of this process, after receiving training on climate risks and adaptation measures pertaining to mountainous areas during the first year of implementation. The mapping process will also be fed by in-depth discussions with relevant stakeholders such as fire brigades, foresters, municipal administration in charge of spatial planning, etc.

144. A series of collective discussions with communities will be organized, leveraging the increased social capital brought by the rural clustering to ensure a wider participation of all local stakeholders. Participants will be presented with: (i) scientific data representing climate-related risks (elaborated under the GIS rapid vulnerability analysis), (ii) the results from the SHARP+ Survey, with a view to extrapolate the assessed vulnerability at farming system level to the wider landscape level and to assess the factors affecting diversity of results amongst producers; and (iii) results from the in-depth local consultations. The strategies will also be informed by a gender and youth analysis, supported by the gender and youth specialist, taking an intersectional approach and exploring the roles and relationships between people of different genders, as well as gender- and youth-specific opportunities, barriers, and decision-making power. With this knowledge, climate-resilient interventions can be planned and implemented in ways that recognise gender and age roles and dynamics while tackling discriminatory norms and practices.

145. Through these participatory meetings, participants will incorporate their own experience and vision of the territory with the aim to build a consensus around priority actions and investments (including investments eligible under Gora) to improve the climate resilience of their territory. During the planning processes, opportunities will be created for meaningful participation by women, youth and others whose voices are often left out of decision making. This will require targeted consultations, capacity building, and engagement of facilitators from the excluded groups.

146. In each cluster or territory, the final product of this participatory mapping will be a Local Climate Adaptation Strategy, including georeferenced maps, highlighting key vulnerabilities and priorities of intervention in the area. The participatory process may lead to the joint identification of indicators to monitor implementation progress. The strategy will highlight priorities with regards to: (i) pastoral practices (including the use of katuns); (ii) forest management; (iii) sustainable land management; (iii) improved water storage; (iv) infrastructure resilience; (v) on farm diversity (in relation with the technical support provided under component 1; etc. The resulting documents will be shared with all

local stakeholders. Such mappings will also provide a comparative advantage for local stakeholders (groups of producers, settlements or municipalities) seeking to access other investments targeting climate adaptation (from the agro-budget or IPARD III for example).

147. Targeted climate-resilient interventions that address gender- and age-specific needs and capacities will also be included. These actions might be needed to reduce the vulnerability of livelihoods, recognising gender-specific roles, to overcome gender-based barriers to resource access and control, to ensure that groups that are typically excluded, such as women's and youth groups, can meaningfully participate in the planning and implementation of climate-resilient interventions. As these interventions are implemented, it will be important to engage with decision makers at different levels to raise awareness of discriminatory policies and practices, and to promote governance of ecosystem services that is gender-equitable and inclusive.

148. **Facilitation process.** Once the Local Climate Adaptation Strategies are established, the regional coordinator/territorial specialist, with support of the environment and climate specialist will convene periodical meetings of local stakeholders, aiming at, amongst others: (i) facilitating within the community to agree on concrete watershed management actions, addressing vulnerabilities identified through the SHARP+ survey diagnosis and participatory mapping session; (ii) fostering a gradual empowerment and ownership of these periodic agorae, by guiding the community to shared success ("low-lying fruit" approach) and disseminating efficient practices for collective decision making (equal opportunity to speak up, transparency, assignment of individual responsibilities, defining timelines, next steps and agendas, celebrating successes, openly sharing mistakes and failures as part of a learning process, conflict resolution etc.); and (iii) encouraging collective actions through locally available financial, human and natural resources (sharing of good practices, mentoring and mutual support groups, community investments, etc.).

149. **Evaluation.** These periodical meetings will be the opportunity to assess progress made (tracking results based on jointly identified indicators during the initial mapping process), in particular the participatory reflective monitoring of the inclusiveness of landscape management will be assessed using tools such as *How are we doing?*⁹². The SHARP+ survey will also be reconducted at the last year of implementation, to assess and discuss improvements in terms of farming household resilience.

Subcomponent 2.2. Nature positive landscape management

Output 2.2. Ecosystem protecting measures implemented

150. While excessive modification of landscape through human activities is harmful to ecosystems, depopulation can also lead to increased exposure of mountain landscapes to degradation caused by climate change. Rural inhabitants can contribute to preventing climate induced risk by maintaining the presence of grazing herds in pastures and meadows, acting as fire-cutting corridors and maintaining a heterogeneous landscape offering diverse niches and trophic chains to multiple species. Selective collection of fuel wood can also reduce the risk of uncontrolled fires (e.g. by targeting stressed and vulnerable trees). If trained and equipped properly, mountain dwellers can contribute to environmental monitoring and act as a first line intervention force, alleviating the burden on municipal fire brigades.

151. Based on the participatory mapping of climate vulnerabilities, representatives of stakeholders whose activities impact the resilience or vulnerability of the shared watershed, will collectively identify, formulate and prioritize preventive and protective actions (including biotechnical measures) to implement in order to stabilize or contain erosion, and limit the consequences of extreme events (e.g. floods or heatwaves) on ecosystem services that benefit the broader community. Such ecosystem services include (but are not limited to): (i) soil fertility, in forest, pasture and agricultural areas; (ii) water retention and aquifer recharge, through a healthy and well-structured soil and heterogeneous landscape features preventing excessive velocity and surface run-off of precipitations; (iii) provision of timber and NTFP (including fuel wood); (iv) biodiversity corridors that maintain the complexity and the

⁹² CIFOR-ICRAF (2020). *How are we doing?* A tool to reflect on the process, progress and priorities of your multi-stakeholder forum. <https://www.cifor.org/knowledge/publication/7796>. The PCU technical staff will receive training on this tool at the beginning of implementation.

balance of multiple trophic chains, ensuring a natural regulation of parasitic, pest and other pathological pressure under sustainable thresholds; and (v) the aesthetic value of the landscape, as an asset for an income diversification strategy that may include rural tourism.

152. Preventive and protective actions include (but are not limited to): (i) anti-erosive barrier through biotechnical (such as anti-erosive hedges, afforestation/reforestation of critical plots), in accordance with spatial planning regulations; (ii) adoption of municipal recommendations or regulatory measures and their enforcement (elimination or grinding of ramial⁹³ biomass during timber felling operations; incentivising of fuel wood collection in designated vulnerable parcels, e.g. after forest fires or pest proliferation); (iii) grazing corridors that prevent the accumulation of flammable material and act as fire-cutting lines, also granting access for early stage intervention; (iv) equipment of communities to build their capacity for monitoring, prevention, risk management and early intervention.

153. **Support to pastoralism through ecological and pastoral diagnosis.** In line with the priorities identified in the Local Climate Adaptation Strategies, the project will provide direct technical support to breeders to improve or adjust their practices, evaluate the impact of these changes on the landscape and on their farming system, including for example the management of fodder for winter months, considering the pressure added on this resource by droughts, together with a wider reflection on pastoral practices as ecosystem conservation solutions (including to reduce the risk of forest fires through the establishment of grazing corridors, or cultural heritage protection through katun management practices, etc.). Gora could support groups of 10 to 15 herders in 6 clusters every year using this approach, with a total of 288 pastoralists accompanied at project completion.

154. For this support, a field diagnosis to understand the interactions between pastoral practices (grazing periods, grazing paths, enclosure creation, etc.) and vegetation dynamics at different scales (farm, management unit, topo-facies), with a focus on the chronological timeline of the evolution of livestock systems using pastoral resources, will complement the dataset build through the SHARP+ process. This will be followed by a monitoring phase, to assist breeders in their management choices and evaluate impact of changing breeding practices, on the environment and farming system⁹⁴.

155. **Biotechnical measures.** Gora may implement biotechnical measures over up to 300ha, depending on needs and priorities identified in the Local Climate Adaptation Strategies, for a total of 22 natural assets created, maintained or improved to withstand conditions resulting from climate variability and change. Biotechnical anti-erosive measures designate a variety of techniques that combine living vegetal material (seeds, seedlings, shoots or propagation cuttings) as well as dead biomass (branches, trunks, logs, stakes) to create physical structures that will attenuate the slopes, reduce the velocity of run-off water, enhance soil permeability and ground water recharge, and improve the cohesion of top soil layers and its resistance to erosion. These measures can complement other features and layouts such as geotextiles, nets or stone walls. Biotechnical measures typically refer to linear structures that are perpendicular to the main slope direction, but afforestation of broader surfaces can also be included in the definition.

156. The implementation of the appropriate biotechnical measure in each pre-identified vulnerable surfaces will follow a meticulous decision-making process, taking into account the potential for the measure to reduce erosion and runoff in critical sites, by creating progressive terraces, enabling natural assisted regeneration (e.g. on a site where a previous forest fires may have left the soil bare and exposed to erosion/landslides) and enhancing infiltration (e.g. upstream in katuns). The location of the area to be protected will have a great influence on the choice of the biotechnical measure, as a result of:

⁹³ Ramial chipped wood (RCW) is a type of woodchips made solely from small to medium-sized branches. The adjective "ramial" refers to branches (rami). RCW is a forest product used in agriculture for mulching/soil enrichment. It may be laid on top of the soil (as in mulching), mixed into it (as a green manure), or composted and then applied.

⁹⁴ Tools such as the Mil'Ouv methodology described in [Garnier A. *et al.* (2016). Adaptation of an ecological and pastoral diagnosis to the Albanian context: Challenges and lessons learned] can be used as reference.

- Distance to the nearest road and accessibility: the ease of delivery for the necessary material (such as seedlings, tools) but also the access for the operational manpower may limit the options.
- Legal characteristics of the site: the applicable spatial planning category (forest area, agricultural area, protected area, etc.) as well as public or private ownership of the target plot will also restrict the potential techniques that can be considered.
- Distance to the nearest permanent or seasonal human settlement: human presence can increase or decrease the likelihood of success for the investment in biotechnical measures.
- Altitude and exposure to solar radiation. Slopes facing north receive less photosynthetic light and are under a colder micro-climate which determines the selection of eligible plant species.
- Soil structure and thickness, type of bedrock and slope.

157. Professional execution or trainings to apply biotechnical measures should be delivered by specialised companies with credible reference of successfully conducting similar projects. The company will also be tasked with managing and monitoring the success of the investment (including survival rates). The PCU will conduct periodic field visits and maintain contact with local residents and municipal forestry services to verify that the survival rates reported by the executioner is consistent with reality. If discrepancies are reported or excessive losses due to poor seedling quality or execution is demonstrated (e.g. by comparing to survival rate and tree growth in parcels with similar characteristics), PCU will ensure that the service provider compensate the losses. Municipalities will contribute to 20% of the net cost of works related to biotechnical measures.

158. **Reforestation/afforestation.** Based on legal constraints such as the spatial plan (e.g. regarding the choice of tree species), but also projected changes in climate for the coming decades or century, service providers such as private companies (separately or in consortium) and municipal services with the relevant capacity will be invited to submit offers to provide reforestation (where tree cover is restored on a previously forested area) and afforestation services (where trees will be planted as part of the Local Climate Adaptation Strategy, on previously open areas).

159. Biological material such as seeds and seedling can be purchased from public forest nurseries in Rožaje or Kolašin, Montenegrin private nurseries (e.g. in Nikšić municipality), or possibly from a specialised SME that would benefit from support under component 1. If orchard fruit species are compatible with the assessment, robust rootstock seedlings should be preferred where possible (event through import). If relevant, compatible with the legal framework, and available with sufficient phytosanitary guarantees, imported seedlings of drought-tolerant material (i.e. different variety of the same species that are native of Montenegro) can be considered in the mix of seedlings. Reforestation and afforestation plans should (i) avoid monospecific populations which are vulnerable to parasitic and other disease attacks, and (ii) maximize diversity and complementarity of tree species with the surrounding environment (e.g. providing continuity of habitat for the fauna, etc.).

160. **Monitoring, prevention, risk management and early intervention.** Gora will support local communities to increase their capacities to monitor, prevent, managed and intervene on climate related disasters, by supporting access to critical equipment in line with identified needs (from small equipment such as 30L water spraying backpacks for early intervention on forest fires, to larger machinery). Requests will be made through public calls, with a 20% contribution from the Municipality on the total net value. Specific criteria for the selection of material will be established and included in the PIM.

161. **Rural water supplies.** While significant variations in the total amount of annual precipitation are not expected in Northern Montenegro, water scarcity is already observed and felt by farmers as a consequence of erratic precipitation patterns, severe heatwaves, as well as the disrupted flow of water at watershed level, which result from climate change. Consequences are multiple and include: (i) reduced yields for crops, including animal fodder; (ii) increased frequency and scale of forest fires, as a consequence of enhanced flammability of dried biomass, vulnerability of stressed trees, reduced intervention capacity because of fire brigades mobilised in water distribution services, and distance to a water source during intervention; (iii) higher erosion rates as a consequence of torrential rains,

degradation of soil cover, etc.; (iv) loss of humid habitat for generic and endemic animal and vegetal species; and (v) increased economic risk for farmers and processing businesses, as lack of service water may result in interruption of activities such as slaughterhouses, milk collecting centres, or other processing SME providing an income to multiple households. Storing water is therefore a self-evident climate adaptation measure, of which the impact need to be maximized by careful selection of the localisation, as well as infrastructure type.

162. Multipurpose water storage systems can consist (i.a.) in: (i) rainwater accumulation ponds; (ii) buried or surface hermetic water tanks, where suitable roofing and gutters in built areas create opportunities for efficient collection of water; and (iii) seasonal stream (snowmelt) collection dam (karstic geology may require investment in the waterproofing of the submerged surface). Deviation and storage from permanent rivers or drilled wells and pumps are not included in this category of investments.

163. Local communities from the target municipalities or groups of rural inhabitants structured in a cluster will be invited to submit budgeted requests to fund multipurpose water storage capacities to their Municipalities, who will relay them through a public call. Eligible applications for (co-)financing should be prioritized by pondering multiple criteria, including: (i) the exposure of the selected area to seasonal or permanent water scarcity; (ii) the number of directly benefiting households, relative to the cost; (iii) public interest, measured by the radius for which the water storage point would facilitate first-line intervention in the event of a wild fire, or critical reforestation and afforestation efforts (e.g. through irrigation); and (iv) additional benefits (sheltering biodiversity, etc.). The final selection criteria will be defined in the Project Implementation Manual. As it is the case in RCTP, Municipalities will contribute to close to 25% of the cost of works while direct beneficiaries will contribute to up to 6.2% (in cash or kind). The rural infrastructure engineer from the PCU will review the technical feasibility of the selected proposals before selection.

Subcomponent 2.3.Rural Adaptation Public Investments

Output 2.3. Rural adaptation collective infrastructure rehabilitated or constructed

164. As mentioned previously, rural inhabitants can contribute to preventing climate induced risk by their sustainable management of natural resources. However, maintaining a network of viable communities across the rural landscape is challenging without access to basic services (healthcare, education, markets), usually centralised in the nearest town. Fostering a certain degree of autonomy in such communities is necessary to entice a proactive mindset and a willingness to jointly protect the surrounding landscape on which they depend for their livelihoods. Flash floods or heavy rains occurring more frequently, as well as the accelerated snowmelt resulting from climate change deteriorate rural roads significantly, which may no longer be negotiable during winter or when extreme events occur, causing social, economic and health problems for increasingly isolated rural settlements (including lack of access for rescue services or emergency vehicles such as fire trucks).

165. This output will support investments in collective rural infrastructure to reduce discontinuities of access to fields, markets and services (schools, hospitals) in case of extreme weather events, which will be exacerbated by climate change, and remove the bottlenecks hampering the consolidation and clustering of smallholders and village based resilient agri-business.

166. **Climate proofing of rural access roads.** In line with RCTP experience, this activity will target investments for the climate proofing of sections of rural roads (microlocations)⁹⁵ in the 14 targeted municipalities, that are: (i) critical to maintain the social and economic viability of remote settlements threatened by drastic depopulation; (ii) logistic bottlenecks for access by rescue services (including emergency healthcare and fire brigades). Sections that are exposed to greater risk of rapid decay due to increased physical constraints (including but not limited to: damage due to compression/dilatation cycles of higher amplitude as a consequence of extreme temperatures, demonstrable exposure or threat from extreme erosive events such as flash floods, landslides etc.) will also be prioritized. For

⁹⁵ RCTP focused on the construction or rehabilitation of critical points of uncategorized rural access roads to resolve bottlenecks in relation with the targeted value chains. On average, portions were rehabilitated on lengths of about 685m.

such rural road sections, the project will support a technical rehabilitation or civil engineering constructions (including surface refection by asphalted or equivalent cover material, anti-erosive reinforcements, by-pass conducts to limit the damage of seasonal streams or flash flood events, bridges). An estimated cumulated total of 180 kilometres (263 microlocations) will be climate-proofed.

167. Where the addition of waterproof surfaces such as asphalt is expected to generate adverse effects elsewhere in the watershed, cost-effective alternative investments such as surface levelling vehicles for periodic maintenance by municipal services can also be considered, provided that transparent contractual clauses guarantee the actual allocation of the equipment to above mentioned target rural road sections. Such investments may be particularly useful for the maintenance of unpaved roads used to access katuns.

168. Municipalities will conduct a consultation process to confirm priority sections of rural roads to be rehabilitated, taking into account the recommendations of the Local Climate Adaptation Strategies, and the Municipalities will use these priorities to answer public calls for application, which will be launched by the MoAFMW. To ensure equal access to opportunities while managing expectations, the PCU will make sure that the representatives of settlements identified as particularly vulnerable under the participatory mapping process are effectively informed of the opportunity to submit a proposal. The identification of schemes will be based on the Local Climate Adaptation Strategies as well as priorities identified at cluster level, and will be undertaken in a participatory and demand-driven manner to ensure that they meet target group needs. All selected schemes will have to demonstrate the potential of the scheme to enhance resilience, economic opportunities and improved livelihoods (e.g. in terms of gender impact), allowing for future easier scaling-up by beneficiaries (including private sector), municipalities or central Government. Selection criteria that assess technical feasibility of the scheme, ensure climate adaptive potential, economic viability, local contribution and capacity of the municipality to maintain the infrastructure will be used to choose co-financed schemes. The PIM will specify the selection criteria in detail. The PCU rural infrastructure engineer will review the technical feasibility of the selected proposal before final selection.

169. The sections of roads that will be reinforced and other associated investments should be prioritized by pondering multiple criteria (the final selection criteria will be defined in the PIM), such as: (i) the number of directly benefiting households, agribusinesses and rural enterprises, relative to the cost; (ii) public interest, measured by the total gain of time for emergency intervention from the fire brigade headquarters to the serviced area, compared with the situation prevalent before rehabilitation; (iii) additional benefits including the possibility to efficiently collect and store water from seasonal streams and flash floods as a result of the rehabilitation; etc.

170. Over total Project costs of USD 31.98 million (including also municipalities, beneficiaries, government in-kind and taxes contributions), subcomponent 2.3 Rural Adaptation Public Investments (USD 17,74 million and 62,3% of total costs) includes the climate-proofing and rehabilitation/construction of rural access roads for a cumulated 180km for a total amount up to USD 19,72 million, of which USD 1.57 million will be the Adaptation Fund financing of the climate-proofing of rural roads financed by Government.

171. **Other public investments.** Infrastructure which may appear generic, such as community centres, is essential to initiate a collective dynamic that will prevent the exodus of younger members from rural settlements. The motivation and actions required to pass down a preserved and productive environment to younger generations need to be fuelled by the hope that a village will continue to exist in the future. Maintaining a self-supporting rural population is often a more sustainable and cost-effective mean of adaptation for the landscape than the deployment of dedicated professionals and technical resources in a deserted environment.

172. Under this activity, rural communities of the target clusters will receive financial support under the form of co-financing grants (with a 20% contribution from the Municipality) for the construction or rehabilitation of facilities that strengthen the social interactions, as well as inclusive participation and agency of all citizens in the decision-making processes impacting their livelihoods, quality of life and surrounding landscape. Eligible construction and rehabilitation costs for such publicly-owned buildings

could include, raw material, manpower and/or tools and equipment to: (i) execute structural and completion work (masonry, wooden framework, plaster, flooring, etc.); (ii) improve the thermal comfort of such buildings (insulation, heating system, ventilation network, etc.); (iii) connect utilities (cabling, drainage, lighting, waterpipes, lavatories, etc.); (iv) deliver administrative and educational services (internet connexion, document printer, meeting room, classroom, etc.); facilitate theoretical and practical training sessions by extension services, NGOs or mentoring peers (white board, documentation library, demonstration plot, small-scale food processing tools, etc.); and promote local products and rural tourism (display shelf and refrigerator for direct sales, signage for rural tourism itineraries, etc.).

173. Several public calls for application will be launched by the PCU for the rehabilitation or construction of eligible investments in public infrastructures which contribute to strengthen the social fabric and cohesion of remote rural communities. To ensure equal access to opportunities while managing expectations, the PCU will make sure that the representatives of settlements identified as particularly vulnerable under the participatory mapping process are effectively informed of the opportunity to submit a proposal.

174. Eligible applications for co-financing should be prioritized by pondering multiple criteria, such as: (i) the number of settlements, households, formal and informal groups or NGO, and businesses that would benefit from the construction or rehabilitation, relative to the cost (special attention should be paid to gender, youth and minorities that would benefit from the investment); (ii) a "remoteness index", based on the physical distance, travel time, travel cost and/or reliability of and frequency of public transport connection to the nearest urban hub (providing basic facilities such as health care, secondary education, administrative, banking and postal services, emergency intervention brigade, etc.); (iii) the diversity of purposes that the constructed or rehabilitated facility would serve: multifunctionality is a good indicator of the chances of success and social dynamism that will result from the investment; etc. The final selection criteria will be defined in the PIM.

Component 3. Mainstreaming mountain adaptation strategies

Outcome 3. Strategies and mechanisms for mountain adaptation, based on lessons from project approaches and implementation, are integrated at municipal and national level

175. The Third National Communication on Climate Change (TNC) to the UNFCCC identifies capacity building needs at national level, to which Gora will contribute. In particular, the TNC highlights that a priority activity is the strengthening of the strategic planning for climate change adaptation at the local and regional levels, as well as in the sector-level planning process, which can be accomplished through the development of action plans for climate change adaptation at the local and regional levels, development of action plans for climate change adaptation of vulnerable sectors, integration of adaptation measures in strategic and development documents, preparation of plans for the prevention of climate change impacts in sectors vulnerable to climate change, and through the development of methods and standards for implementation of adaptation measures. Also, one of the necessary measures is the strengthening of local and regional governments and other relevant national, regional, and local stakeholders regarding climate change adaptation.

176. The United Nations Environment Programme (UNEP) "Outlook on climate change adaptation in the Western Balkan mountains" report (2015) highlights that few sectoral policies or strategies adequately integrate goals and measures related to climate change adaptation, and that mountainous areas in particular are rarely taken into account. The most common gaps include inadequate policy coverage at different scales (e.g. regional, national and local); a lack of institutional coordination (including mechanisms) across sectors; a lack of or limited vertical integration from the EU to local administrations; and limited or low financial capacities to finance adaptation measures. In some cases, no policies exist to address existing or future risks. The report recommends to give a stronger mountain focus to adaptation policies by: (i) *acknowledging the important contribution of mountain ecosystems' goods and services to the sustainable development of the Western Balkans (e.g. through tourism, energy provision and water security); (ii) increasing awareness of the socioeconomic and environmental impacts that climate change and natural disasters have on human well-being, both in*

mountain and downstream environments (e.g. flooding) and (iii) developing adaptation actions with a stronger mountain focus.

177. Under the present outcome, Gora will aim at mainstreaming mountain adaptation strategies, using the experience of the project to develop detailed vulnerability analysis and maps for all targeted municipalities, and supporting them in preparing 14 municipal rural climate adaptation strategies to reflect climate adaptation priorities. A target of 70% adopted municipal adaptation strategies for rural mountainous areas is envisaged. Additionally, support will be provided to the National Council for Sustainable Development as a key space to discuss adaptation in Montenegro: a dedicated Working Group on Mountainous Areas will be established, to act as an arena where mountain adaptation solutions can be discussed and capitalized.

Subcomponent 3.1. Models for Mountain Adaptation

Output 3.1. Relevant knowledge products prepared and disseminated to key stakeholders

178. Under this output, Gora will generate information and knowledge useful for mountain adaptation, based also on the experience from project implementation. As RCTP, Gora is designed to reflect and conform to national policies and will apply a gender, age and intersectional lens to its policy engagement work.

179. **Memorandum of Understanding (MoU) with the University of Montenegro.** After regaining independence, Montenegro began with the reorganization of the education system. As a result of these activities, the Biotechnical Institute of the University of Montenegro was transformed into the Biotechnical Faculty (2008) and the Faculty of Food Technology, Food Safety and Ecology (2012) was established at the University of Donja Gorica. The involvement of national research institutions in Gora will be key to ensuring the national ownership of innovative approaches and activities supported by the project. A MoU with the University of Montenegro (Biotechnical Institute) will be established from the second year of implementation to ensure continuous involvement of research partners to document project activities and track results.

180. **GIS Climate vulnerability assessment.** Under this activity, Gora will support the preparation of detailed climate vulnerability assessments for each of the 14 targeted municipalities. The exercise will entail an analysis of potential impacts of projected climate change using high resolution downscaled scenarios and applying GIS tools to propose recommendations on how to manage climate risks for rural landscapes and livelihoods in these mountainous areas.

181. The IPCC approach to vulnerability analysis may be adopted, combining the analysis of exposure, sensitivity and adaptive capacity. Additionally, specific assessments will be conducted for priority resources including key commodities (crops and livestock), pastures, as well as tree species. An analysis of existing adaptation options based on different time horizons to support shifts in technologies/practices needed to adapt to future climates and avoid maladaptation will also be included, assessing tipping points to prevent maladaptation based on 2030 and 2050 time series, and including trade-offs as well as recommendations on required shifts in technologies/practices.

182. Overall, these Municipal vulnerability analysis will adopt a tailored approach focusing on the root causes of vulnerability of livelihoods and landscapes in rural mountainous areas, identifying barriers to adoption of climate resilient technologies and practices. As such, the final products will be key to inform local priorities in terms of value chain investment, infrastructures, and landscape management but also local, municipal and national policies and strategies. The final product will also be presented and discussed at a national workshop.

183. **Partnerships with universities to generate knowledge and international collaboration.** From the third year of project implementation, duos of national and international (regional) postgraduates/master students will be mobilized by the project for a semester to document thematic project experiences (such as rural clustering of value chains, agroecology practices, participatory vulnerability analysis, integrated landscape management, etc.). The working pair will include: (i) a Montenegrin postgraduate (to be identified in close relationship with partnering University of

Montenegro, which will be engaged through a MoU); and (ii) a master student from agronomy cursus in Europe⁹⁶, who will perform his/her end of study internship with Gora. This approach will promote cross fertilization and learning, with foreign students bringing methodologies for field work and analysis, and Montenegrin student facilitating the understanding of the local context. It will also foster exchanges between the Montenegrin research institutions and other European institutes through the foreseen exchanges between tutors. The final products will be the thesis produced by each student, which will adopt an analytical approach and seek to propose conclusions that may be useful for policy discussion and decision making. In total, 6 duos will be recruited between year 3 and year 6 of implementation, each time for a duration of 6 months. All students will receive a monthly compensation during the course of their 6 month internship.

184. **Subregional networking.** Various subregional stakeholders can play an interesting role in further documenting and sharing the experience from Gora. Among those, the following were engaged during the design of the project:

- The **Institute of Research and Development for Mountain Regions of the Mediterranean Islands - MountMed Institute**⁹⁷ was established to support the regeneration of the mountainous areas of Cyprus and the Mediterranean islands. The main purpose of the Institute is the research and study of all issues concerning the Mediterranean (island) mountain areas, such as society, economy, demography, culture, environment, etc. While the primary focus of the institute is large Mediterranean islands, this could expand as similar stakes are shared by Mountainous territories of the region.
- The **regional rural development Standing Working Group in South Eastern Europe**⁹⁸ (SWG) is a cooperation network established in 2005 between 5 Ministries of Agriculture in South East Europe (or 'Western Balkan'). SWG secretariat is based in Skopje, Northern Macedonia, and has 5 offices across the region. Projects, publications and activities such as regional cross-border workshops and grant schemes cover a broad range of topics including: agriculture, rural development, forestry, tourism, soil protection and organic management, and processed products value-chains (e.g. wine). SWG implements the Green Agenda for the Western Balkan. A rotating regional forum on agricultural policy is also organised every year.
- The **International Association for the Development of Agroenvironment (AIDA)**⁹⁹ aims to: (i) carry out actions to promote the agro-environment in all its forms; (ii) offer a technical and scientific expertise applied to environmental or agri-environmental projects in France and abroad; (iii) offer mediation and inter-mediation in the form of conferences, seminars, tables of actors and foresight exercises; and (iv) produce and distribute training, popularisation and communication materials dedicated to environmental and agro-environmental issues. The association focuses particularly on Western Balkan countries and also foresees the mobilization of resources for a programme involving the six western Balkan countries, with the ambition to open a regional discussion and learning territories on integrated approaches and nature based solutions (agroecology in relation with livestock, etc.).

185. These stakeholders will be further involved at implementation stage, including through invitations to visit the project area and identify relevant actions from Gora implementation to be documented and disseminated within the subregion. These exchanges will also capitalize on the policy and strategy support the project will enact under subcomponent 3.2.

⁹⁶ For example from agronomy institutes such as AgroParisTech, Montpellier SupAgro, ETH Zurich, etc.

⁹⁷ <https://mountmedinstitute.com/en/>

⁹⁸ <https://seerural.org/>

⁹⁹ Association Internationale pour le Développement de l'Agroenvironnement - <http://www.courrierdelaplanete.org/>

Subcomponent 3.2. Mechanisms and strategies for mountain adaptation at municipal and national level

Output 3.2. Local and national institutions supported in the creation of mechanisms and strategies for mountain adaptation

186. Under this output and based on the knowledge generated under subcomponent 3.1., Gora will support municipalities to develop and adopt climate adaptation strategies for rural Mountainous areas, aligning with climate vulnerability analysis, and including adaptive measures identified under subcomponent 2.1. At national level, to centralize the lessons, and facilitate learning and upscaling of Mountain adaptation solutions, Gora will actively and continuously engage in discussions with the NCSD under the General Secretariat of the Government of the Montenegro and presided by Prime Minister. Furthermore, the project will support the creation of a specific technical Working Group on Mountainous Areas under the NCSD and involve all concerned Municipalities. This support will create the mechanisms to ensure adaptation mainstreaming through local planning.

187. **Working group on mountainous areas under the NCSD.** As part of the National Adaptation Plan Process UNDP has provided the Ministry of Ecology with expertise to reform the National Council for Sustainable Development (previously NCSDCCAM). As part of this reform¹⁰⁰, the NCSD will be placed under the office of General Secretariat of the Government of the Montenegro and presided by Prime Minister to improve the coordination framework at national level (the NCSD was previously located under a Directorate of the Ministry of Ecology, Spatial Planning, and Urbanism, limiting its scope and ability to reach other Ministries). The National Council will establish permanent working groups for: (i) monitoring the implementation of sustainable development policies; (ii) mitigation and adaptation to climate change; (iii) integrated management of the coastal area of Montenegro; (iv) sustainable development at the local level and (v) financing for sustainable development. The National Council may establish other working groups if the need arises.

188. The reform will enable the NCSD to play an effective role, going beyond the siloed approach to planning processes which was identified early on as a challenge to National Adaptation Plan sustainability. In addition to its transversal role, the NCSD may also be more stable than other structures, and as such grant more continuity on key topics. While the mandate of NAP development and implementation stays with the MoESPU, the NCSD can be used as a tool to facilitate the implementation of measures related to other sectors (such as agriculture). More broadly, and in particular through the dedicated subgroups, this platform can foster a systemic approach to climate adaptation in the country.

189. From the first year of implementation, the project Environment and Climate Specialist, with the support of two national consultants¹⁰¹, will initiate the engagement with stakeholders related to the NCSD, discussing the possibilities and mechanisms to establish a working group dedicated to mountainous areas under NCSD¹⁰². An international consultant will be recruited to capacitate the national experts, help build a diagnostic and conduct an institutional analysis, providing backstopping at the beginning of the process. The national consultants will support the administrative set up of the working group following national procedures, as well as the identification of members and support to the establishment of a work-plan with a set of indicators for 4 to 5 years, to ensure that the vision and mission statement pertaining to the roles of the working group, as well as linkages with other working groups and the overall NCSD are clearly established. The consultants will also facilitate the sharing of information and data generated by Gora to make it accessible to members of the working group, and support communication approaches and strategies for the working group to use the information as discussion tools with other national stakeholders.

¹⁰⁰ The new structure of NCSD is yet to become operational (foreseen for the course of 2022).

¹⁰¹ With the following profiles: experience in strategic planning, setting-up functional institutions, setting-up appropriate and context oriented goals, missions, visions, communication tools, collaboration tools, etc.

¹⁰² The precise name of the working group will be confirmed during the implementation, in consultation with concerned stakeholders.

190. The ambition for the Working Group on Mountainous areas is to become a platform where key topics related to mountains (local development, climate change, environment and biodiversity protection, tourism, gender and youth, infrastructure, administrative divisions, etc.) can be tackled and brought to the interest of other national stakeholders, through the collection, processing and accumulation of key data, including tools, approaches, methodologies and information generated by Gora¹⁰³. The Working Group will translate the information gathered into guidelines, recommendations and policy documents for the Government and concerned Municipalities, thus acting as a space where project information can be leveraged and integrated to national processes.

191. Gora will also seek to establish synergies with other national initiatives, such as the GEF *Strengthening Nationally Determined Contribution (NDC) and Adaptation Activities Transparency Framework* project, to facilitate access to members of the Working Group on Mountainous areas to specific trainings on climate adaptation (e.g. *Transparency Methodologies, Procedures and Guidelines (MPGs) for tracking adaptation activities*; and *Transparency MPGs for tracking climate finance*).

192. **Municipal climate adaptation strategies for rural mountainous areas.** The Municipality of Podgorica received GIZ support in 2015 to develop a municipal adaptation to climate change strategy. Based on the experience of developing Local Climate Adaptation Strategies (under subcomponent 2.1.), Gora will support the preparation of 14 municipal rural climate adaptation strategies (targeting rural mountainous areas). Under the leadership of the project Environment and Climate Specialist, Gora will mobilize national expertise, who will be tasked with: (i) reviewing relevant municipal documents (including Municipal Strategic Development Plans); (ii) reviewing and appreciating the project's Local Climate Adaptation Strategies and corresponding approach; (iii) integrating detailed municipality GIS vulnerability analysis conducted under subcomponent 3.1.; (iv) forming local groups and organizing discussions with municipal stakeholders; (v) consolidating the conclusions and recommendations into a strategic document; and (vi) facilitating the review process leading to the adoption of these documents at municipal level. The process will align with the national methodology to establish strategic documents that need to be adopted by national or local assemblies¹⁰⁴. These Local Climate Adaptation Strategies will align on all relevant national strategies and policies, including the Strategy for Disaster Risk Reduction with Dynamic Activity Plan for period 2018-2023 (adoption in 2017).

193. These strategic documents will not only propose solutions to mainstream climate adaptation and implement adaptation priorities in the rural mountainous areas of these municipalities, but may also be used to channel further climate finance (including to respond to relevant public calls under IPARD III). A target of 70% adopted municipal adaptation strategies for rural mountainous areas is envisaged. The local assemblies created for the review and adoption of the strategies may also be linked to the Working Group on Mountainous Areas.

B. Project benefits

Economic benefits

194. Gora project's main economic benefits rely on the following: (i) improved climate change adaptation of farmers with stabilized or increased incomes thanks to the implementation of VCF-Window 1 initiatives on selected value chains, with an economic stream of benefits estimated at around USD 0.9 million per year (under subcomponent 1.3); (ii) increase in value-addition of selected value-chains and income-generating opportunities to improve farmer's climate resilience through the implementation of VCF-Window 2, with an economic stream of benefits estimated at around USD 1.2 million per year (under subcomponent 1.3); (iii) increase in the value of production generated around

¹⁰³ Local Climate Adaptation Strategies, municipal rural climate adaptation strategies, and information generated under subcomponent 3.1. with detailed GIS vulnerability analysis, master students and postgraduate thematic thesis and other knowledge products by subregional stakeholders.

¹⁰⁴ Which requires the creation of dedicated working groups, their coordination, the conduction of public consultations and the final adoption of the document.

multi-purpose water storage (in subcomponent 2.2), which could generate a stream of economic benefits estimated at around USD 0.5 million per year (under subcomponent 1.3); and (iv) reduced losses and expenditures, and increase in value of production with the climate-proofing of 180km of rural roads under subcomponent 2.3 interventions, generating a stream of economic benefits estimated at around USD 2.9 million per year. These estimated co-benefits have been assessed through an economic and financial analysis.

195. In addition to this, other non-quantifiable economic benefits include the empowerment of farmers, and more particularly women and youths, that will be benefited from rural clustering mobilization and from services provided by the clusters (under subcomponent 1.1 and 1.2), not only allowing the realization of economic benefits mentioned above, but also better preparing them to face climate-change challenges in selected value-chains.

196. Finally, other non-quantifiable economic benefits include the expected economic gains from the elaboration and implementation of local climate adaptation strategies (subcomponent 2.1). Under component 2, 22 local climate-resilient mountain strategies will be developed at the community level, paving the way to the maintenance/improvement of at least 67 natural resource assets, over an estimated surface of 2,140 hectares. Gora will identify and implement ecosystem measures (subcomponent 2.2) such as improving ecological and pastoral practices and financing biotechnical measures to improve landscape restoration and conservation. Among the main sources of economic benefits, the following were identified: reduced soil erosion and risks of landslides, increased carbon sequestration (through afforestation, reforestation, natural assisted regeneration and soil conservation), avoided water runoff and biodiversity losses, protection generated against rock falls and wind damages.

Social benefits

197. Gora will target vulnerable smallholders, and especially those below the threshold for already existing subsidies from the Government. The project's targeting strategy will ensure that services supported by the project are provided in a fair, equitable and inclusive manner. The social benefits of Gora are multiple: building social capital, economic empowerment and social inclusion (especially of women, youth and vulnerable households).

198. Based on the experience of RCTP, multi-stakeholder platforms will be supported. They will bring together a wide range of stakeholders to participate in dialogue, decision-making and implementation, with the aim to lead the innovation and transformation processes in terms of landscape and value chain management. Multi-stakeholder platforms have proven to be a sustainable and democratic approach to decision-making that can help achieve common landscape goals. They have the potential for more equitable decision-making with regard to land and resource use sustainability. Through these platforms, social capital will be strengthened.

199. Support under the three windows of the Value Chain Facility will result in social benefits. By building the resilience of agricultural production under Window 1 and thereby safeguarding income, vulnerable producers will increase income stability, with associated social benefits. Similarly, under Window 2, by supporting post-production activities, income security will be strengthened. This will lead to social benefits through improved food security (as a result of the availability of resources to purchase food). Finally, under Window 3, producers will receive support in diversifying their activities by enhancing hosting conditions for agro-ecotourists and will thus participate in creating a favourable environment for market access for small producers. This will contribute to increased incomes and result in associated social benefits.

200. The Gora project will put special emphasis on addressing gender inequalities and empowering women, as it is vital to meeting the challenge of reducing the vulnerability of livelihoods and ecosystems in northern Montenegro to the negative impacts of climate change. This will be done in three ways: (i) recognition of gender differences in adaptation needs and capacities as part of landscape and cluster planning processes; (ii) gender-equitable participation and influence in adaptation decision-making processes; (iii) gender-equitable access to finance and other benefits

resulting from investments in adaptation (e.g. support for climate adaptive businesses). In addition, special attention will be given to promoting a more equitable balance in workloads and in the sharing of economic and social benefits between women and men, for example by introducing time and labour-saving technologies and promoting household methodologies, such as the Gender Action and Learning System. Finally, female role models will be promoted. Fifty percent of the Gora project's beneficiaries will be women.

201. In addition, rural youth will be targeted by the Gora project. Emphasis will be put on promoting their economic empowerment (e.g. by giving them priority for accessing the climate adaptive grants and strengthening their business skills) and enabling them to have an equal voice and influence in rural institutions and organizations, especially in terms of landscape and cluster management. Youth learning routes will be organised to link them up with mentors. Moreover, community centres will be supported and will offer rural youth the opportunity to access information and network. The use of ICTs, promotion of certification and rural tourism will attract the interest of young people. Finally, young role models will be promoted. Thirty percent of the Gora project's beneficiaries will be youth.

Environmental benefits

202. IFAD is committed to enhancing environmental sustainability and climate resilience in small-scale agriculture, promoting sustainable natural resource and economic base for rural people that makes them more resilient to climate change and environmental degradation. The project's activities were designed in full alignment of the Adaptation Fund's Environment and Social Principles (ESPs), and IFAD's Social Environmental and Climate Assessment Procedures (SECAP). As such, climate adaptive and environmental benefits are built into the Gora project, mitigating the identified adverse environmental and climate risks and helping beneficiaries adapt to the projected impacts of a changing climate. In particular, the risks and challenges from changing rainfall patterns and overall water regime were identified as increasing prevalence of droughts and floods, forest fires, landslides, reduced soil permeability and resulting topsoil erosion.

203. Through sustainable community-based landscape management at watershed level, the GORA project will primarily deliver three key environmental benefits:

- **The project will first address protection of soils against erosion and fertility restoration.** It will produce a comprehensive compilation of maps to help rural communities and stakeholders at municipal level visualize the comparative vulnerability of their surrounding landscapes to changing climate conditions. Exposure to drought, fires, late frosts, floods and other extreme events that are damaging the vegetative cover protecting the soil from erosion, as well as geophysical factors (type of soil, slope, etc.) will be illustrated and discussed by communities. Identification of erosion hotspots and awareness of various consequences (soil degradation, safety in case of landslide risk, etc.) for the land users as well as the broader settlement will encourage the implementation of preventive biotechnical measures, such as hedges perpendicular to the slope, and various light structures intended to retain and anchor the soil with planted or woven sticks, branches or straws, while reducing the velocity (and thus the erosive potential) of surface run-off water. Capacity building and investment support for the adoption of climate resilient mountain agriculture and pastoral practices will in parallel accelerate the dissemination of efficient composting and manure management techniques to maintain or improve soil fertility. Through participatory stakeholder meetings, municipal authorities, forestry services and communities will also have a platform to share concern with the timber industry about the branches and leaves that remain as flammable material in the forest and could be grinded into wooden chips, in order to accelerate mycelial colonisation and organic degradation of the ramial material into the forest soil.
- The second beneficial environmental outcome is the **resilience of agroecosystem to drought and wildfires**. The participatory clustering process combined with the SHARP+ diagnosis and workshops are expected to create the foundations for a collective ownership of the mountain landscape where social and economic activities are embedded. As a result,

rural inhabitants will be empowered to invest and apply for support in the creation of rain and seasonal snowmelt water collection and storage facilities. These multipurpose assets will sustain the agropastoral livelihoods of the rural households (through irrigation, water supply to cattle and sheep, etc.) despite the extreme weather events occurring as a result of climate change. Dialogue with municipal fire-brigades and forest guards will ensure that the location of such water storage infrastructures will take into account the needs for fire-suppression operations. Where possible, integrated pastoral practices (such as grazing corridors) will be encouraged to reduce flammable biomass in vulnerable forests. Preventive fuel wood collection campaigns will also be organised on a selection of forested areas that are especially vulnerable to forest fires (e.g. remaining biomass after a forest fire). Investments in equipment for professional firefighters, as well as training and basic, first-line response tools for civilians, will further foster a sense of collective responsibility towards the preservation of forests and the broader mountain ecosystems.

- Finally, the project will lead to better **protection of biodiversity habitat and ecosystem services**, by restoring forests in previously degraded lands through natural regeneration, afforestation, reforestation, or agroforestry. Plantation of perennial vegetation to recreate migration corridors for the fauna between protected natural areas will be combined with efforts to update, coordinate, implement and follow-up forest management plans. The project's participatory landscape approach will also generate a reflection around katuns and their value in terms of natural and cultural heritage (encouraging the possibilities for Montenegro to apply to GIAHS), with a direct support to integrated pastoral practices with a view to manage and conserve these unique ecosystems.

C. Cost Effectiveness

204. An **Economic and Financial Analysis** of Gora Project was prepared, assessing cost-benefit measures of interventions and demonstrating that the project is financially and economically profitable. The analysis identified a set of potential quantifiable incremental benefits generated by the project's implementation. It takes into consideration the RCTP realizations and outcomes for the dairy, meat, raspberry, and seed potato value chains, and it also includes new models based on field consultations and the potential inclusion of new value chains such as beekeeping, mushrooms, fruits.

205. **Benefits.** The main sources of benefits are the following: (i) the farmers' incremental benefits due to the increase in agricultural and livestock margins, and (ii) the incremental benefits of the added-value initiatives that are linked to the clusters; (iii) the incremental value of agricultural production due to the increased availability of water with the construction of multipurpose water storage systems; and (d) the increased profits of farmer's due to the rehabilitation and climate proofing of rural roads that enable access to market and better prices for the agricultural products.

206. Five illustrative financial models were developed based on the current cropping and pasture pattern in the project area to estimate the expected benefits of Value Chain Fund Window 1 financial support: 1.1. Raspberry, 1.2. Sheep, 1.3. Cattle, 4. Mushrooms, 5. Beekeeping; and other three financial models were built for Value Chain Fund Window 2 financial support: 2.1. Mushroom Drying & Processing; 2.2 Fruit Processing; 2.3 Cheese Production. The economic analysis was estimated after calculating the aggregated stream of benefits based on the financial models previously described and converted to economic values. An adoption rate of 70% at full development was considered for farm models taking into consideration that not all farmers will be capable of reaching the expected benefits.

207. **Financial Results.** Expected results on financial profitability are presented in the table below. Financial models present positive incremental profits per farm from EUR 250 (Beekeeping) to EUR 5,938 (Cattle) per year for VCF-Window 1 models. For VCF-Window 2 models, Cheese Production is still the most profitable investment (with Financial Internal Rate of Return at 91% and Net Present Value-NPV at EUR 76,961). Consequently, most of the proposed models show positive financial profitability at a financial discount rate at 10%.

Table 5: Financial Profitability results per model (VCF- Window 1)

VCF- Window 1 Models (in EUR, financial prices)	Agricultural profits		
	WOP	WP	Incr.
Model 1.1: Raspberry	8,337	9,853	18%
Model 1.2: Sheep (meat)	7,177	12,410	73%
Model 1.3: Cattle (milk)	9,178	15,116	65%
Model 1.4: Mushrooms	2,625	3,660	39%
Model 1.5: Beekeeping	1,625	1,875	15%

Table 6: Financial Profitability indicators per model (VCF- Window 1 & 2)

Models	FIRR	Benefits/ costs ratio	NPV @ 10%
Window 1			
Model 1.1: Raspberry	42%	1.4	1,607
Model 1.2: Sheep (meat)	61%	1.07	5,731
Model 1.3: Cattle (milk)	55%	1.09	3,540
Model 1.4: Mushrooms	27%	1.11	2,950
Model 1.5: Beekeeping	34%	1.11	5,157
Window 2			
Model 2.1 Transformation Unit: Mushrooms	77%	1.10	33,813
Model 2.2 Transformation Unit: Fruits	19%	1.03	17,853
Model 2.3 Cheese Production	91%	1.37	76,961

208. **Economic Results.** Economic results also integrated the expected benefits of investments in multipurpose water storage systems and access to markets. For each investment in water access infrastructure (at around EUR 50,000), expected benefits rely on the increase in value of agricultural and livestock production (reaching a flow of economic benefits at around EUR 20,000 per year after year 7). Therefore, investments showed positive economic profitability with an Economic Internal Rate of Return (EIRR) at 19% and a NPV at EUR 84,150. Concerning the investments in market linkages and climate-proofing of rural roads, the improved access to markets of around 180km is expected to generate a stream of economic benefits at around EUR 3.3 million per year after year 5 with an EIRR at 21% and a NPV at EUR 12.6 millions). Finally, Economic benefits of biotechnical measures in Component 2.2 interventions include the restoration and conservation of 2,140 hectares with sustainable land management practices, including eco-pastoral management practices, natural assisted regeneration, reforestation and afforestation. Such practices will contribute to restoring areas at high risk of erosion (e.g. following a forest fire) or protecting against further damage (e.g. landslide), thus avoiding higher costs in terms of ecosystem degradation and impact on infrastructure. Overall, the project also demonstrated a positive Economic rate of return of 16.67%. The NPV is estimated at USD 9.22 million with an economic discount rate estimated at 7% (following the Central Bank of Montenegro's references on the opportunity cost of capital at the national level).

209. **Sensitivity Analysis.** The sensitivity analysis tested the robustness of results in the face of different adverse scenarios for costs and benefits (due to the materialization of key risks identified). These included an increase in project costs (10% and 20%), a reduction in project benefits (10% and 20%), and combined scenarios (of both benefits reduced by 10%, 20% and 30% and costs increased by 10% or 20%). Additionally, a delay in project benefits (1 and 2 years) and the reduction in benefits by 50% every 2 and 3 years due to the occurrence of climate change shocks were considered. NPV remains positive under the different scenarios so the project results seem to be robust. The table below presents the main results of the sensitivity test. The analysis shows that the project is most sensitive to a delay in materialization of benefits.

Table 7: Sensitivity analysis

Sensitivity Analysis							
	Δ%	Risk		EIRR	NPV (US\$)		
Base scenario				16.67%	9,224,165		
Benefits	-10%	Combined risks on sale prices, yields, adoption rates		15.74%	7,724,627		
	-20%			14.66%	6,225,088		
Costs	10%	Increase in expenses and prices		15.83%	8,647,043		
	20%			15.04%	8,069,921		
Delay 1yr in Benefits		Adoption rate / delays		14.70%	7,059,883		
Delay 2yr in Benefits				12.77%	5,088,984		
External Shock every 2 yr	50% Benefits	External shock (prices, quantities, climate)		13.52%	5,986,153		
External Shock every 3 yr	50% Benefits			13.15%	5,662,753		
Mixed Scenarios		Costs	Benefits	10%	-10%	14.87%	7,147,505
				10%	-20%	13.76%	5,647,967
				20%	-20%	12.90%	5,070,845
				20%	-30%	8.87%	1,149,352
				20%	-10%	14.05%	6,570,383

210. Adaptation Fund financing contribution to Gora will generate additional savings due to the cost-sharing scheme foreseen to finance the Project Coordination Unit structure. Total execution costs are estimated at 4.7% of total project costs. Moreover, in financial terms, the Government of Montenegro will cover a total of around USD 566,627 in execution costs as shown in table 8 below, guaranteeing important gains in terms of cost-effectiveness.

Table 8: Cost sharing savings for execution costs

Costs	Unit	Cost per unit	Standalone fixed costs USD (total)	Government Contribution
Salaries and Allowances				
Legal Office	Person-year	16,277	81,383	49,468
Procurement Officer	Person-year	16,454	90,498	55,392
M&E officer	Person-year	15,926	87,590	52,484
Finance Officer	Person-year	16,157	88,866	53,760
Administrative assistant	Person-year	16,157	88,866	53,760
Operating Costs				
Podgorica Office	Lumpsum-year	26,808	147,447	147,447
Utility Costs	Lumpsum-year	2,681	14,745	14,745
Regional Office	Lumpsum-year.	22,159	121,876	121,876
Vehicle-passenger	Unit	17,695	17,695	17,695
Total			738,966	566,627
%				76.7%

Table 9: Cost-effectiveness and alternatives to project

Component/ Subcomponent	Total costs (USD)	Beneficiaries	Benefits generated – losses averted	Alternative to project
Component 1. Sustainable Mountain Livelihoods				
1.1 Mountain value chain clustering for resilient rural transformation	1,188,604	- Over 20,000 persons accessing services provided by the clusters - 28 extensionists capacitated	- Improved sustainability of benefits of farmers participating in 22 MSPs, benefitting from services related to agroecology and other CRA practices, business development, marketing opportunities and access to land. - 720 hectares of agricultural land protected or under improved management practices	Other pre-investment alternatives lack of appropriation and value for money. Targeting individual farmers that are not grouped in clusters have higher transactional costs. Lacking participatory process reduce farmers adoption of practices, leading to reduced benefits. Without clusters mobilization and associated service provision, expected financial benefits cannot be sustained in the mid-term.
1.2 Cluster services for resilient agriculture and business development	1,029,231		- At least 704 households reporting an increased stability of income -240 households trained in social inclusion - At least 72 rural enterprises reporting an increase in profits	
1.3 Financial support to adaptive activities	3,697,980	-890 Grant recipients households	- Window 1 aggregated economic benefits: USD 0.9 million per year on average - Window 2 aggregated economic benefits: USD 1.2 million per year	-There is a lack of access to finance for vulnerable smallholders and the current financial cost of micro-finance institutions does not allow the financial viability of productive

			- Net present value of investments in models go from 1,607 EUR (raspberry) to 5,157 EUR (beekeeping) for VCF-Window 1 investments; and from EUR 33,813 (mushroom processing unit) to EUR 76,761 (cheese elaboration) for VCF Window 2 investments.	models (current interest rates go beyond 20%). -Not providing financial support would not generate the expected benefits described in the economic and financial analysis and farmers would not be motivated to participate in clusters.
Component 2. Integrated Landscape Management				
2.1 Local Climate Adaptation Strategies	525,269	Up to 2,200 households participating in Local Climate Adaptation Strategy	- Improved resilience of ecosystems and infrastructure assets thanks to the development of 22 Local Climate Adaptation Strategies - 2,140 hectares of land protected or under improved practices	Clustering interventions without implementing the landscape approach would result in more climate-change vulnerability of ecosystems and would risk farmer's benefits due to the negative impact of climate-change hazards that are not tackled properly. Pre-investments without integrating a participatory approach and territorial stakeholder mobilization result in a reduced sustainability of benefits, as interventions would not be appropriated and therefore properly used and/or maintained by beneficiaries and institutions. Without appropriate water storage infrastructure or investment in biotechnical measures and capacity development to face climate-change at the landscape level, significant losses would come up due to the soil and biodiversity losses generated by increased risks of exposure to forest fires and soil erosion. Moreover, not investing in water storage infrastructure and protecting measures would increase water-runoff. Finally, farms financial profits would be also endangered due to the increase risks of ecosystem degradation (including rock falls and wind damage), in addition to the reduced productivity and yields of eroded or damaged soils.
2.2 Nature positive landscape management	3,672,632	-288 pastoralists households supported in resilient pastoral practices -2,100 households benefitting from water storage investments -At least 3,000 households directly benefit from the landscape protection measures implemented using EbA	- 1,500 hectares protected thanks to the implementation of biotechnical measures over 300 hectares - 67 natural assets maintained or improved under climate change and variability-induced stress -35 rain-harvesting structures constructed or rehabilitated - Improved landscape restoration and conservation - Reduced water runoff and biodiversity losses - Protection generated in landscapes against rock falls and wind damage - Increase in the value of production generating a stream of economic benefits estimated at around USD 0.5 million per year - Areas of value for agricultural and recreational use are protected/maintained	The initial maintenance costs of biotechnical structures are much higher (ca. 50% during the first 3 years) than those of conventional structures, but they become much lower and also steadier later on. Maintenance of wood vegetation depends on maintenance frequency. Afforestation has been identified as a comparatively low-cost option to sequester carbon but requires adapted and drought resistant varieties.
2.3 Rural adaptation public investments	19,927,305	40,000 people	- Reduced losses and increase in value of production due to the climate-proofing of 180km of rehabilitated rural roads in 263	Business as usual rural roads would result in an increase in operating and maintenance costs per year due to the lack of climate

			micro-locations, generating a stream of economic benefits estimated at around USD 3.2 million per year after year 5 - increase in the unit price of goods marketed at 7% (at least) - improved access to services through the rehabilitation and climate proofing of local infrastructure	proofing. Moreover, the lifespan of investments would be also drastically reduced. While climate-proof rural roads can last and provide benefits for around 20 years, business as usual rehabilitation would only last around 8-10 years at maximum, requiring a new rehabilitation investment that would be avoided with the selected option. No investment in rural roads would leave the most-vulnerable smallholders in remote areas in a very difficult situation, with no other option than migrating.
Component 3. Mainstreaming mountain adaptation solutions into policies and strategies				
3.1 Models for Mountain Adaptation	214,435	12 students	20 Policy-relevant knowledge products completed At least 2 National Universities and Research and Development institutes in agriculture/environment topics are expected to be benefited from the knowledge generated by the project	The project would not be able to scale up lessons learned and experiences into policy documents without systematizing results and generating relevant knowledge and policy products
3.2 Local and national institutions supported in the creation of mechanisms and strategies for mountain adaptation	223,943	All rural households of the intervention area (120,000 people) may benefit from Municipal Rural Climate Adaptation Strategies	- 14 Municipal Rural Climate Adaptation Strategies elaborated (70% adopted) - 1 Working Group on Mountainous Areas created - These mechanisms and strategies allow further mobilization of resources to replicate project activities	Without dedicated Municipal strategies there would be limited sustainability of benefits or replication of the project's results and mechanisms.

D. Strategic alignment

211. **Background.** Montenegro ratified the United Nations Framework Convention on Climate Change (UNFCCC) by succession in 2006 and became a non-Annex-1 party to the Convention on 27 January 2007. The Kyoto Protocol was ratified on 27 March 2007, and Montenegro became a non-Annex-B party on 2 September 2007. By ratifying the UNFCCC and the Kyoto Protocol, Montenegro joined countries that share the same concerns and are undertaking an active role in international efforts to address climate change. On 11 October 2017, the Parliament of Montenegro enacted a law ratifying the Paris Agreement. Most recently, Montenegro has endorsed the Glasgow Leaders' Declaration on Forest and Land Use (15 November 2021 at COP26).

212. Gora targets key objectives of the **updated NDC for Montenegro (2021-2030)**, which focuses mainly on mitigation, but also highlights the sectors of water, agriculture, tourism and health as priorities for adaptation with a view to further identify adaptation priorities in the National Adaptation Plan, which is being developed with the support of UNDP.

213. The **Third National Communication (TNC)** report to the UNFCCC (2020) presents the country's climate profile, highlighting the sectors and regions that are most vulnerable to climate change impacts, while providing an analysis of the potential adaptation measures, and summarizing information on the processes related to capacity building at the national level and the promotion of investments and financing mechanisms in the country. The TNC is the latest national document identifying climate action priorities, and aligns/draws from the recommendations of previous reports such as the Second Biennial Update Report on Climate Change (2019). Five sectors are identified as particularly vulnerable to climate change, amongst which the following three are highly relevant to

Gora, and to which priority measures the project will align: (i) the water sector; (ii) the forestry sector; and (iii) the agricultural sector.

214. It is to be noted that many of the measures recommended by the TNC and on which Gora aligns are also part of the **Land Degradation Neutrality (LDN) Target Setting Programme**. Reduction of forest fires, better integration/use of manure and creation of green jobs are all mitigation measures highlighted in the TNC and to which Gora will also contribute.

215. The TNC identifies capacity building needs at national level, to which Gora will contribute through its third component. In particular, the TNC also highlights that *a priority activity is the strengthening of the strategic planning for climate change adaptation at the local and regional levels, as well as in the sector-level planning process, which can be accomplished through the development of action plans for climate change adaptation at the local and regional levels, development of action plans for climate change adaptation of vulnerable sectors, integration of adaptation measures in strategic and development documents, preparation of plans for the prevention of climate change impacts in sectors vulnerable to climate change, and through the development of methods and standards for implementation of adaptation measures. Also, one of the necessary measures is the strengthening of local and regional governments and other relevant national, regional, and local stakeholders regarding climate change adaptation.*

216. Gora also contributes to the objectives and priorities set out in the following policies and strategies:

- **The National Climate Change Strategy (NCCS) to 2030 (2015)** is the key policy instrument for the management of climate change in Montenegro and establishes the commitment of the GoM to act against climate change in an integrated and multisectoral manner, complying with the international commitments assumed by the country before the UNFCCC. The strategy sets out a vision to 2030 to enable Montenegro to adapt to the adverse effects of climate change and promote low-carbon sustainable development. The NCCS has a strong focus on harmonization with the EU climate change legislative framework and provides the necessary guidelines for climate mitigation and adaptation actions. The objectives of the strategy are also accompanied by different means of implementation: institutional strengthening and governance, education and training of actors, research on climate change and technological development, and financing.
- **The National Strategy of Sustainable Development to 2030 (NSSD)** was prepared in 2016 and defines objectives that can be grouped into several priority areas such as: (1) better management of water resources and demand; (2) improved rational use of energy, increased use from renewable sources, and mitigation of adaptation to climate change; (3) sustainable mobility through appropriate transport measures; (4) sustainable tourism as a leading economic sector; (5) sustainable agriculture and rural development; (6) sustainable urban development; and (7) sustainable management of marine, coastal, and marina resources. As key strategic document, climate change issues are articulated throughout the NSSD.
- **The National Strategy with Action Plan for Transposition Implementation and Enforcement of the EU Acquis on the Environment and Climate Change 2016–2020 (NEAS)**. The NEAS is a critical aspect of establishing the necessary actions to meet the EU's climate change requirements and the costs of full alignment with the EU's environmental and climate change requirements. It also provides a baseline against which the Government determines its progress.
- **The National Strategy for Gender Equality 2021–2025** with the Action Plan for the period 2021 to 2022: the umbrella goal is to raise the level of gender equality in Montenegro. This will be done by improving the implementation of the existing normative framework and the application of measures that strengthen the capacity of institutional mechanisms to implement legal provisions for protection against discrimination, establish more efficient and effective coordination, implementation oversight and reporting.

- **The Strategy for the development of agriculture and rural areas 2015-2020** (2015) is currently being updated for the period 2021-2027, and aims to set up a framework and to define targets, priorities and a sustainable path for the development of agriculture and rural areas. The main objectives in the areas of Agriculture and Rural Development are as follows: 1) The long-term management of agricultural resources in a sustainable way, along with the preservation of the environment, 2) Ensuring a stable supply of safe food that is affordable both in terms of quality and price; 3) Improving both the standard of living of the rural population and the standard of rural development in general, whilst preserving traditional values; and 4) Strengthening the competitiveness of food producers. The particularly emphasizes the need to overcome widespread fragmentation, poor connectivity and increased climate vulnerability.
- **The Water Management Strategy of Montenegro** (2017) aims to ensure the protection and conservation of water resources in the country, especially drinking water, stating that one of the operational objectives is the protection of sources, research, protection, and conservation of water resources used or intended for human consumption in the future.
- **The National Forestry Strategy 2014-2023** (NSS), adopted in 2014, recognizes that forests can contribute to combating, mitigating, and adapting to climate change, as they generate about 4.6 million tonnes of CO₂ per year from the atmosphere. The NSS recognizes climate change as an important factor affecting national forest protection measures. Accordingly, analysis estimates that climate change poses the greatest threat to Montenegrin forests and can increase the risk of droughts, fires, and biodiversity pests. The NSS recognizes an increase in such threats in the coming period and provides guidelines and actions to protect forests from extreme droughts and fires, forest management plans, and management programmes to increase the resilience of forest ecosystems.
- **The Technology Needs Assessment for Adaptation and Mitigation Measures for Montenegro** (2012) gives an indication of the costs of priority measures of adaptation for the most vulnerable sectors: the water sector, the agriculture and forestry sector, and coastal areas, which are also reflected in the TNC.

217. More generally, Gora will seek alignment on the National Strategy for Disaster Risk Reduction with Dynamic Activity Plan for period 2018-2023 (adoption in 2017); the National Action Plan for combating desertification (adoption in 2015); the National Strategy on Regional Development 2014-2020; River Basin Management Plans; and the Montenegro National Drought Plan (adoption in 2020); as well as on the National Plan for Protection and Rescue from Extreme Meteorological Phenomena, and National Risk Assessment which are foreseen to be developed.

218. At subregional level, Gora is aligned with the **Green Agenda for the Western Balkans** and associated action plan, envisaged by the European Green Deal, which was endorsed at the Summit in Sofia in November 2020 by the Western Balkans leaders. Gora is aligned with the following two pillars of the Green Agenda: pillar 3 – *Biodiversity, aiming to protect and restore the natural wealth of the region* and pillar 5 *Sustainable food systems and rural areas*.

219. Finally, the Gora project will contribute directly to the following **Sustainable Development Goals**: SDG 1 (No poverty), SDG 2 (Zero hunger), SDG 5 (Gender equality), SDG 8 (Decent work and economic growth), SDG 12 (Responsible consumption and production), and SDG 13 (Climate action).

E. National Standards and Environmental and Social Policy

220. Gora will comply with Montenegro's national technical standards (as outlined in its laws and regulations). The national procedure for Environmental Impact Assessments (EIAs) requires the project bearer (MoAFWM in the case of Gora) to confirm the need for an EIA with the competent authority (Municipalities in the case of works foreseen under Gora). Based on RCTP experience (where this enquiry is systematically made as part of relevant Public Calls), and considering none of the works planned under the project are of "complex" nature, it is not foreseen that EIAs will be

required. The project will systematically conduct Rapid Environmental Impact Assessments for all works. Additionally, and where required by the competent authority, Gora will ensure that Water Conditions and Water No-Objections are obtained.

221. The project complies with the Environmental and Social Policy of the Adaptation Fund, (see ESP risk assessment summary in section II. K and detailed assessment in the EMSP in annex 3) and has been designed to minimise any negative environmental impact, resulting in net environmental benefits. Gora will respect and adhere to the national laws and codes of the GoM, in particular the project will comply with the following GoM laws and codes:

- **Law on environmental impact assessment (16 November 2018, No 01-1622/2)**. This Law regulates the manner and procedure of impact assessment for projects that may have a significant environmental impact in general, including the rules for preparation and evaluation of environmental impact assessment research and studies, and other issues of importance for environmental impact assessment as regards the territory of Montenegro. As per the procedures set out in the Law, the first step entails deciding on the need for an assessment of impacts, which begins by submitting an application for the decision to the competent authority (Municipality in the case of Gora activities) by the project initiator (MoAFWM in the case of Gora). Based on the experience of RCTP, EIAs were not required for project investments such as rural access roads rehabilitation and multiple use water infrastructure. In line with RCTP practice, Gora will nonetheless ensure that Rapid Environmental Impact Assessments are conducted for all relevant investments.
- **Water Law (No 27/2007, May, 17, 2007)**. This Law regulates the legal status and all necessary standards and requirements for obtaining the integrated water management regarding the waters and related issues on the territory of Montenegro. The rules and requirements prescribed by this Law are also aimed to regulate other issues of importance to water management and water resources. Gora will comply with the provisions of the Water Law, and notably water management principles outlined in article 19. Gora activities possibly falling under the scope of the Law include:
 - (i) **Multipurpose water storage facilities**: as these investments fall under the general use of water (article 42), the need to obtain water conditions is not foreseen (Article 114). The use of water will respect water supply priorities outlined in article 47. Technical inspection of the water facilities at the completion of their construction or reconstruction shall be conducted in compliance with the Law which regulates building of facilities.
 - (ii) **Biotechnical measures to reduce erosion**: fall under the category of works and measures for the Protection against Adverse Impacts of Waters (as described under article 92), and should be executed in compliance with Water Management Plans where they exist.

Water Conditions shall be issued by the competent authority of the local government (Municipality) and may apply to Gora in the following unlikely cases: adjunction of specific equipment to water storage facilities; cases where facilities which can have significant impact in terms of water pollution; or cases where dedicated facilities are constructed to reduce erosion. Water No-objection should also be obtained for the same investments prior to the start of the construction/reconstruction (issued by the same authority). Water no-objection shall verify compliance of the technical specifications for the facilities and works.

- **Law on forests (09 December 2010, No 74/2010)**. This Law aims to regulate the cultivation, protection, preservation and improvement of forests, including the necessary planning, forest road construction and maintenance, monitoring, as well as other issues of great importance as regards the Montenegrin forest domain (forest land and forest sector related activities). Some of the main tasks of these rules are aimed to offer; permanent preservation and improvement procedures; sustainable and multifunctional forest management; preservation and enhancement of biological and landscape/soil diversity of forests. Gora will comply with the provisions of the Law on forests, in particular with regards to:

(i) grazing in the forest: where pastoral management practices include forest grazing as an integrated measure to reduce forest fires, this will be conducted in accordance with article 40, *“in a way that does not endanger the functions of the forest, on the areas that are determined for grazing by contracting projects”*;

(ii) forest rehabilitation where identified biotechnical measures include reforestation or afforestation, in line with the provisions of article 48 and 52, and by establishing forest rehabilitation plans where required; and always including the involvement of at least one employed person with a university degree in forestry with a license to perform professional activities in forestry (article 67);

(iii) collection of non-timber forest products¹⁰⁵ (if such products are retained as possible secondary value chains) in line with article 63: *in accordance with the forest management program, in a way that does not endanger ecosystems and forest functions; and on the basis of a public tender procedure to a legal or natural person registered for the purchase of non-timber forest products in the Central Register of Business.*

Additionally, Gora will support the rehabilitation of degraded forests and forest lands (as outlined in article 36), as well as measures for forest fires protection (as outlined in article 46).

- **[Law on Agriculture and Rural Development \(No 56/09, August 14, 2009\)](#)**. This law governs: the development of agriculture and rural areas, objectives and measures of the agricultural policy, support in agriculture and eligibility requirements, support to beneficiaries, supplementary activities in agriculture, organization in agriculture, as well as other issues of relevance for agriculture and rural development. Gora support will be implemented through the agro-budget, the instrument for implementation of measures of agricultural policy (article 6), and will as such align with criteria and conditions set forth in the agro-budget each year. In particular and in line with conditions of eligibility for incentives outlined in the Law, Gora will support the registration of beneficiaries as *“holder of an agricultural holding”* (article 31). Gora is fully aligned on principles and measures highlighted by the law, notably measures for sustainable agriculture resource management (article 14, 15, 16, 17), measures for improving the quality of life and development (diversification) of economic activities in rural areas (article 18); extension activities (article 53). Support to clusters will also take into account the criteria provided by the Law on *quality and marking of agricultural products and food*. Gora will also ensure supported producers abide by the *“Good Agricultural Practice”* and comply with *“the general and specific requirements as regards hygiene and quality”*.
- **[Law on spatial planning and construction of facilities \(No. 082/20 of August 6, 2020\)](#)**. This Law regulates the system of spatial planning, the manner and conditions of construction of facilities, legalization of illegal facilities and other issues of importance for spatial planning and construction of facilities on the territory of Montenegro. Gora is fully aligned with the principles of the Law, and will take into account the specific regulations pertaining to the National Spatial Plan (currently being revised) and relevant Municipal/Regional Spatial Plans (as applicable).

222. Gora is also fully aligned with the principles of environmental protection and sustainable development, instruments and measures for the protection of life and environment regulated by the [Law on environment](#) (2016), as well as with the [Law on nature protection](#) (2016), which provides the general conditions and manner of protection and conservation of nature.

223. Finally, Gora will comply with all relevant Laws including: the Law on agricultural land (2011), the Law on roads (2020), the Law on local self-government (2017), the Law on Cooperative (2015), the Veterinary Law (2012), the Law on Livestock (2010), the Law on animal identification and registration (2007), the Law on plant protection products (2011), the Law on planting material (2011), the Law on plant health protection (2011), the Law on plant variety protection (2011), the Law on

¹⁰⁵ Flowers, seeds, fruits, resins, conifers and leaves of forest trees and shrubs; grass, moss, fern, husk, peat and humus; medicinal, aromatic and edible herbs; forest fruits and mushrooms.

agricultural plant seeds (2015), the Law on alien and invasive alien species of plants, animals and fungi (2019), the Law on food safety (2015), the Law on protection and rescue (2016), the Law on organic production (2013), the Law on agricultural and food products quality schemes (2017), and the Law on geographical indications (2011) amongst others.

Table 10: ESMP Compliance

Concern	Law Legislation	Enforcing agencies	Enforced regulation/item
Verification of need for EIA for infrastructures	Law on environmental impact assessment (2018)	Municipalities	EIA
Water conditions in rare cases: adjunction of specific equipment to water storage facilities; unlikely cases where facilities which can have significant impact in terms of water pollution; or unlikely cases where dedicated facilities are constructed to reduce erosion	Water Law (2007)	Municipalities	Water Conditions and Water No-Objections obtained
Contracts for the commercial collection of NTFP	Law on forests (2010)	MoAFWM	Public tender procedure or registration in Central Register of Business
Eligibility for incentives conditional to the registration as “holder of an agricultural holding”	Law on Agriculture and Rural Development (2009)	MoAFWM	Registration of beneficiaries as “holder of an agricultural holding”

F. Duplication

224. Following in-country consultations the project design mission verified that there is no risk of duplication with other projects or programmes. Gora is a result of a thorough national assessment of the climate change adaptation needs and recommended course of action. The needs assessment process conducted in the preparation of Gora and the detailed analysis of the synergies and potential overlaps with other projects, as displayed in the table below, shows that the majority of the projects and initiatives have either already been completed or do not overlap geographically with the project area of intervention.

225. As highlighted in the table below, a limited number of initiatives target the northern mountainous areas of Montenegro. The project will build on the experience of IFAD RCTP to scale up its successes to new Municipalities. Additionally, subregional partners and possible future initiatives have been identified and present excellent opportunities of synergy or complementarity with Gora as presented in Component 3.

Table 11: Analysis of risks of duplication

Other projects/partners	Summary	Geographic overlap with Gora	Identified synergies
Integrated climate-resilient transboundary flood risk management in the Drin River basin in the Western Balkans (Albania, the Former Yugoslav Republic of Macedonia, Montenegro) UNDP implemented Adaptation Fund project 9,927,750 USD (2019-2024)	The Drin River Basin (DRB) is a transboundary river basin, which is home to 1.6 Million people and extends across, Kosovo, the Former Yugoslav Republic Macedonia, Montenegro and Greece. The objective of t-he project is to assist the riparian countries in the implementation of an integrated climate-resilient river basin flood risk management approach in order to improve their existing capacity to manage flood risk at regional, national and local levels and to enhance resilience of vulnerable communities in the DRB to climate-induced floods. The countries will benefit from a basin-wide transboundary flood risk management	In Montenegro, the project intervenes in Ulcinj Municipality (Coastal Region). Institutional capacity building is also planned.	The absence of geographic overlap limits scope for synergies, but Gora may benefit from the capacity building to national institutions brought under this project (in particular IHMS)

	(FRM) framework based on: improved climate risk knowledge and information; improved transboundary cooperation arrangements and policy framework for FRM and; concrete FRM interventions.		
<p>Programme for the Development of Agriculture and Rural Areas in Montenegro under IPARD II (2014-2020) 51,816,473 EUR (including 25% national contribution)</p>	<p>The project invests in physical assets of agricultural holdings and physical assets concerning processing and marketing of agricultural and fishery products, as well as agri-environmental, climate-friendly and organic farming measures. Financing of rural infrastructure, farm diversification, business development and technical assistance is also included. Local development strategies according to the LEADER-approach¹⁰⁶ is also to be implemented, with EU contribution rates between 75 and 85 %.</p>	<p>The entire territory of Montenegro is covered. However, farms in the Northern, mountainous areas are less likely to reach the economic viability threshold that makes them eligible to some of the funding.</p>	<p>IPARD II is implemented through the Montenegrin Agro-budget (public calls), as it is the case for the ongoing RCTP, and as it will be the case for Gora. Gora specifically targets households that are below the eligibility criteria of the Agro-budget subsidies including IPARD II, and will provide guidance (information) to cluster members that are eligible to apply to IPARD. IPARD III, which should start in 2023, may include dedicated support to agroecology, forestry and rural infrastructures (the latter in support of Municipal offices). While the mechanisms and criteria are not defined yet (and the country is not likely to be accredited for these measures until 2024-2025), it will be useful: (i) for Gora to align on them once finalized; (ii) for IPARD III to possibly learn from Gora experience notably regarding nature based solution such as pasture management, agroecology, and possibly forest management; and (iii) for Gora's stakeholders to be capacitated/informed about IPARD III for possible complementary investments to the Local Climate Adaptation Strategies.</p>
<p>Second Institutional Development and Agriculture Strengthening Project – MIDAS 2 (2018-2023) 30,000,000 EUR</p>	<p>MIDAS 2 is a World Bank (International Bank for Reconstruction and Development-IBRD) Loan dedicated to improve the competitiveness of agriculture and fisheries in Montenegro through enhanced delivery of government support in alignment with EU accession requirements. The first component, Strengthening Ministry of Agriculture and Rural Development (MARD) agriculture, rural development and fisheries program, aims to (a) increase and diversify income generation opportunities for productive units, contribute to the creation of jobs, as well as improve resilience of productive units for adaptation to climatic pressures, and (b) support Montenegro for meeting Chapter 11 closing benchmarks. It has the following subcomponents: (i) Increasing and diversifying income opportunities through grants for agriculture, rural development and fisheries; and (ii) Strengthening the MARD toward fulfilling EU accession requirements.</p>	<p>Entire country</p>	<p>MIDAS 2 is implemented through the Montenegrin Agro-budget. Gora specifically targets households that are below the eligibility criteria of the Agro-budget subsidies including MIDAS 2, and will provide guidance (information) to cluster members that are eligible to apply to MIDAS.</p>

¹⁰⁶ LEADER-approach: French acronym standing for- Liaison Entre Actions de Développement de l'Économie Rurale – meaning - Links between the rural economy and development actions. It is an area-based, bottom-up approach fostering local partnerships, networking and cooperation to integrate the activities of multiple sectors.

<p>FAO-EBRD Agritourism and support for the certification of 7 geographical Indication (GI) status for mountain traditional flavour products 2019</p>	<p>The FAO-EBRD project involved ministries, NGOs (Regional Development Agency for Bjelasica, Komovi and Prokletije), tourism agencies, hotels and restaurants in Northern municipalities of Montenegro to promote agritourism and local, high-quality foods through Geographical Indication certification for 7 products such as Crnogorska Goveda prsuta, Crnogorska Stelja or Kolašin Lisnati sir, as well as the branding of mountain products and dishes with the Mountain Bounty label. Farmers and chefs were connected and trained to store, process and cook local products to enhance quality while complying with food safety requirements. The project encouraged rural populations to keep their traditions alive whilst boosting their incomes.</p>	<p>Northern Montenegro and coastal municipalities</p>	<p>The promotion of local leaders in agro tourism by this project can set the example for the development of tourism value chains for Gora beneficiaries. The implementation of activities around tourism in Gora will seek to build on the existing network of stakeholders established by the FAO-EBRD project. The certification for Geographical Indication of several products sets a quality standard and expands the potential sales channels on the domestic and export market for a range of outputs from sustainable farming system and high mountain pastures. It is therefore a valuable pre-existing condition and incentive for farmers to implement climate resilient farming and landscape management practices. In this regard, Gora can build upon the outcomes of this project to improve the livelihood of vulnerable rural population</p>
<p>Support to the inbound tourism development in the Western Balkans Cross-border rural areas USAID / SWG 2020-2021</p>	<p>The project aimed at the integration of eco/ rural/ adventure tourism value chains in the Western Balkans by strengthening cross-border cooperation, under the common brand « Explore Balkan ». This entailed: (i) capacity-building of different segments of the tourism market to meet the requirements of the target visitors; (ii) proactive marketing approach towards inbound Western Balkan tourists; (iii) endorsement (by national authorities responsible for rural development) of relevant policy recommendations related to inbound tourism in rural areas in the Western Balkans.</p>	<p>6 Balkan countries, including rural areas of Montenegro</p>	<p>Alternative tour operators (eco/adventure/rural tourism companies) showcase the added economic value of pristine landscapes, terroir products, and traditional lifestyle, and cultural and architectural assets in rural areas. Gora may leverage the further development throughout the year of alternative and environment-friendly tourist activities create additional opportunities for rural household and incentivize the sustainable management and preservation of the landscape.</p>
<p>Turkish Cooperation and Coordination Agency (TİKA) Agricultural Development Programs in the Balkans - Raspberry Cultivation Project in Montenegro (2018-2021)</p>	<p>33,000 saplings were distributed to help young farmers start their local business in villages. The production meets industry standards for the domestic market but also export to the EU, generating an annual EUR 800 to 1,500 of side income for households. It is a continuation of an earlier (2014) project promoting fruit farming in the Sandzak region which aimed at preventing external migration, promoting fruit growing and foraging and increasing the income of farmers in Petnica and Bistritca</p>	<p>Pljevlja, Bijelo Polje, Petnjica and Plav</p>	<p>Gora will take into account the results of this project for support to raspberry value chain.</p>
<p>GEF <i>Strengthening NDC and Adaptation Activities Transparency Framework</i> project implemented by UNDP (2021-2025) 1,390,000 USD</p>	<p>This project aims to enhance the efficiency of national climate change actions and the synergies with other related national actions, policies and measures, in order to achieve climate resilient and low-carbon development. The project will strengthen national capacities, institutional and technical, pursuing more efficient articulation to allow an enhanced enabling environment for transparency related activities, as well as adopting or improving methodologies and tools to enhance</p>	<p>Institutional support (national)</p>	<p>Gora to facilitate access to members of the Working Group on Mountainous Areas to specific trainings on climate adaptation provided by this project (e.g. Transparency Methodologies, Procedures and Guidelines (MPGs) for tracking adaptation activities; and Transparency MPGs for tracking climate finance)</p>

	transparency as requested in Article 13 of the Paris Agreement.		
UNDP implemented the Green Climate Fund (GCF) Readiness: Enhancing Montenegro's capacity to integrate climate change risks into planning (2020-2023) 1,868,296 USD	The overarching objective of this project is to improve Montenegro's institutional capacity for long term adaptation planning. To achieve this, the proposal is focused on three interconnected outcomes: (i) adaptation planning governance, institutional coordination, and technical capacity strengthened; (ii) an enhanced evidence base for designing gender-sensitive adaptation solutions; (iii) an adaptation finance mobilization strategy developed.	Institutional support (national)	Under its third component, Gora will leverage the support brought by UNDP to the NCSD to create a Working Group on Mountainous Areas. Gora will seek to align and establish synergies with the National Adaptation Plan once approved. Gora also built on the evidence generated by UNDP under this Readiness (notably in terms of gender sensitive adaptation solutions – see Annex 5).

G. Learning and Knowledge Management

226. Effective knowledge management – including the collection, generation and dissemination of information – is an important component of climate change adaptation. Learning from adaptation activities and being able to transform knowledge into products that are targeted at various audiences is essential to effective climate change adaptation.

227. Gora presents a fertile ground to generate lessons on tools, methodologies and approaches for climate adaptation in Mountainous areas, which could be replicated in the country but also at subregional level. The project will both consolidate the activities capitalized under RCTP and propose innovations such as piloting agroecology practices, mapping climate vulnerability, proposing nature based solutions for integrated landscape management, integrating pastoral and ecological practices, etc. Under component 3.1., specific knowledge products will be generated including detailed GIS climate vulnerability analysis, master students and postgraduate thematic thesis and other studies or publications by subregional stakeholders.

228. Under the leadership of the project's Environment and Climate Specialist, Component 3 will play a key role in compiling and disseminating project information, experiences and results at local, national and regional level, through the creation of a dedicated Working Group on Mountainous Areas as part of NCSD as well as the establishment of a MoU with the University of Montenegro. Learning and knowledge processes pertaining to gender equality and social inclusion will be directly supported by the Gender and Youth Specialist. Other technical knowledge generated by the project (e.g. value chain analysis, access to land information, etc.) is under the responsibility of the Regional Coordinators.

229. The overall responsibility for Knowledge Management (KM) and communication will rest with the Gora M&E Officer. The M&E Officer will coordinate with other members of the PCU (and notably with the Environment and Climate Specialist and with the Gender and Youth Specialist), local Government counterparts and other project stakeholders to identify case studies that illustrate the impact that the project has had on improving rural livelihoods and centralize key information generated. More generally the M&E Officer together with the rest of the PCU will process the knowledge generated into an appropriate format for the general public and disseminate it. This will be done through workshops and seminars, a website, radio and television programs, social media (YouTube, Facebook, Instagram, etc.), posters and leaflets.

H. Consultative Process

230. The design of the Gora project was done in a hybrid manner. From January to March 2022 virtual meetings were held with national and regional counterparts. In April 2022, an in-country mission took place during two weeks. A wide range of stakeholders were consulted, both at national, municipal and local level. Special attention was given to ensure a gender and youth focus in these consultations. As such, institutions dealing with gender and youth issues, both public and from the civil society, were consulted. Male and female potential beneficiaries and stakeholders were consulted

both separately and in mixed groups. Moreover, the appropriateness of time and location of consultation meetings, especially for women, was taken into account.

231. The main issues emerging from these consultations related to droughts, exacerbated by limited access to water, remoteness (due to lack or poor condition of roads), limited economic opportunities, forest fires, heavy rainfall and erosion. Women mentioned that given that they are often not registered in the register of agricultural holdings or hold land titles in their names, they are not able to request state support. Often it is the husband who is registered and makes the request on their behalf. Women also expressed high interest in equipment or technologies that would reduce their workload, such as milking machines, mowers and equipment for making pressed hay. It was also mentioned that young people do not have a lot of attractive opportunities in rural areas and they often migrate to cities or abroad.

I. Justification for funding

232. The TNC recognizes that *Montenegro has demonstrated progress in climate mitigation and adaptation, continuing such efforts to move towards meeting its obligations under the UNFCCC, which entail additional investments, technology, and capacity. While these needs can be partially covered by national resources (public and private), for Montenegro, as a country in transition, contributions from international cooperation are essential. The need to prioritize climate financing in Montenegro arises, to a greater extent, from the scarcity of public and/or private resources to develop and support specific projects needed to comply with adaptation and mitigation targets under the UNFCCC.* So far, General Environment Protection, followed by Agriculture, Forestry and Fisheries are the sectors which received the least support in terms of Climate-related development finance in the country.

233. Gora builds on the successes of the IFAD funded RCTP (which demonstrated its potential in terms of resilience building in the Northern Mountainous areas of Montenegro), with an enhanced approach tailored to the adaptation needs of Northern Mountainous areas. In particular, Gora will integrate a landscape management approach with direct support to resilient agriculture, which was limited in RCTP, enabling the adaptation and increased resilience of local landscape and communities to the adverse effects of climate change and variability.

234. Domestic co-financing will be integrated to Gora, as a demonstrated success from RCTP in terms of ownership at local, regional and national level, and a guarantee of sustainability of the investments, and possible replication of project activities.

Table 12: Baseline and alternative adaptation scenario the Adaptation Fund will help materialise.

Business as usual scenario	Adaptation Fund additionality
Component 1. Sustainable Mountain Livelihoods	
<p>The projected climate changes in Northern Montenegro, and drought in particular affect crop and cattle productivity. Beyond drought and heat cycles, the multiple impacts of climate change on production systems also include hail, late spring frost, and an increase in pests and diseases. Smallholders are not organized and have a limited negotiation power. Insufficient and irregular incomes decrease as a result of climate shocks, driving them further into poverty. Producers leave the area for lowland and cities in hopes for better living conditions.</p>	<ul style="list-style-type: none"> - 22 clusters and associated Multi-Stakeholder Platforms are established, increasing the negotiation power and social capital of local stakeholders - 28 extensionists are capacitated and provide technical advice on agroecology and other climate resilient practices, and business development to 880 households belonging to the clusters, and more widely to over 20,000 people within the Municipalities. - 360 producers receive direct training on agroecology and other climate resilient practices, leading to the increased resilience of up to 720 hectares of agricultural land. - 890 grants are delivered under the VCF to enhance the development and resilience of targeted value chains. - 9 public investments are made under the SDF to consolidate outlets related to the clusters. - Dedicated support to women, youth and social inclusion is provided under the leadership of the Gender and Youth Specialist, including:

	<ul style="list-style-type: none"> ○ Training of at least 240 households on gender and social inclusion topics ○ 80 youths join learning routes for peer-to-peer learning ○ Support to women entrepreneurship ○ Information on access to land.
Component 2. Integrated Landscape Management	
<p>Accelerated snowmelt in spring translates in a disruption of water flow resulting in flash floods and excess accumulation downstream, while reduced upstream infiltration leads to water deficits in highlands, including katuns or summer pastures. Heightened temperatures and intensifying droughts translate in an increased vulnerability of forests to fires and the degradation of natural resources in general. Fragile soils and burnt areas are more at risk of landslides with the increased water runoff, with impacts on infrastructures such as roads. The heat and drought increases, together with the disrupted water flow, make reliable water supply more urgent. Local stakeholders are aware of climate change but do not measure the full scope, scale and cascading consequences of climate impacts on their livelihoods and environment. They lack the tools to anticipate and adapt to these impacts.</p> <p>Limited adaptation measures and/or maladaptation lead to the accelerated degradation of local ecosystems.</p> <p>Municipalities and national investments in local infrastructure are done with limited concertation of local stakeholders and do not take climate risks into account.</p> <p>Under the pressure of degrading living conditions and lack of access to services, local stakeholders fall further into poverty or resort to maladaptation and migration, while the lack of management of climate impacts on mountainous areas accelerate downstream effects with flooding, siltation of water bodies, and disruption of energy production.</p>	<ul style="list-style-type: none"> - 22 Local Climate Adaptation Strategies are established following a participatory process. - All project stakeholders are sensitized about climate impacts in mountainous areas of Northern Montenegro. - Up to 288 pastoralists are supported in the adoption of resilient eco-pastoral practices, leading to the protection of at least 576 hectares of pastures (or at least 10 sites). - Biotechnical measures (including natural assisted regeneration, afforestation and reforestation) are implemented on 300 hectares, resulting into the downstream protection of up to 1,200 hectares, for a total of 1,500 hectares protected (at least 22 assets). - 35 water storage infrastructures are established (up to 900m³ each for a total of up to 31.5 millions of L of water stored), enabling prolonged access to water during droughts, benefitting to livestock and agriculture production, as well as to natural resource protection both through the possibility of early response in case of forest fire, and runoff breakage. At least 350 hectares of land are protected as a result of the investments (reduced erosion, reduced risk of forest fire propagation), or 35 natural assets. - 263 microlocations (for a cumulated 180km) of uncategorized rural roads are rehabilitated to withstand climate shocks, ensuring continuity of access to market and services (education, health, etc.). Gora's added value will lie both in the climate proofing of the infrastructure <i>per se</i>, and in the selection process for the choice of microlocations, ensuring the highest impact in terms of climate resilience of local livelihoods. - 22 public infrastructures are rehabilitated to withstand climate shocks and provide services to local communities - Up to 40,000 people benefit from the integrated management of local watersheds.
Component 3. Mainstreaming mountain adaptation strategies	
<p>Limited to no adaptation measures specific to mountainous areas in Montenegro are identified at national level. Mountainous areas remain on the edge of decision making.</p> <p>No methodology for participatory climate vulnerability mapping exist in mountainous areas exists in the subregion.</p>	<ul style="list-style-type: none"> - 14 Municipal Rural Climate Adaptation Strategies are elaborated and at least 70% are adopted, relying on high resolution climate vulnerability mappings. - A Working Group on Mountainous Areas is established under the NCSD and acts as a platform to share and discuss mountain adaptation solution in Montenegro. - Research stakeholders are actively involved in the project and project lessons are well studied and documented. - National and subregional stakeholders are aware of the project and document and readily uptake its tools and methodologies.

J. Sustainability

235. The project is based on, and is driven by, sustainability principles that are promoted throughout its activities by i) emphasising the active participation of communities in the implementation and management of project interventions; ii) strengthening the community-level technical capacity to ensure stakeholders have adequate knowledge and skills to maintain the benefits of the project interventions; iii) promoting the adoption of cost-effective and environmentally friendly and long-lasting solutions to help restore, improve and/or protect the ecosystem; iv) training communities on agroecology and other climate-resilient agricultural techniques and business management skills and v) ensuring ownership of project activities by all project stakeholders (smallholders, SMEs, off-takers, extension services, Municipalities, national institutions, Ministries and project partners). Additionally, the project is fully aligned on the priorities highlighted in relevant national policies and strategies.

236. The project's sustainability will notably be guaranteed by its participatory approach, relying on social engineering for component 1 and 2 respectively through the establishment of MSP managed clusters and development of local climate adaptation strategies (LCAS). More specifically:

- The sustainability of activities under component 1 will be guaranteed by the support provided to MSPs and all clusters members, brokering agreements between small producers and off-takers. The increased stability of income, thanks to more resilient production systems, diversification and enhanced business skills will facilitate continued investments in targeted value chains for both small producers and SMEs.
- Under component 2, the participatory approach will guarantee the ownership of LCAS from the communities, and stakeholders' engagement will further ensure their commitment to a more sustainable management of natural resources (e.g. prevention and rapid action in case of forest fires, sustainable land management and restoration using biotechnical measures, pastoral and manure management enhancing soil fertility, etc.). The expected co-financing from Municipalities to all investments under component 2 is another guarantee of ownership and later support in operation and maintenance costs (as shown by RCTP experience).
- Component 3 will contribute to the long-term sustainability of Gora, through institutional support, with the adoption of municipal adaptation strategies for rural areas, reflecting the priorities outlined in LCASs, as well as the establishment of a Working Group on Mountainous Areas as part of the NCS and capacity building of national research institutions.

237. **Environmental sustainability** is embedded in the project, notably through the adoption of an Ecosystem based Adaptation approach both at farm and landscape level, respectively through the promotion of agroecology and the integrated planning of biotechnical measures. The project will rely on participatory approaches to fully address issues that affect the long-term sustainability of natural resource management and the welfare of local communities.

238. **Replicability** will be further ensured by a strong ownership of local stakeholders, starting with the capacitation of municipal and or Government extension services to ensure continued delivery of support at local level (beyond the clusters). In addition to developing the social capital of targeted communities, Gora will encourage peer-to-peer exchanges and learning. The learning process at the core of Gora is another guarantee of replicability, facilitating the capitalization of methodologies, tools and approaches and their replication within the targeted municipalities, but also in other mountainous areas of Montenegro, and in the subregion.

239. **Exit strategy**. Gora's exit strategy relies on the adoption of its approaches by all concerned stakeholders, and their progressive empowerment to autonomously implement and replicate proposed activities. As such, Gora will allow the economic-sustainability of clusters by bolstering the negotiation power of MSPs, supporting further value addition (including through branding) and assuring the continuity of services to the clusters by capacitating local extensionists. The adoption of Municipal Rural Climate Adaptation Strategies will also ensure the uptake of Gora's vulnerability planning and prioritization approaches, and open the funding of investment priorities to additional sources (Municipal budget, IPARD, National budget, etc.).

K. Environmental and Social Impacts and Risks

240. The environmental and social screening presented in the table below provides a brief overview of the risk assessments detailed in the ESMP (Annex 3) and evidences the minor risks related to Gora, and for which dedicated mitigation measures have been integrated into the project (which has therefore been identified as moderate risk with regards to socio-environmental aspects).

241. Gora aims to identify and implement priority adaptation measures for the Northern mountainous areas of Montenegro, in line with the priorities set forth by the GoM. The project complies with the relevant national legislation and the investments undertaken by the project will promote climate resilience and take into consideration the vulnerability of the target areas in terms of climate-risks such as drought and exposure to forest fires, increased water shortages, land degradation, negative impact on income and livelihoods of rural poor. The proposed investments and capacity development support also aim to help marginalized climate vulnerable beneficiaries out of poverty through sustainable and diversified sources of income, and by increasing awareness about integrated landscape management and concrete consequences of climate change.

Table 13: Overview of the ESP risk assessment

ESP	Potential Impacts and Risks	Mitigation Efforts	Screening and ESMP
ESP 1	Compliance with the Law. Positive impact: the project complies with all national relevant laws.	All interventions will be compliant with national and international law. A Legal Officer will be seconded by MoAFWM to further support legal compliance of all project activities.	Not needed
ESP 2	Access and Equity. Positive impact: the project's participatory and inclusive approach will enable fair and equitable access to project benefits to all participants, including marginalised and vulnerable groups, who meet the project eligibility criteria	Participation of the project target groups will be closely monitored through the M&E system. The Grievance Redress Mechanism is also an avenue in case individuals and/or communities who feel excluded or marginalized from project benefits	Not needed
ESP 3	Marginalized and Vulnerable Groups. Positive impact: interventions will target marginalised and vulnerable groups, including vulnerable semi-subsistence farmers (households below the threshold for already existing subsidies from the Government), women and youth		Not needed
ESP 4	Human Rights. Positive impact: all interventions will respect and promote human rights	N/A	Not needed
ESP 5	Gender Equality and Women's Empowerment. Positive impact: three strategic pathways for gender equality and women's empowerment will be followed: (i) promote economic empowerment to enable rural women and men to have equal opportunities to participate in and benefit from profitable economic activities; (ii) enable women and men to have an equal voice and influence in rural institutions and organizations; and, (iii) achieve a more equitable balance of workloads and the sharing of economic and social benefits between women and men. Women will make up 50 per cent of the beneficiaries	The Project has undertaken a Gender Assessment that is presented in Annex 5. To address the identified gender issues, the project has taken proactive measures to integrate gender focused development strategies that will ensure it will not pose a risk to the principle of gender equality and women's empowerment. The participation of women will be monitored. The implementation of the gender strategy and action plan will be monitored.	Not needed

		Complaints if any will be addressed through the Grievance redress mechanism.	
ESP 6	Core Labour Rights. Positive impact: all interventions will meet the applicable core labour standards identified by the International Labour Organization, as well as national standards.	Complaints if any will be addressed through the Grievance redress mechanism	Not needed
ESP 7	Indigenous Peoples – not applicable.	There are no indigenous people in the project area	Not needed
ESP 8	Involuntary Resettlement – not applicable.	The project will not engage in resettlement activities	Not needed
ESP 9	Protection of Natural Habitats. Positive impact: The project will restore natural habitat in mountainous areas through natural assisted regeneration, afforestation and reforestation. It will maintain the heterogeneity of the landscape by fostering the perpetuation of the pastoral communities in katun. Risk: The project is highly unlikely to pose a risk to critical natural habitats, however as the project specific intervention areas have not yet been defined it is not possible to make a definitive assessment.	Project activities are designed to not negatively affect any natural habitats. As part of the ESMP, the project will identify the national critical habitat areas and monitor that the project implementation will not encroach or affect them in any way. This will be mapped and reported in the PPR.	Through the ESMP the project will identify if any protected natural habitat areas will be included in the project zones. In the unlikely event that this may be the case, the project will describe the location of the critical habitat in relation to the project and if absolutely necessary explain why it cannot be avoided, as well as its characteristics and critical value.
ESP 10	Conservation of Biological Diversity. Positive impact: The project will increase the density of diverse habitat through anti-erosive hedges that will create a habitat continuum between patches of forested areas for the migration of fauna. The project will also promote the use and management of katuns which are home to a rich biodiversity. No overlap of project intervention zones with protected areas is foreseen. Risk: The project is highly unlikely to pose a risk to critical biodiversity, however as the project specific intervention areas have not yet been defined it is not possible to make a definitive assessment. Attention will be given to avoid use of invasive or non-native species for afforestation/reforestation.	As part of the ESMP, the project will identify the national critical biodiversity areas and monitor that the project implementation will not encroach or affect them in any way. This will be mapped and reported in the PPR. In buffer zones surrounding protected area, the project will only support activities that are compatible with the regulatory framework of nature reserves (e.g. agricultural and pastoral activities). Where afforestation and reforestation activities are planned, the use of tree species that are not native to the environment will be prohibited, in line with national regulations.	Through the ESMP the project will identify if any protected natural habitat areas will be included in the project zones. In the unlikely event that this may be the case, the project will describe the location of the critical habitat in relation to the project and if absolutely necessary explain why it cannot be avoided, as well as its characteristics and critical value.
ESP 11	Climate Change. Positive impact. Through better equipment of specialized services, preparedness of rural population, and preventive landscape management (including fire-cutting corridors), as well as soil protection and forest restoration measures, the project is expected to contribute significantly to reducing/avoiding GHG emission.	Mitigation measures rely notably on the benefits brought by improved pasture management, access to water and improved health and welfare of animals. Integrating livestock in agro-forestry systems will result in decreased fire risk. Indeed, seasonal migration to highland pastures with herds of cattle and sheep are already part of the	The project will monitor livestock units' numbers amongst the beneficiaries and will record any eventual increase on a quarterly basis. The project will also monitor the implementation of pastoral practices and document their

	<p>Risk: Dairy and meat production are essential agricultural activities in mountainous areas, and Gora will support these value-chains. Intensification of livestock production may result in limited additional greenhouse gas emissions.</p>	<p>traditional lifestyle that is nowadays threatened by rural depopulation, and extensive grazing is below the bio-capacity of these vast common pastures, and contributes to eliminating excess flammable biomass that fuel wildfires, while maintaining an open landscape. Overall, and thanks also to the promotion of EbA, Gora is expected to be a net carbon sink.</p>	<p>(favorable) impact on the local landscape, in terms of preservation and sustainable management. These elements will be reported on in the progress reports and PPR.</p>
ESP 12	<p>Pollution Prevention and Resource Efficiency. Release of pollutants to the environment in significant quantities is not expected to result from the project, as fertilizers and pesticides are not widely used in these areas. Gora will also promote agroecology practices, including solutions in terms of integrated pest management, composting and manure management. Resource efficiency for water, timber and non-timber forest products as a result of the combined activities planned under the project should improve.</p> <p>Risk: Additional minor risks of effluents discharge may be posed by the upgrading of facilities (e.g. dairy, meat).</p>	<p>Cluster workshops and trainings will promote organic and nature-based alternatives where relevant (in line with agroecology principle). Environmental Impact Assessments aligned with national legislation will be conducted if required for the upgrading of dairy or meat facilities. Water conditions and water no-objection will be obtained with the Municipalities where required. Rapid Environmental Impact Assessments will be conducted for all infrastructures.</p>	<p>No screening needed. The ESMP will involve reporting of proper management of effluents if the risk is identified.</p>
ESP 13	<p>Public Health. Positive impact. The project will contribute to public health by improving accessibility of remote communities to healthcare services, reducing the risk of forest fires which can result in respiratory problems for nearby inhabitants, and encouraging nutritional health through diversification of available edible products. The project is not expected to cause adverse effect on public health.</p>	<p>The project will ensure compliance with national standards in terms of Food Safety.</p>	<p>Not needed</p>
ESP 14	<p>Physical and Cultural Heritage. Positive impact: Gora will ensure tangible or intangible Cultural Heritage will not be damaged or removed. On the contrary, it will strengthen the revalorisation of the cultural importance of the katuns.</p> <p>Risk: The project is highly unlikely to pose a risk to physical and cultural heritage, however as the project specific intervention areas have not yet been defined it is not possible to make a definitive assessment.</p>	<p>The project will ensure whether there will be any national cultural heritage sites in the project areas and propose measures to avoid any alteration, damage, or removal of physical cultural resources, cultural sites, and sites with unique natural values.</p>	<p>Through the ESMP the project will identify if any national or cultural heritage will be included in the project zones. In the unlikely event that this may be the case, the project will describe the location of the heritage in relation to the project, and if absolutely necessary, explain why it cannot be avoided and what measures are being taken to minimize negative impact.</p>
ESP 15	<p>Lands and Soil Conservation. Positive impact. Practices resulting in the</p>	<p>Biotechnical measures to reduce erosion will be executed in compliance with the Water</p>	<p>Not needed</p>

<p>regeneration of the natural fertility of soils will be promoted. These include dissemination of efficient composting and vermicomposting to farmers as part of agroecology practices, the promotion of fragmented ramial wood to accelerate mycelial colonisation and degradation of ligneous material resulting from tree felling, and agroforestry through mobilization of bedrock minerals, mycorrhizal fixation of nitrogen and/or decomposition of deciduous leaves on topsoil. Antierosion measures will also be implemented as part of biotechnical measures. Planting non-native or inadapted trees may result in excessive soil acidification</p>	<p>Management Plan where relevant.</p>	
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Part III: IMPLEMENTATION ARRANGEMENTS

A. Implementation arrangements

242. **Institutional anchoring and organizational framework.** The Ministry of Finance (MoF) will represent the grant recipient (GoM), while the Gora project will be anchored to the Directorate for Rural Development Department of Ministry of Agriculture, Forestry and Water Management (implementing agency). This Directorate has the responsibility for strategies and programmes in the area of rural development. In collaboration with other MoAFWM departments and with the assistance of other ministries and institutions, it also develops and prepares IPARD-like and IPARD program. Anchoring Gora to this directorate will allow a better coordination of development assistance, including when it comes to complementing IPARD.

243. The overall responsibility for Gora's oversight, political guidance and implementation will rest with a specific Project Steering Committee (PSC), established and chaired by MoAFWM. The PSC will also include representatives from all Gora's partners and stakeholders (i.e. MoF, MoESPU, Union of Municipalities, Ministry of Economy, etc.). The PSC membership may be amended depending on project requirements, subject to prior approval of IFAD. Logistical support and secretarial services for the PSC will be provided by the PCU.

244. Day-to-day management and implementation of the project will rest with the PCU. The core of the PCU will be fully embedded and located in MoAFWM (in Podgorica), while the two regional coordinators and territorial specialists will be based in six of the fourteen targeted Municipalities (see below). The project will acquire 4 field vehicles for the team members based in the Municipalities, while two additional field vehicles will be provided by the MoAFWM. Additionally, one vehicle will be acquired by the project for the central coordination unit in Podgorica and an additional one will be provided by the MoAFWM.

245. The PCU will be vested with financial and technical autonomy. Its proposed staffing will encompass:

- In Podgorica:
 - Recruited staff: (i) a Project Coordinator, with expertise in managing projects in Mountainous areas; and (ii) a Gender and Youth Specialist.
 - Seconded staff from the Ministry of Ecology, Spatial Planning and Urbanism: (i) an Environment and Climate Specialist; and (ii) a Rural Infrastructure Engineer.
 - Seconded staff from the MoAFWM: (i) a Monitoring and Evaluation Officer; (ii) a Finance Officer; (iii) a Procurement Officer; (iv) an Administrative Assistant.

- Recruited staff in the Municipalities (6 offices): Two teams composed each of one regional coordinator and two territorial specialists (responding to the project coordinator at central level).

246. Additionally, the PCU will be supported by 28 extensionists (2 in each municipality) and will also benefit from backstopping from the archive services of the MoAFWM.

247. The PIM will provide clear descriptions of tasks and responsibilities for the individual team members of the PCU and include procedures to carry out annual performance evaluations for all key staff. Contracts for the PCU members will be renewable annually, upon satisfactory performance. Appointment of seconded staff will be contingent to IFAD no-objection on proposed profiles, and seconded staff will have to assure full-time availability for Gora. For the seconded staff, additional salary compensation (above MoAFWM level) will be financed from the AF budget.

248. Additionally, Gora's implementation will rely on the partnership established with municipal or Government extension services present in all targeted municipalities. Up to two extensionists (one woman and one man, preferably) will be mobilized by the project in each Municipality and will receive trainings on agroecology, business development, climate adaptation in mountainous areas, etc. They will act as key facilitators and service providers for the project's beneficiaries, and all producers in the targeted areas. Their involvement of the project will also be a guarantee of sustainability of the investments. They will receive monthly compensations for the additional work performed in support of Gora implementation.

249. **Planning.** A rigorous planning process – that clearly identifies the concrete outputs (or physical targets) to be produced in a 12 months period in pursuit of overall project objectives, the activities to be implemented to deliver these outputs and the financial resources (or financial targets) required – will be the starting point for the sound management and monitoring of Gora's execution. To this end, the PCU will use a pre-defined Annual Work Plan and Budget (AWPB) template. Although the results framework and the cost-tables shall not constitute a rigid blueprint, they will be a key reference for the preparation of the AWPBs.

250. While the first AWPB will be updated during the start-up workshop, the preparation of subsequent AWPBs shall follow an iterative process, starting around the month of September with the organization of municipality-level annual planning workshops. On this basis, a draft consolidated AWPB will be prepared by the PCU, identifying under each Component: (i) outputs and related physical targets to be achieved; (ii) key activities, sub-activities and inputs required; (iii) timetable for implementation of key activities; (iv) staff/persons responsible for each activity and sub-activity; and (v) financial resources required. The AWPB shall also include a Procurement Plan (PP). Both documents shall be submitted to IFAD for no-objection no later than 60 days before the end of the fiscal year. Once the AWPB is approved by the PSC, the PCU submits it to IFAD for no-objection. It will constitute a binding document that will govern, through the year, IFAD's decisions on funds' release or procurement matters. The AWPB and PP may be amended during the year at the PCU request, along with proper justification and upon IFAD's no-objection.

251. **Specific implementation arrangements for each component.** Detailed implementation arrangements for the project will be described in the PIM. Gora will replicate many of the existing mechanisms from RCTP which have demonstrated their efficacy and relevance. The specific arrangements for each components are described briefly as follows:

- **Under component 1**, the rural clustering (subcomponent 1.1.) will rely on the direct facilitation by PCU members (regional coordinators and territorial specialists) as well as engagement of extension services. Under subcomponent 2.2. extensionists will be capacitated (by national and international service providers) to provide an array of services to cluster members as well as other producers in the area (related to agroecology and other climate resilience practices as well as to business development). The VCF and SDF will be implemented following current RCTP procedures and through public calls. All mapping exercises and studies under the component will be performed by national consultants. Direct

support pertaining to women, youth, and social inclusion, will be under the supervision of the Gender and Youth Specialist.

- **Under component 2**, international trainings and study tours are planned to capacitate the PCU technical staff and extensionists on matters related to integrated landscape management and climate change adaptation in mountainous areas. The participatory vulnerability mapping will rely on tools to be adapted by international organisations, and local process supported by the PCU and a national consultant. Other activities under the component will rely on public calls and national service providers. The component will be under the responsibility of the project's Environment and Climate Specialist with the support of the Regional Coordinators and Territorial Specialists.
- **Under component 3**, a MoU with the University of Montenegro will be established to ensure their involvement in the processes, particularly under subcomponent 3.1. International expertise will be mobilized to perform a high resolution vulnerability mapping and duos of national and international students will be recruited to document project methodologies and approaches. Subregional partnerships will also be sought to consolidate the capitalization and sharing of lessons from Gora. The creation of municipal adaptation strategies for rural mountainous areas and establishment of a Working Group on Mountainous Areas under the NCSD will be support essentially by national consultants. The Environment and Climate Specialist as well as Regional Coordinators and Territorial Specialists will actively support the project coordinator in the implementation of this component.

252. **Phasing.** Gora's activities will follow a phased approach, where the rural clustering of mountainous value chains is the first essential step through which stakeholders are engaged and social capital is built, enabling to open the discussion and initiate participatory processes to look at the climate vulnerability of the local landscape and prioritize investments accordingly. However, the implementation will likely follow different rhythms in Municipalities where clusters are already well established and in Municipalities where new clusters will be supported. In the latter, it is likely that rural clustering and the participatory mapping of climate vulnerability will follow a joint process.

253. **Implementation Arrangement Alignment with AF Gender Policy.** The Gender and Youth Specialist will be responsible for gender and social inclusion issues (overseeing the implementation of the gender strategy, building the capacity of staff and helping colleagues to address considerations related to gender equality and women's empowerment in their operations, including knowledge management, M&E, indicators and measurement of results). Dedicated budget has been allocated to address these issues, as well as to ensure the mainstreaming of gender considerations into all of Gora's activities. The following arrangements will guarantee that gender is taken into account in the implementation of the project:

- A dedicated staff will be recruited for gender and social inclusion aspects.
- A strategy and project-type action plan will be established at project start-up.
- Budget has been allocated for specific gender- and youth-related activities
- Quotas have been set for women (50%) and youth (30%) as a percentage of beneficiaries, and all collected and analysed data will be disaggregated by sex and gender.
- Information campaigns and outreach events targeting women and youth will be carried out during project implementation
- Female and young trainers will be mobilized.
- Studies undertaken by the project will include a gender and age perspective
- Gender parity in the PCU will be encouraged.
- Responsibility for gender mainstreaming will be included in the terms of reference of all key project staff and project service providers.
- In all its activities, compliance with IFAD's policy on preventing and combating sexual harassment, exploitation and abuse will be sought. This will be reflected in the terms of reference of all project staff and service providers.

B. Financial and project risk management

Financial risk

254. **Fiduciary and financial risks at Country Level.** Montenegro's country risk is rated as *Moderate*, according to the scoring provided by Transparency International on the Corruption Perception Index at country level, which slightly improved in 2021 with a score of 46/100 compared to the 45/100 of 2020. The World Bank performed the last Public Expenditure and Financial Accountability Assessment (PEFA) in 2019. The report shows substantial improvements in Public Financial Management (PFM) systems compared to the previous assessment of 2013 with 11 indicators out of 28 registering improved scores due to improved performance, and only two indicators showing deteriorated scores assessments. Overall, Montenegro has a solid PFM system with strong budget, accounting, reporting and internal control mechanisms in place.

255. Montenegro is a unilaterally euroized economy aiming for EU accession by 2025. After independence in 2006 it endured the global financial crisis thanks mainly to a boom in tourism related activities. This is why the COVID-19 pandemic hit the country's economy particularly hard. This was coupled with high political uncertainty with a new government taking office in December 2020, with a slim majority in the parliament. The economic contraction in 2020 was therefore deep with real Gross Domestic Product (GDP) declining by 15.3 percent (after four years of 4 percent average growth), as tourism receipts fell by 87 percent. The strong recovery expected for the post-pandemic period risks now to be slowed down by the outbreak of the conflict in Ukraine which may have an impact on the revenues linked to tourism among other sectors. External debt jumped to 239 percent of GDP in 2020 from 168 percent of GDP in 2019 and, although considered as sustainable, remains very sensitive to a variety of shocks. Massive public borrowing, the sharp fall of GDP and depreciation of the euro against the dollar contributed to this dramatic rise in the debt-to-GDP ratio. However, the overall banking system appeared to be well capitalized and liquid as of Q3 2021. The country is also introducing an ambitious set of reforms called "Europe Now", which are aimed at raising substantially minimum wage and reforming fiscal laws and tax administration.

256. **Fiduciary risks at IFAD Portfolio level.** The only active IFAD investment project in Montenegro is the RCTP, which activities Gora will scale-up. Since the first IFAD supervision mission in 2018, RCTP has shown a continuous and steady progress toward excellent standards in financial management going from a rating of Moderately Satisfactory in 2018 to Satisfactory in 2020 and Highly Satisfactory in 2021. Finance staff at project level is seconded by the MoAFWM and is well trained in the use of the project's accounting software as well as the SAP system and the IFAD Client Portal (ICP). AWPBs are approved on time and monitored directly within the accounting software. Budget implementation has been very high throughout project implementation leading to a highly satisfactory disbursement rate. Despite a slow down in 2021 due to the COVID-19 Pandemic and political instability at country level, the disbursement rate remained satisfactory. Project designated accounts are opened in a commercial bank and payments are processed through the SAP system within the government Treasury Single Account (TSO) mechanism where RCTP has an open position to spend the approved AWPB. The TSO and the use of SAP system for payments processing guarantees a robust internal control environment. External audits are performed by private firms hired by competitive process and are submitted to IFAD on time. The project also submits interim financial reports on a quarterly basis and can count on a well designed and complete PIM. The overall financial management risk of the project is rated as *low* as of mid-2022.

257. **Fiduciary and financial risks at Project Level.** Gora will adopt the same financial management and flow of funds architecture of RCTP, based on the excellent performance of the ongoing project. Therefore the financial management risk at design of this project is also considered *low*. The main risks for Gora are:

- (i) **Staff turnover causing a loss of knowhow and skills accumulated by the RCTP project:** IFAD will work with the Government of Montenegro to ensure that RCTP key staff is maintained for the implementation of Gora project. Existing financial management arrangements will be replicated, including the use of a well-performing accounting software.

RTCP PIM will be amended and adapted to reflect Gora's specificities, and financial processes and procedures will be maintained to the extent possible, including fiduciary arrangements and controls linked to the disbursement of matching grants, which have proven to provide a good level of fiduciary assurance.

- (ii) **Delayed availability of national co-financing due to unfavourable economic contingency or severe financial shocks through the lifetime of the project.** This risk is not likely to materialise given the strong ties of Gora within national medium term programmatic goals and strategies for the development of rural and mountainous areas, and considering also the track record of RCTP where no issue occurred for the mobilization of domestic co-financing. National co-financing (comprising of tax exemptions, Government cash and in-kind contributions and contributions from municipalities and beneficiaries) amounts to 71% of the total project cost. In particular, sub-component 2.3 on Rural adaptation public investments, which represents 62% of the total project cost is financed at 90% with national resources, targeting works for climate proofing critical sections of rural roads. This risk will be mitigated by the following:
- a. All other project activities can be fully implemented independently from the progress on rural road rehabilitation target.
 - b. The needs in terms of road infrastructures in the target areas had already been identified by the Government of Montenegro and the Municipalities before project design. The added value of Gora lays in the prioritization process to identify most relevant segments of rural roads to be rehabilitated, considering climate vulnerabilities.
 - c. Finally, Gora will replicate RCTP's mitigation mechanisms regarding possible delays in Municipal co-financing, with the pre-financing of concerned activities by Municipalities. Therefore, counterpart funding will be secured before engaging in any activity.
- (iii) **Inability of the project to report in USD given that their Designated Account will be denominated in Euro.** The risk is mitigated by the fact that IFAD grant agreement with the Government of Montenegro will be signed in Dollars. This will allow the project to use the exchange rate applied to IFAD at the time of each transfer of funds to their designated account to easily keep track of the corresponding USD equivalent. However, a foreign exchange risk remains due to the tendency of Euro to depreciate against the American Dollar which accelerated with the start of the war in Ukraine. Nevertheless, given the contingent nature of this tendency and the overall contained scale at which this depreciation is taking place, this risk is very unlikely to prevent the project from reaching its objectives.

258. **Financial management arrangements.** The financial management structure of the PCU comprises of a Finance Officer and an Administrative Assistant who will be reporting directly to the Project Coordinator, he/she will need to be experienced in working with international funded projects. All staff will be trained to IFAD anticorruption policies from project start-up. Financial management structure and flow of funds arrangements will be largely drawn from the positive experience of RCTP. Project risk level and the adequacy of these arrangements will be closely monitored and assessed by IFAD Financial Management Division on an on-going basis and throughout the implementation of the project (during implementation support and supervision missions).

259. **Budgeting.** The AWPB and PP will be recorded in the project's accounting software, which will be able to generate timely and reliable reports on budget implementation by components, subcomponents, activities, financing categories as well as financiers and geographical area. National co-financing will also be integrated in the AWPB and accounted for within the accounting software. Specific procedures for the accounting and valorisation of in-kind contributions from national stakeholders and beneficiaries will be clearly defined in the PIM.

260. **Flow of Funds and disbursement Arrangements.** One designated account will be opened at a commercial bank to receive proceeds exclusively from the Adaptation Fund grant and will follow the revolving fund mechanism. Withdrawal and disbursement from grant account will be based on a six

months cash forecast which will be included in the project's quarterly Interim Financial Reports (IFRs). A template of the IFRs will be included in the PIM and will constitute the basis for project disbursement. The project will generate, approve and submit to IFAD its Withdrawal Applications (WA) using the ICP. This online application facilitates the approval and submission of WAs and provides the project with timely financial information and reports generated directly from the IFAD accounting system, further facilitating financial management at project level.

261. **Internal Controls.** An acceptable level of segregation on duties within the PCU will be assured by the division of tasks between the Finance Officer, the administrative assistant and the project coordinator in the role of approver. Moreover, by recurring to the TSO system and by passing every expenditure through the national SAP system, an additional layer of control is added to each transaction reducing fiduciary and financial risks involved with project activities. Cash transactions will therefore be minimised or eventually be completely eliminated, to further enhance funds traceability at project level. An internal audit function exists at the level of the ministry, but its capacity is limited. The possibility of activating this internal audit function will be explored with relevant authorities at start-up phase.

262. **Accounting and financial reporting.** The project will maintain its accounts in accordance with IPSAS/Cash standards, which are accepted by IFAD. Additional financial information, aside from all financial statements that are mandatory under IPSAS cash, will be prepared by the project in accordance with the *IFAD Handbook for Financial Reporting and Auditing of IFAD-Financed Projects*. The project will submit its annual unaudited financial statements to IFAD within 3 months from the end of each fiscal year for IFAD review.

263. Gora's accounts will be kept by using an accounting software which will be able to automatically generate both financial reports and budget monitoring information. The accounting software used by RCTP has proven to be very performing and adapted to project's needs, and is thus recommended to be used by Gora. The project will use country systems for the approval of project expenditures and for the mobilisation of counterpart funds as mentioned above. The project will submit a set of interim financial reports to IFAD within 45 days by the end of each quarter. These IFRs will also serve as basis for disbursement for the project (cash forecast). Templates of the IFRs and procedures for preparation and approval will be included in the PIM.

264. **External Audit:** The project will submit an external audit report to IFAD within six months of the end of each fiscal year. The audit's Terms of Reference will be revised and cleared by IFAD before their submission to the audit firm (to be selected through a competitive process, in line with IFAD's auditing standards). IFAD will review the quality and timeliness of each audit report and ensure proper follow-up to audit recommendations contained in the mandatory Management Letter. Audit firm rehiring will only be possible for a maximum a four consecutive years, and conditional to the outcome of IFAD' yearly assessments. During project implementation, IFAD will also assess the possibility to assign the role of external auditor for the project to the Supreme Audit Institution (SAI) depending on their capacity and availability.

265. **Procurement.** All procurement for the project will be under the oversight of the PCU. The Procurement Officer (PO) will oversee and carry out Gora's procurement activities in coordination with PCU members and specialized and technical units of MoAFWM. The procurement of goods, works and services shall be carried out in accordance with the provisions of IFAD's Project Procurement Guidelines. As provided in IFAD's Project Procurement Guidelines, each PP shall include the proposed contracts, methods of procurement and related IFAD review procedures. All contracts must be listed in the Register of Contracts, which should be updated and submitted to the IFAD Country Director on a monthly basis.

266. At the outset of the project, Gora in conjunction with IFAD, shall establish a PP covering the first 18 months of the project, followed by 12-month successive plans synchronized with the AWPB during implementation. IFAD's review of and No objection to PP is compulsory. For each contract to be financed by IFAD proceeds, the types of procurement methods, estimated cost, prior review requirements and time-frame would be agreed between Gora and IFAD respectively in the PP. The PP

should be divided into goods, works and services (consultancies) and as a minimum, contain the following information: (i) a brief description of each procurement activity to be undertaken during the period or the plan; (ii) the estimated value of each activity; (iii) the method of procurement to be adopted for each activity; (iv) the method of review IFAD will undertake for each activity; (v) in addition to the minimum information above, it is considered good practice for the PP to capture additional information such as: planned timing of the procurement activities, procurement by Project component and dates for IFAD prior review.

267. Fraud prevention. Fraud risks will be addressed in accordance with provisions of the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, IFAD applies a zero-tolerance policy with regard to any fraudulent, corrupt, collusive or coercive actions in the projects it manages. This entails not only pursuing all allegations of fraudulent practices and applying appropriate sanctions but also promoting preventive control measures such as assessments of national and project-specific financial management, auditing and procurement systems. Where it is determined that fraudulent, corrupt, collusive or coercive practices have occurred in projects financed through its loans and grants, IFAD applies a range of sanctions, including disciplinary measures for IFAD staff; and pursues the recovery of any losses in accordance with the provisions of the applicable IFAD rules and regulations and legal instruments. The Policy on Preventing Fraud and Corruption has been integrated into IFAD's legal framework (Project Procurement Guidelines¹⁰⁷, General Conditions for Agricultural Development Financing¹⁰⁸, IFAD's Code of Conduct¹⁰⁹) and applies to all recipients of IFAD financing. Moreover, the RTCP project has already activated a Grievance Redress Mechanism to help identify possible cases of fraud and corruption. This mechanism will be improved and applied to Gora project.

Project risk

Table 14: Main potential risks to project success and mitigation strategies

Risk	Initial risk assessment	Proposed mitigation measure	Final risk assessment
Changes in Government reduce the ownership and slow down implementation	Moderate	Changes occurred during RCTP implementation and the PCU's engagement with new Ministries ensured continuity in implementation and ownership	Low
Climatic shock: the main effect of climate change on weather patterns is the increased occurrence of extreme weather events: droughts in particular. These shocks can have a direct impact on crop and livestock production	Moderate	The project will build the resilience of smallholders and the ecosystems they depend on in an integrated manner, providing them with the tools to stabilize their income, enhance the resilience of their production systems, and address water related issues at landscape level.	Moderate
International instability: protracted war in Ukraine leads to shortage of goods and high inflation	Moderate	Price contingencies have been applied but may not sustain high inflation. Project activities focus on promoting resilience of local farms and value chains and of the landscape they exist in. EFA sensitivity analysis shows maintaining of profitability in the face of decreasing benefits and increasing costs scenarios	Moderate
COVID-19 pandemic: new variants bring new waves in	Moderate	RCTP activities continued successfully despite the pandemic. The project relies on limited international expertise and tries to source	Moderate

¹⁰⁷ <https://www.ifad.org/web/guest/document-detail/asset/39438991>

¹⁰⁸ <https://www.ifad.org/web/guest/document-detail/asset/39500875>

¹⁰⁹ <https://www.ifad.org/web/guest/document-detail/asset/40186603>

the pandemic, limiting international travel		consultants at national level. International support can be provided remotely.	
Domestic co-financing: Government, Municipalities or Beneficiaries co-financing does not materialize, impeding progress in implementation	Low	The largest share of domestic co-financing will support the rehabilitation and climate proofing of rural roads, following national counterparts' underlying the need to increase targets to match support provided under RCTP. Reaching this target is not critical to the achievement of project goals, but RCTP's approach in prioritizing segments of roads to be rehabilitated (to be replicated by Gora) is a critical additionality to maximize the impact and relevance of investments, notably with regards to foreseen climate impacts. No issue was observed in mobilizing domestic co-financing during RCTP implementation.	Low
Staff turnover: causes a loss of knowhow and skills accumulated by the RCTP project	High	IFAD will work with the Government of Montenegro to ensure that RCTP key staff is maintained for the implementation of Gora project. Existing financial management arrangements will be replicated.	Moderate
Exchange rate: exchange rate between Euro and Dollar evolves unfavourably thus reducing available budget for implementation	Low	The proposed exchange rate is in line with forecasts for the next two years, and price contingencies (inflation) have been included in the budget	Low
Procurement: slow procurement procedures impede the mobilisation of international expertise (in particular for key trainings)	Moderate	The PIM will provide detailed guidance on international support expected as well as models of terms of reference/conventions with a view to facilitate procurement processes	Low
Delays in implementation of key activities cascade due to the phased approach: interdependency of activities result in cumulated delays if the first activities' implementation starts late or is slowed	Moderate	Gora is thought in a way that should enable a parallel process to be initiated if key activities are delayed (e.g. the participatory mapping process under component two could be initiated together with the VC clustering if important delays are observed)	Low

C. Environmental and Social Risk Management

268. IFAD-funded projects and programmes are designed in a participatory manner, taking into account the concerns of all stakeholders. IFAD requires that projects are carried out in compliance with its policies, standards and safeguards. Moreover, IFAD's Strategic Framework calls for ensuring that projects and programmes promote sustainable use of natural resources, build resilience to climate change and are based upon ownership by rural women and men themselves in order to achieve sustainability. The project design was assessed through the social, environmental and climate assessment procedures (SECAP) of IFAD, which are fully aligned with the AF Environmental and Social as well as Gender Policies, as shown in Annex 3 (ESMP). Following the IFAD SECAP screening and the ESP screening in Annex 3 (ESMP), the project has been categorised as a moderate risk with regards to environmental and social aspects (also refer to section II. K).

269. The risk screening conducted in the ESMP in Annex 3 identifies that Gora will not have any adverse environmental and social impacts: the expected impact of the project on the environment will be positive given its specific orientation and dedication to a proactive management of the mountain landscapes towards climate resilience. Improved availability of water throughout the dry season in remote areas, preventive actions to reduce the occurrence and extent of forest fires, implementation and dissemination of anti-erosive soil protection techniques, capacity building at community level to enhance rural inhabitants' ability to anticipate consequences of climate change while diversifying and

consolidating their income streams, will all contribute to a reduced exposure to social and environmental consequences of climate changes.

270. Annex 3 proposes a methodology for the development of Environmental and Social Impact (ESI) screening and ESMP of the project. The ESMP will include mitigation and monitoring actions and the institutional responsibilities for implementing them clearly. The project will notably minimize environmental and social risks by integrating a safeguarding system in:

- **Institutional processes:** Staff and partners will be guided by the IFAD PCU to identify, assess, manage and/or mitigate environmental and social risks. Processes are in place for the Environmental and Social Risks to be assessed and respective ESMPs designed and applied for the mitigation of risks related to the 15 ESPs.
- **Implementation of hard interventions:** proposed small-scale water-related infrastructure investments, climate-proofing of critical of uncategorized road sections ensuring access to remote settlements, anti-erosive biotechnical measures as well as afforestation/reforestation will directly impact the physical environment. Each of these activities will fully comply with relevant national laws and regulations on environmental impact assessment, water management, spatial planning, construction standards and the objective criteria for resource allocation will be communicated transparently to all stakeholders.
- **Execution of 'soft' project activities:** Proposed 'soft' project activities have been screened for environmental and social risks during the project design mission by consultations involving local stakeholders and a multidisciplinary team of Montenegrin and international specialists with a thorough understanding of the specific context in each of the targeted municipalities.

271. Social risks will be reduced by following the targeting strategy that has been developed, with a strong focus on women and youth empowerment. It is based on the successful targeting strategy of RCTP. The commodity mappings and subsequent Local Climate Adaptation Strategies done at the beginning of the project will also take social risks into account. Participatory approaches will be used and inclusion will be closely monitored through the M&E system and using specific tools.

D. Grievance and redress mechanisms

272. The project will utilize the existing IFAD grievance mechanism to allow those affected to raise concerns that the project is not complying with its social and environmental policies or commitments, first by establishing a grievance mechanism at project level, drawing from the existing mechanism of RCTP¹¹⁰. The consultative process with the community and beneficiaries aims to ensure prevention of grievances that might arise from the project activities. However, if there are any grievances, the below redress mechanism is proposed:

273. Grievance redress mechanism should be shared with the community during the project inception workshop and subsequent meetings with the beneficiaries.

- (i) As part of the grievance redress mechanism, the contact details of the project partners (Project Coordinator) should be made available to stakeholders including project beneficiaries and the community. Contact numbers would be displayed at common or predominant places along—with the project details. This is expected to promote social auditing.
- (ii) Complaints must be put forward by at least two people who are both nationals of the country concerned and/or living in the project area.
- (iii) Complaints from foreign locations or anonymous complaints will not be taken into account.

¹¹⁰ The RCTP PCU has developed a grievance redress mechanism for any sort of complains, and applicable to all project activities. As such, any stakeholder or beneficiary who may be adversely affected by project interventions can communicate their concerns about concerned project activities through various entry points, scaled to the nature of the activity and its potential impacts. In this manner, the PCU can proactively take initiative in efficiently resolving such issues. The information regarding this mechanism is disseminated in each Decision on Award to project beneficiaries (for Public Calls). It is an electronic mechanism to which the Project coordinator, G&Y officer, Value Chain Specialists, Administrative officer, Finance officer and Law officer have access to.

- (iv) Complaints must concern projects currently under design or implementation. Complaints concerning closed projects, or those that are more than 95 per cent disbursed, will not be considered.

274. Grievances are aimed to be addressed at the field level by the project team which will be the first level of redress mechanism. If the grievance is not resolved at the field level, it will be escalated to the PCU and then to IFAD who will be responsible for addressing grievances related to violation of any of the provisions of Environmental and Social Policy of the Adaptation Fund. All grievances received and actions taken on them will be put up before the PCU and Steering Committee meetings and will also be included in the progress reports for monitoring purposes.

275. In all cases, if the complainants disagree with IFAD's response, they may submit a request to SECAPcomplaints@ifad.org and request that an impartial review be carried out by the Office of the Vice-President. The Office of the Vice-President will decide on the steps to be taken to examine such complaints, including, if necessary, contracting external experts to review the matter. The complainants will be informed of the results of the review. IFAD will include in its Annual Report a list of received complaints and a summary of actions taken to address them.

276. The Ad hoc Complaint Handling Mechanism (ACHM) of the Adaptation Fund can be directly used in cases where the Parties have failed to reach a mutually satisfactory solution through the implementing entities' grievance mechanism within a year. The Adaptation Fund Board Secretariat independently manages all aspects related to the ACHM, under the oversight of the Ethics and Finance Committee of the Board. Guidance to ACHM are available at this link: [Ad Hoc Complaint Handling Mechanism - Adaptation Fund](#).

E. Monitoring and Evaluation

277. **Project Monitoring and Evaluation (M&E)** will be under the oversight of the PCU, and led by the M&E officer who will work closely with the implementing partners. The M&E system should: (i) produce, organize and disseminate the information needed for the strategic management of the project, (ii) document the results and lessons learned for internal use and for public dissemination on the achievements and (iii) respond to the information needs of Adaptation Fund, IFAD and the GoM on the activities, immediate outcomes and impact of the Project. A monitoring and evaluation manual describing a simple and effective system for collecting, processing, analysing and disseminating data will be prepared during the first year of project implementation.

278. A computerized database will be developed to enable the generation of dashboards. The system will be regularly fed from data collected in the field by the implementing partners (extension services in particular, but also national consultants involved in the implementation) and the various studies, mappings and policy products carried out as part of the projects' implementation. The monitoring and evaluation system will be coupled with a geo-localized Geographic Information System (GIS) that will allow mapping and spatio-temporal analyses. Trainings will be organized to strengthen the capacities of the various stakeholders involved in the monitoring and evaluation system.

279. Day to day monitoring of implementation progress will be the responsibility of the PCU, based on the project's Annual Work Plan and its indicators. During the first months of the project, the project team will complete and fine-tune baseline data for each indicator, and will define performance indicators. Specific targets for the first year of implementation, progress indicators, and their means of verification will be established at the Inception Workshop (below).

280. **Project Inception Workshop.** A project inception workshop will be conducted within two months of project start up with the full project team, relevant government counterparts and IFAD. The inception workshop is crucial to building ownership for the project results and to plan the first-year annual work plan. A fundamental objective of the Inception Workshop will be to present the modalities of project implementation and execution, and assist the project team to understand and take ownership of the project's goals and objectives.

281. **A Project Inception Report** will be prepared immediately following the Inception Workshop. It will include: (i) a detailed First 18-months/Annual Work Plan divided in quarterly time-frames detailing the activities and progress indicators that will guide implementation during the first year of the project; (ii) the detailed project budget and procurement plan for the first 18 months of implementation, prepared on the basis of the Annual Work Plan; (iii) a detailed narrative on the institutional roles, responsibilities, coordinating actions and feedback mechanisms of project related partners; (iv) a section on progress to date on project establishment and start-up activities and an update of any changed external conditions that may affect project implementation.

282. **Baseline study.** A baseline study will be conducted within the first year to collect data and serve as the basis for the assessment of how efficiently the activity has been implemented and results achieved. The study will include the target group and a control group which will be essential to determine the attribution of results to project activities.

283. **Quarterly Progress Reports** will also be prepared by all project implementing partners (including extension services), service providers and submitted to the PCU who will consolidate them to ensure a continuous monitoring of project activities and identify challenges to adopt necessary corrective measures in due time.

284. **Technical reports** such as a best practices and lessons learned report - will also be completed, as determined during the project inception report. In particular, master students and postgraduate thematic thesis and other knowledge products by subregional stakeholders generated under component 3 will be used, together with all communication material produced by the project (communication on gender and social inclusion, communication on access to land, all policy dialogue material produced with the Working Group on Mountainous Areas, etc.).

285. **Semi-annual progress reports** will be elaborated based on the quarterly progress reports and periodical technical reports, and used as a reference ahead of supervision mission or for the preparation of Annual Project Reports.

286. **Project Performance Report (PPR).** The project will submit a PPR each year to chart progress achieved in meeting the project's Annual Work Plan and assess performance of the project in contributing to intended outcomes through outputs and partnership work, using the Adaptation Fund template. The PPR includes among others, (i) an analysis of project performance over the reporting period (tracking project indicators), including outputs produced and, where possible, information on the status of the outcome; (ii) lessons learned and constraints experienced in the progress towards results and the reasons for these; (iii) risk assessment; (iv) information related to financial data and procurement (expenditure reports); (v) ratings; (vi) clear recommendations for future orientation in addressing key problems in lack of progress. In addition, it includes the results tracker that needs to be filled. This will be done i) at inception where baseline-related information will be submitted, as well as planned targets at project completion; ii) at mid-term; and iii) at project completion when the final PPR will serve as a project completion report; but also include the final evaluation report and final audited financial statements.

287. **Supervision** will be organized by IFAD (under its direct Supervision framework and guidelines), with a Supervision mission mobilized at least once per year. Additional implementation support from IFAD on specific identified issues will be mobilized if considered necessary by GoM and IFAD or recommended by the Supervision mission. The composition of the Supervision missions will be based on an annual supervision plan. The supervision plan will highlight, in addition to the routine supervision tasks (fiduciary, compliance and project implementation), the main thematic or performance areas that require strengthening and would imply deployment of additional inputs for capacity building, in-depth analytical studies or review of existing policies.

288. **Mid-term Review (MTR).** The MTR will be carried out in year 3. It will assess operational aspects such as project management and implementation of activities as well as the extent to which the objectives are being fulfilled and corrective actions needed for the project to achieve impact.

289. **A Final Evaluation** will be conducted three months before project closure and will include the project completion survey (below).

290. **The Project completion survey** will include the same set of questionnaires included at baseline to allow for comparison against baseline results. In addition, a panel of households will be interviewed to provide a thorough analysis of project effects. Moreover, the analysis will be disaggregated by type of beneficiary, municipality and gender of household head. As part of the evaluation, stories, lessons learned and best practices will be collected for upscaling and dissemination. During the last year of implementation, the SHARP+ survey will be reconducted in all project municipalities, providing the possibility to compare with the results of the surveys performed during project implementation and to assess the increased resilience of project beneficiaries. SHARP+ should also be conducted in a comparable area that did not receive Gora support (control group) to enhance the analysis.

Table 15: Breakdown of fee utilisation

IE Fees Breakdown of M&E Supervision	Responsibility	Timeframe	Budget (USD)
Inception workshop report	PCU	After workshop	20,000
Baseline study	PCU	First year (2023/2024)	Budgeted by Gora
Supervision visits	IFAD, PCU, Government	Biannual	60,000
Annual workplan and budgets	PCU	Annual	Budgeted by Gora
Semi-annual progress report	PCU	Semi-annual	Budgeted by Gora (performed by PCU)
Mid-term review	IFAD, external consultants	2026	20,000
Annual project report	PCU	Annual	Budgeted by Gora (performed by PCU)
Final evaluation	IFAD, external consultants	2029	20,000
Total			120,000

F. Results framework

Objective and expected outputs	Indicators	Unit	Targets				Means of verification			Assumptions
			Ref.	Year 1	Mid-term	Year 6	Source	Frequency	Responsibility	
Project objective. Reduce the vulnerability of livelihoods & ecosystems in northern Montenegro to the negative impacts of climate change	Ha of land protected or under improved practices	Hectares	0	0	1,310	2,860	Completion survey, GIS analysis, SHARP+ survey and Municipalities statistics	At completion	M&E officer	Initial and continued political commitment and support to project implementation. Macro-economic conditions remain stable or improve
	Number of households with an increased resilience to climate change	Households	0	0	6,250	12,500				
Component 1. Sustainable Mountain Livelihoods										
Outcome 1. Enhanced resilience of smallholders' livelihoods to climate change	% of households reporting adoption of environmentally sustainable and climate resilient technologies and practices	% of households	0	0	50%	80%	Completion survey	At completion	PCU Regional Coordinators (RCs)/Territorial Specialists (TSs) and M&E officer	Macro-economic conditions continue to be supportive for the selected value-chains. Smallholders' and VC actors' willingness to participate in selected value chains. VC suppliers' ability to respond to technical support requests by smallholders. Relevance of selected commodities with regards to climate change.
	% of households reporting an increased stability of income (production/commercialization)	Percentages of households	0	0	50%	80%	Completion survey	At completion	PCU RCs/TSs and M&E officer	
	% of supported rural enterprises reporting an increase in profit	Percentages of enterprises	0	0	50%	80%	Extension services records	At completion	PCU RCs/TSs and M&E officer	
Output 1.1. Multi-stakeholder clusters established and facilitated for selected commodities	Number of active Multi-Stakeholder Platforms	Platform	0	11	18	22	RCs/TSs records and clusters meeting minutes	Annually	PCU RCs/TSs	
	Number of VC smallholders' households involved in the production of selected commodities	Households	0	440	720	880	Extension services records	Annually	PCU RCs/TSs and M&E officer	
Output 1.2. Adaptive capacity of farming systems strengthened and local businesses developed	Number of households accessing services provided by the clusters	Households	0	0	5,400	6,600	Extension services records	Annually	PCU RCs/TSs	
Output 1.3. Financial support to adaptive activities provided	Number of VCF grant recipients	Households	0	0	370	890	RCs/TSs records and Minutes of VCF board meetings	Monthly	PCU RCs/TSs and M&E officer	

Objective and expected outputs	Indicators	Unit	Targets				Means of verification			Assumptions
			Re f.	Year 1	Mid-term	Year 6	Source	Frequency	Responsibility	
	Number of SDF investments	Investments	0	0	3	9	RCs/TSs records	Annually	PCU RCs/TSs and M&E officer	
Component 2. Integrated Landscape Management										
Outcome 2. Improved resilience of ecosystems and infrastructures assets	Number of hectares Ha of land protected or under improved practices	Hectares	0	0	950	2,140	GIS analysis	At completion	At mid-term and completion	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. Technical expertise can be mobilized for biotechnical measures.
	Natural resource assets maintained or improved under climate change and variability-induced stress (AF 5)	Assets	0	0	21	67	GIS analysis	At completion	At mid-term and completion	
	Physical infrastructure improved to withstand climate change and variability-induced stress (AF 4.2.)	Number of infrastructure or microlocations (roads)	0	0	142	285	Progress report	At mid-term and completion	PCU environment & climate specialist and M&E officer	
Output 2.1. Participatory Local Climate Adaptation Strategies developed	Number of local climate adaptation mountain strategies developed	Plans	0	0	11	22	Local strategies documents	Annually	PCU environment & climate specialist and M&E officer	
Output 2.2. Ecosystem protecting measures implemented	Number of natural resource assets created, maintained or improved to withstand conditions resulting from climate variability and change (by type and scale) (AF 5.1.)	Assets	0	0	21	67	Communities/ municipalities records	Annually	PCU environment & climate specialist and M&E officer	
	Number of pastoralists supported in resilient pastoral practices	Persons*	0	0	144	288	Extension services records, RCs/TSs records	Annually	PCU environment & climate specialist and M&E officer	
	Number of rain-harvesting structures constructed or rehabilitated	Structures	0	0	5	35	Communities/ municipalities records	Annually	PCU rural infrastructure engineer and M&E officer	
Output 2.3. Rural adaptation collective infrastructure rehabilitated or constructed	Number of physical assets strengthened or constructed to withstand conditions resulting from climate variability and	Assets	0	0	142	285	Contractors' activity reports and Municipal Engineers' records	Monthly, starting from contract award date	PCU rural infrastructure engineer and M&E officer	

Objective and expected outputs	Indicators	Unit	Targets				Means of verification			Assumptions
			Re f.	Year 1	Mid-term	Year 6	Source	Frequency	Responsibility	
	change (by sector and scale) (AF 4.1.2.)									
Component 3. Mainstreaming mountain adaptation strategies										
Outcome 3. Strategies and mechanisms for mountain adaptation, based on lessons from project approaches and implementation, are integrated at municipal and national level	Number of policies, strategies and investments influenced by project experience	Policies, strategies and investments	0	0	3	10	Municipal strategic documents	At mid-term and completion	PCU environment & climate specialist, M&E officer	Continuing MoAFWM and MoESPU interest to building the resilience of smallholders. Policy makers' willingness to learn from project experience.
	Working group on mountainous areas is active as part of the National Council for Sustainable Development	Working group	0	0	1	1	Minutes of working group meeting	Annually from mid-term	PCU environment & climate specialist, M&E officer	
	Climate change priorities are integrated into national development strategy (AF 7)	Yes/No	No	No	Yes	Yes	Municipal strategic documents	At mid-term and completion	PCU environment & climate specialist, M&E officer	
Output 3.1. Relevant knowledge products prepared and disseminated to key stakeholders	Policy-relevant knowledge products completed	Knowledge products	0	7	18	20	Climate vulnerability assessments, thematic reports produced by duos of students and thematic reports or studies produced at subregional level	Annually	PCU environment & climate specialist, M&E officer	
Output 3.2. Local and national institutions supported in the creation of mechanisms and strategies for mountain adaptation	Number of policies introduced or adjusted to address climate change risks (by sector) (AF 7.1.)	Policies	0	0	3	10	Municipal strategic documents	Annually	PCU environment & climate specialist, M&E officer	
	Working Group on Mountainous Areas created	Working Group	0	0	1	1	Official documents formalizing the creation of the Working group	Annually	PCU environment & climate specialist, M&E officer	

G. Alignment with Adaptation Fund Result Framework

Table 16: Alignment with Adaptation Fund Result Framework

Project Outcomes	Project Outcome indicators	Adaptation Fund Outcome	Fund Outcome Indicator	AF Grant Amount (USD)
Component 1. Sustainable Mountain Livelihoods				
Outcome 1. Enhanced resilience of smallholders' livelihoods to climate change	% of households reporting adoption of environmentally sustainable and climate resilient technologies and practices % of smallholders reporting an increased stability of income (production/commercialization) % of supported rural enterprises reporting an increase in profit	Outcome 6: Diversified and strengthened livelihoods and sources of income for vulnerable people in targeted areas.	N/A	3,262,960 USD
Component 2. Integrated Landscape Management				
Outcome 2. Improved resilience of ecosystems and infrastructures assets	Number of hectares of land protected or under improved practices	Outcome 5: Increased ecosystem resilience in response to climate change and variability-induced stress	5. Natural resource assets maintained or improved under climate change and variability-induced stress	2,702,6168 USD
		Outcome 4: Increased adaptive capacity within relevant development sector services and infrastructure assets	4.2. Physical infrastructure improved to withstand climate change and variability-induced stress	1,940,291 USD
Component 3. Mainstreaming mountain adaptation strategies				
Outcome 3. Strategies and mechanisms for mountain adaptation, based on lessons from project approaches and implementation, are integrated at municipal and national level	Number of policies, strategies and investments influenced by project experience Working group on mountainous areas is active as part of the National Council for Sustainable Development	Outcome 7: Improved policies and regulations that promote and enforce resilience measures	7. Climate change priorities are integrated into national development strategy	437,109 USD
Project Outputs	Project Outcome Indicators	Fund Output	Fund Output Indicator	Grant Amount (USD)
Component 1. Sustainable Mountain Livelihoods				
Output 1.1. Multi-stakeholder clusters established and facilitated for selected commodities	Number of active Multi-Stakeholder Platforms Number of VC smallholders' households involved in the production of selected commodities	Output 6: Targeted individual and community livelihood strategies strengthened in relation to climate change impacts, including variability	N/A	1,126,749 USD
Output 1.2. Adaptive capacity of farming systems	Number of households accessing services			552,559 USD

strengthened and local businesses developed	provided by the clusters			
Output 1.3. Financial support to adaptive activities provided	Number of VCF grant recipients Number of SDF investments			1,583,652 USD
Component 2. Integrated Landscape Management				
Output 2.1. Participatory Local Climate Adaptation Strategies developed	Number of local climate adaptation strategies developed	Output 5: Vulnerable ecosystem services and natural resource assets strengthened in response to climate change impacts, including variability	5.1. No. of natural resource assets created, maintained or improved to withstand conditions resulting from climate variability and change (by type and scale)	340,159 USD
Output 2.2. Ecosystem protecting measures implemented	Number of pastoralists supported in resilient pastoral practices Number of rain-harvesting structures constructed or rehabilitated			2,362,459 USD
Output 2.3. Rural adaptation collective infrastructure rehabilitated or constructed	N/A	Output 4: Vulnerable development sector services and infrastructure assets strengthened in response to climate change impacts, including variability	4.1.2. No. of physical assets strengthened or constructed to withstand conditions resulting from climate variability and change (by sector and scale)	1,940,291 USD
Component 3. Mainstreaming mountain adaptation strategies				
Output 3.1. Relevant knowledge products prepared and disseminated to key stakeholders	Policy-relevant knowledge products completed	Output 7: Improved integration of climate-resilience strategies into country development plans	7.1. No. of policies introduced or adjusted to address climate change risks (by sector)	214,435 USD
Output 3.2. Local and national institutions supported in the creation of mechanisms and strategies for mountain adaptation	Working Group on Mountainous Areas created			222,674 USD

H. Project Budget

Table 17: Detailed budget of the project per activity

Item/Activity	Note	Total AF (USD)	Domestic co-financing (USD)	Grand Total (USD)
Component 1. Sustainable Mountain Livelihoods				
Outcome 1. Enhanced resilience of smallholders' livelihoods to climate change				
Output 1.1. Multi Stakeholder clusters established and facilitated for selected commodities	2 Regional Coordinators	315,976	-	315,976
	4 Territorial Specialists	419,152	-	419,152
	Gender and Youth Specialist	116,073	-	116,073
	Vehicles/transportation	111,413	57,109	168,521
	Value-chain clustering	86,446	4,746	91,193
	Training and communication on Social Inclusion	77,689	-	77,689
		1,126,749	61,855	1,188,604
Output 1.2. Adaptive capacity of farming systems strengthened and local businesses developed	Local Extension Service Staff (14 men, 14 women)	260,003	476,672	736,675
	Trainings on Agroecology and other CRA practices	103,123	-	103,123
	Young farmers coaching learning routes	56,051	-	56,051
	Training on business development	44,940	-	44,940
	Support to Rural Women	59,391	-	59,391
	Entrepreneurship	29,052	-	29,052
Subtotal output 1.2.		552,559	476,672	1,029,231
Output 1.3. Financial support to adaptive activities provided	Value Chain Fund	1,435,260	2,038,264	3,473,524
	Sector Development Facility	148,392	76,064	224,456
Subtotal output 1.3.		1,583,652	2,114,327	3,697,980
Total Cost Component 1		3,262,960	2,652,854	5,915,815
Component 2. Integrated Landscape Management				
Outcome 2. Improved resilience of ecosystems and infrastructures assets				
Output 2.1. Participatory Local Climate Adaptation Strategies developed	Environment & climate Specialist Secondment	38,691	92,555	131,246
	Rural Infrastructure Engineer Secondment	38,691	92,555	131,246
	Local Climate Adaptation strategies	262,777	-	262,777
Subtotal output 2.1.		340,159	185,110	525,269
Output 2.2. Ecosystem protecting measures implemented	Ecological & Pastoral practices	141,327	-	141,327
	Other Ecosystem measures	1,098,603	497,890	1,596,493
	Rural Water Supplies	1,122,529	812,282	1,934,811
Subtotal output 2.2.		2,362,459	1,310,172	3,672,632
Output 2.3. Rural adaptation collective infrastructure rehabilitated or constructed	Climate proofing of rural roads	1,802,871	17,916,574	19,719,445
	Other public investments	137,420	70,440	207,860
Subtotal output 2.3		1,940,291	17,987,014	19,927,305
Total Cost Component 2		4,642,909	19,482,297	24,125,206
Component 3. Mainstreaming mountain adaptation solutions into policies and strategies				
Outcome 3. Strategies and mechanisms for mountain adaptation, based on lessons from project approaches and implementation, are integrated at municipal and national level				
Output 3.1. Relevant knowledge products prepared and disseminated to key stakeholders	GIS Climate vulnerability assessment	85,185	-	85,185
	MoU – University of Montenegro	47,510	-	47,510
	Duos of Montenegrin postgraduates and international students	60,364	-	60,364
	Subregional networking	21,377	-	21,377
Subtotal output 3.1.		214,435	-	214,435
Output 3.2. Local and national institutions supported in the creation of mechanisms and strategies for mountain adaptation	Working Group on Mountainous Areas	97,827	1,269	99,095
	Municipal Rural Climate Adaptation Strategies	124,847	-	124,847
Subtotal output 3.2.		222,674	1,269	223,943
Total Cost Component 3		437,109	1,269	438,377
Total project activity cost		8,342,978	22,136,420	30,479,398
Project Execution Costs				
Salaries and Allowances	Project Coordinator	208,298	-	208,298
	Legal Officer Secondment	31,915	49,468	81,383
	Procurement Officer Secondment	35,106	55,392	90,498

Monitoring & Evaluation Officer Secondment	35,106	52,484	87,590
Finance Officer Secondment	35,106	53,760	88,866
Administrative assistant Secondment	35,106	53,760	88,866
Archive Services	9,574	-	9,574
Domestic Travel Allowances	50,553	-	50,553
Subtotal salaries and allowances	440,766	264,863	705,629
Equipment and Goods (vehicles, computers and peripherals, printers, photocopier, accounting software and other software licenses)	62,680	30,862	93,541
Baseline survey, Project Completion (final) survey and completion process	58,780	-	58,780
Startup assistance and workshops, implementation workshops and other technical assistance and communication campaign	103,473	6,775	110,248
Operating Costs (offices rental and utility costs, audit fees, vehicle O&M, and other operating costs)	207,913	327,744	535,656
Total Project Execution Costs	873,612	630,243	1,503,855
Total project costs	9,216,590	22,766,663	31,983,253
Project Cycle Management Implementing Entity Fee			
Total Project Cycle Management Implementing Entity Fee	783,410	-	-
Amount of Financing Requested	10,000,000	22,766,663	32,766,663

I. Disbursement Schedule

Table 18: Disbursement schedule

	Amount disbursed by year (USD)						Total
	Year 1 2023-2024	Year 2 2024-2025	Year 3 2025-2026	Year 4 2026-2027	Year 5 2027-2028	Year 6 2028-2029	
Project Funds	1,790,204	1,538,255	2,206,626	2,172,517	1,177,485	331,501	9,216,590
Implementing Entity Fees	152,167	130,752	187,563	184,664	100,086	28,178	783,410
Total	920,773	1,668,824	2,337,195	2,303,086	2,308,054	462,070	10,000,000

Part IV: ENDORSEMENT

A. Record of endorsement on behalf of the Government¹¹¹

Mrs Jelena Ban Adviser Ministry of Ecology, Spatial Planning and Urbanism Division for Climate Change, Directorate for Climate Change and Mediterranean Affairs	Date: <u>21 July 2022</u>
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Letter of Endorsement by Government of Montenegro

Podgorica, Montenegro
21.07.2022.

To: The Adaptation Fund Board
c/o Adaptation Fund Board Secretariat
Email: Secretariat@Adaptation-Fund.org
Fax: 202 522 3240/5

Subject: Endorsement for the Project "GORA- Adaptation to Climate Change and Resilience in the Montenegrin mountain areas"

In my capacity as designated authority for the Adaptation Fund in Montenegro, I confirm that the above national project proposal is in accordance with the government's national priorities in implementing adaptation activities to reduce adverse impacts of, and risks, posed by climate change in Montenegro.

Accordingly, I am pleased to endorse the above project proposal with support from the Adaptation Fund. If approved, the project will be implemented by the International Fund for Agricultural Development (IFAD) and executed by the Ministry of Agriculture, Forestry and Water Management.

Sincerely,

Jelena Ban
National Designated Authority
Adviser in the Ministry of Ecology, Spatial Planning and Urbanism
Directorate for EU Integration, International Cooperation and
Climate Change

¹¹¹ Each Party shall designate and communicate to the secretariat the authority that will endorse on behalf of the national government the projects and programmes proposed by the implementing entities.

B. Implementing Entity Certification

<p>I certify that this proposal has been prepared in accordance with guidelines provided by the Adaptation Fund Board, and prevailing National Development and Adaptation Plans and subject to the approval by the Adaptation Fund Board, <u>commit to implementing the project/programme in compliance with the Environmental and Social Policy of the Adaptation Fund</u> and on the understanding that the Implementing Entity will be fully (legally and financially) responsible for the implementation of this project/programme.</p>	
<p>Implementing Entity coordinator:</p> <p>Mr Tom Mwangi Anyonge <i>Director a.i</i> <i>Environment, Climate, Gender and Social Inclusion Division</i></p>	
<p>Date: _05F August 2022_____</p>	<p>Tel. and e-mail: +393346705272 t.anyonge@ifad.org ecgmailbox@ifad.org</p>
<p>Ms Janie Rioux Senior Technical Specialist (Climate change), ECG Division</p>	<p>Tel. and email: +39 351 9509554 j.rioux@ifad.org</p>
<p>Project contact person:</p> <p>Mr Walid Nasr, Regional Climate and Environment Specialist (a.i.)</p>	
<p>e-mail: w.nasr@ifad.org</p>	
<p>Mr Philippe Rémy, IFAD Montenegro Country Director</p>	
<p>Tel. and e-mail: +393346678460 p.remy@ifad.org</p>	

Annex 1: Letter of endorsement by the Government



ADAPTATION FUND

Letter of Endorsement by Government of Montenegro

Podgorica, Montenegro
21.07.2022.

To: The Adaptation Fund Board
c/o Adaptation Fund Board Secretariat
Email: Secretariat@Adaptation-Fund.org
Fax: 202 522 3240/5

Subject: Endorsement for the Project **"GORA- Adaptation to Climate Change and Resilience in the Montenegrin mountain areas"**

In my capacity as designated authority for the Adaptation Fund in Montenegro, I confirm that the above national project proposal is in accordance with the government's national priorities in implementing adaptation activities to reduce adverse impacts of, and risks, posed by climate change in Montenegro.

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Sincerely,

Jelena Ban
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Adviser in the Ministry of Ecology, Spatial Planning and Urbanism
Directorate for EU Integration, International Cooperation and
Climate Change

Annex 2: Stakeholder consultation process

1. **Approach and consultation techniques.** Gora was designed in continuous consultation with National stakeholders, and in particular the ongoing RCTP project team. The design of the Gora project was done in a hybrid manner. From January to March 2022 virtual meetings were held with country national and subregional counterparts (table of consultation is included as an appendix). In April 2022, an in-country mission took place during two weeks (programme of the mission is included as an appendix). A wide range of stakeholders were consulted, both at national, municipal and local level (attendance sheets are available [at this link](#)). Special attention was given to ensure a gender and youth focus in these engagements. As such, institutions dealing with gender and youth issues, both public and from the civil society, were consulted. Male and female potential beneficiaries and stakeholders were consulted both separately and in mixed groups. Moreover, the appropriateness of time and location of consultation meetings, especially for women, was taken into account.

2. **Consultation findings.** The main issues emerging from these consultations related to droughts, exacerbated by limited access to water, remoteness (due to lack or poor condition of roads), limited economic opportunities, forest fires, heavy rainfall and erosion. Women mentioned that given that they are often not registered in the register of agricultural holdings or hold land titles in their names, they are not able to request state support. Often it is the husband who is registered and makes the request on their behalf. Women also expressed high interest in equipment or technologies that would reduce their workload, such as milking machines, mowers and equipment for making pressed hay. It was also mentioned that young people do not have a lot of attractive opportunities in rural areas and they often migrate to cities or abroad.

Case study

Anka's story: Working smarter – and fairer – in Montenegro

For all its rugged, mountainous beauty, Montenegro can be a very hard place to live – especially for women. Over the years, the country's highly patriarchal society and educational systems have resulted in firmly entrenched gender inequality. These disparities color all aspects of Montenegrin life, from the job market to societal standing, but they all stem from one place: the unequal distribution of family and household responsibilities.

Women in rural areas have a particularly full workload. Their households are typically large, and their daily activities include farming tasks in addition to housework. Fortunately, in recent years, government institutions and non-governmental organizations – along with the women themselves – have begun to work towards making a change.

In this context, projects like the IFAD-supported Rural Clustering and Transformation Project (RCTP) are more important than ever. This project puts a special emphasis on rural women's empowerment by using a gender-transformative approach: a methodology that aims to empower these women economically, reduce their workloads and encourage their inclusion in household and public decision-making.

These approaches work. Just ask Anka Popović.

Anka lives in Šavnik municipality, in a rural area of Montenegro. Agriculture is her family's sole source of income. When her husband was alive, she mostly did housework, as well as some of the easier field work. But after his death, all of the agricultural responsibilities fell to her. In addition to housework, she now feeds the cow and poultry, cleans the barn, milks the cow, and makes cheese. She often goes into the woods to pick blueberries, too, which she uses to make juices and jams. To sell all her products, she has to carry them by hand to the main road, 30 minutes away from her home.

Her sons helped out where they could, chopping wood and cutting the grass on the extensive meadows that surround their house. But their other jobs as day labourers sometimes kept them away from the house for long periods, meaning Anka had to step in. Cutting the grass, in particular, was a big problem. The family's old second-hand mower helped somewhat to reduce the work, but it was still a physically demanding task.

Clearly, reducing Anka's workload was a priority. The Gender Action Learning System (GALS), a methodology used by RCTP and many other IFAD projects to help participants think through their personal and family dynamics, helped Anka and her family do just that.

Anka and her sons began by attending a series of GALS workshops hosted by RCTP. In these workshops, she had the chance to reflect on what she wanted to achieve and the life goals she wanted to set for herself, and also learned methods for starting a dialogue about what she wanted to change. For their part, her sons were genuinely surprised to see how much hard physical work she had had to take on – especially when it came to cutting the grass.

Fortunately, not only did RCTP assist with establishing a dialogue in the household, it also helped her family acquire a grass-collecting machine. The new grass-collecting machine allows them to work much more efficiently, reducing Anka's workload and giving her more free time. It has other benefits, too: they now have surplus grass to sell, and they can cut it all in one day, reducing the potential for spoilage.

Having learned through the workshops that business planning and working together can increase both productivity and income, Anka's household members decided to redistribute the work. Her sons decided to fully take over the grass cutting and wood chopping, as well as help with cleaning the barn and harvesting vegetables. They also began helping with product sales, scheduling appointments with customers so that they can meet Anka on the road at just the right time.

Through other workshops hosted by RCTP, Anka has had the opportunity to learn how to express her opinions and strengthen her voice – and even participate in decision-making processes. For example, although she has always been involved in agriculture, she did not have a registered agricultural holding with the Ministry of Agriculture, Forestry and Water Management. Thanks to the skills she gained, she finally decided to register her household – and herself as the head of it. She has also improved her agricultural skills thanks to trainings conducted by the RCTP team in collaboration with experts.

Anka now has big plans for the future: she wants to expand and increase her production. She has already taken the initiative and applied for support to purchase another cow. Now that her workload has been reduced due to upgraded machinery and workload distribution, she finally has the time to care for it. Her sons, too, are able to work for the family and plan their time for themselves, stress-free. They plan to follow in Anka's footsteps.

The rigid gender norms in Montenegro are starting to shift. Although progress is happening more slowly in the rural areas than in the cities, households all over the country are discovering ways to balance traditional processes and customs with new, more equitable patterns of work distribution – and it's all thanks to the hard work of people like Anka and her family.



© RCTP

Lists of stakeholders consulted

Date and object of the meeting	Participants
21 st January 2022 Presentation of the project concept and structure to the Government of Montenegro (remote)	<ul style="list-style-type: none"> - Mr Aleksandar Stijovic, Minister of Agriculture, Forestry and Water Management. - Mr Ratko Mitrovic, Minister of Ecology, Spatial Planning and Urbanism. - Mrs Jelena Ban, National Designated Authority for Adaptation Fund. - Mrs Danijela Cabarkapa, Directory for Climate Change in Ministry of Ecology, Spatial Planning and Urbanism. - Mr Igor Jovanovic, RCTP Coordinator.
2 February 2022 Consultations with stakeholders in Mojkovac	<ul style="list-style-type: none"> - Mr Vlaović Nikola - ABC centre - Mr Veljović Zarko - Berries cluster - collecting centre - Mr Čorić Rade - producer and cooperant of collecting centre - Mr Fustić Danilo - Cooperant of Milk collecting centre and beneficiary - Mr Minić Slađan - Milk Collecting centre
3 February 2022 Chamber of commerce	<ul style="list-style-type: none"> - Mrs Tanja Radusinović, Director of Sector for projects - Mrs Marija Raspopović, Senior Adviser - Mr Stefan Jovanović, Senior Adviser
11 February 2022 UNDP support to climate adaptation in Montenegro	Mr Borko Vulikic
15 February 2022 Directorate of Forestry on Forest management practices	Mr Ranko Kankaras – Head of the Directorate of Forestry
17 February 2022 Telegroup – partner of the GIZ project “ <i>Digitalizing Municipal Land Management</i> ”	<ul style="list-style-type: none"> - Mr Stefan Djurović, Commercial from Telegroup - Mr Stefan Jovanović, Chamber of Commerce
18 February 2022 Technical discussion on project approach	Mr Velibor Spalević, PhD, University of Montenegro. Biotechnical Faculty. Ecological Engineering for Soil & Water Resources Protection. www.geasci.org/Spalevic
21 February 2022 KRŠ programme and other questions about interventions in Northern Montenegro/subregion	Mrs. Andja Vuksevic Zorić – SWG (https://seerural.org/)
23 February 2022 Technical discussion on project approach	Mrs Dominique Barjolle, PhD, Swiss Federal Institute of Technology (ETH), AGRL
25 February 2022 Mojkovac consultation with Agri-Business Centre and Secretariat for Spatial Planning and Sustainable Development representatives	<ul style="list-style-type: none"> - Mr Jovic Markovic (opstinamojkovac@t-com.me) - Mr Darko Fustic (agrobizniscentarmk@t-com.me)
28 February 2022 Presentation on the Self-evaluation and Holistic Assessment of climate Resilience of farmers and Pastoralists (SHARP) tool,, and its possible adaptation to Montenegro Mountainous areas	<ul style="list-style-type: none"> - Mrs Suzanne Phillipps, FAO (Suzanne.Phillips@fao.org) - Mrs Sirine Johnston, FAO (Sirine.Johnston@fao.org)
2 nd March 2022	Mrs Sasa Petkovic, project manager, Care Balkan (spetkovic@care.ba)

Montenegro

Adaptation to Climate Change and Resilience in the Montenegrin mountain areas - Gora

Adaptation Fund Project Proposal

CARE Balkan – sharing the “Young Men Initiative” experience	
8 March 2022 UNEP experience supporting Balkan Mountains	- Mrs Sonja Gebert, Associate Programme Management Officer, Vienna Programme Office, Secretariat of the Carpathian Convention (sonja.gebert@un.org) - Mr Matthias Jurek (matthias.jurek@un.org)
9 March 2022 Montenegrin Cadastre	Mr Veselin Lacic (lakicveselin@gmail.com), Agronomist
16 March 2022 Slow Food Montenegro	- Mrs Paola Roveglia (p.roveglia@slowfood.it) - Mr Luis Francisco Prieto (f.prieto@slowfood.it) - Mrs Alessandra Villa (a.villa@slowfood.it)
17 March 2022 Dronecoria	Mr Lot Amoros (dronecoria@gmail.com)
21 March 2022 Using SHARP for Integrated Landscape Management	- Mr Paul Donadieu (paul.donadieu@ethz.ch), Swiss Federal Institute of Technology (ETH) - Mrs Sophie Van der Berg (sophie.vandenberg@ethz.ch)
21 March 2022 Soil Management in Montenegro	Mr Mirko Knežević, PhD, University of Montenegro, Biotechnical Faculty (knez@t-com.me ; mirkok210271@gmail.com)
22 March 2022 Lessons from pasture management research in Albania	Mr Florjan Bombaj, PhD, Montpellier SupAgro, Research Associate
23 March 2022 FAO/EBRD project experience on Geographic Indications in Montenegro	- Mrs Lisa Paglietti (Lisa.Paglietti@fao.org) - Mrs Nina Coates (Nina.Coates@fao.org) - Mrs Stefania Manzo (Stefania.Manzo@fao.org) - Mrs Aurélie Fernandez (Aurelie.Fernandez@fao.org)
24 March 2022 Follow up discussion on involvement of research institutes in Gora	Mrs Dominique Barjolle, PhD, Swiss Federal Institute of Technology (ETH), AGRL
31 March 2022 International Association for the Development of Agroenvironment (AIDA) – Discussion on Participatory Guarantee System and MountMed	- Mr Francois Lerin, AIDA - Mrs Claire Bernard, French Agricultural Research Centre for International Development (CIRAD) - Mr Dimitri Goussios, University of Thessaly
31 March 2022 Presentation of FAO’s Rural Invest tool	Mrs Chloé Cangiano, FAO
31 March 2022 Thoughts on financial inclusion	Mr Bora Surmeli, Economist and financial expert, resource person
1 April 2022 FAO initiative on Globally Important Agricultural Heritage Systems in Montenegro	- Mrs Aurélie Fernandez, FAO - Mrs Nina Coates, FAO
1 April 2022 Ministry of Sustainable Development and Tourism, Directorate for Spatial Planning	Mrs Zeljka Curovic, Urban planner and Landscape architect, Msc rural landscape and valorisation of rural settlements
4 April 2022	- Mrs Gorica Radulovic (gorica.radulovic@mpsv.gov.me)

Montenegro

Adaptation to Climate Change and Resilience in the Montenegrin mountain areas - Gora

Adaptation Fund Project Proposal

Second Institutional Development and Agriculture Strengthening Project (MIDAS 2)	- Mrs Marija Radulovic (marija.klikovac@t-com.me)
6 April 2022 FAO experience on mapping resilience at landscape level in Spain	Mrs Marta Arnes, FAO
8 April 2022 Instrument for Pre-Accession Assistance for Rural Development (EU) – IPARD	Mrs Vesna Korovic
13 April 2022 Meeting with financial sector stakeholders	- Mr Srdan Durovic (Credit Sector Manager in Altermodus) - Mr Danilo Blagojevic (Regular manager for Northern area credit operation of Altermodus) - Mr Batric Janjic (Regional Manager in Hipotekarna Banka).

Design mission agenda (19-29 April 2022)

19 – 29 APRIL 2022 – GORA DESIGN IN MONTENEGRO: MISSION AGENDA				
Date	Location	Meetings – Group 1	Meetings – Group 2	
Mo	18 Apr	Arrival	Meeting with the RCTP team & confirmation of mission programme	
Tu	19 Apr	Podgorica	08:30- 09:45 – Meeting with the Minister of Agriculture, Forestry and Water Management 10:15-12:00 0 – Meeting with representatives of the Ministry of Ecology, Spatial Planning and Urbanism (dedicated discussion on Spatial Planning) 12:00-13:00 Meeting with representatives of the Ministry of Finance and Social Welfare 16:00-17:00 – University of Montenegro/Research stakeholders 17:15-18:00 – Visit of the University of Montenegro 18:00-19:00 – Discussion with RCTP service provider for vermicomposting OVERNIGHT IN PODGORICA	
We	20 Apr	Podgorica	08:15 – Leaving the hotel 8:30- 9:30 – Thematic meeting on business development/access to finance: IPARD, MIDAS, Chamber of Commerce 8:30 – 9:30 Meeting with Directorate for Youth (separate group) 10:00-13:00 – Union of Municipalities- Meeting with representatives from 14 Municipalities, chaired by the MoAFWM 14:00-15:30 – Directorate for minority OVERNIGHT IN KOLAŠIN	
Thu	21 Apr	Field Kolašin, Mojkovac and Berane	08:30 – Leaving hotel <p style="text-align: center;">KOLAŠIN</p> 09:30-14:00 – Producers from Kolašin (livestock, plums, apples, strawberries) – 3 farms visit + school visit + focus group with farmers on katuns and infrastructure 16:30-20:00 – Kolašin landscape and infrastructure (bridges). OVERNIGHT IN BERANE	08:30 – Leaving hotel <p style="text-align: center;">MOJKOVAC and BERANE</p> 09:30- 13:00 – Extension services and RCTP beneficiaries 11:30-13:30 - Fire Brigade 14:00-15:30 - Raspberry storage, RCTP beneficiary, berries and mushroom pickers 16:30-18:00 Ecotourism in katuns – FAO/EBRD beneficiary 18:30-19:45 – RCTP rehabilitated road, community centre, community rehabilitated school and RCTP water access OVERNIGHT IN BERANE
Fr	22 Apr	GOOD FRIDAY Field visit Bijelo Polje, Petnjica and	08:30– Leaving hotel <p style="text-align: center;">ROŽAJE</p> 10:00-12:30 – Meeting with a livestock herder community in	08:30 – Leaving hotel <p style="text-align: center;">BIJELO POLJE and PETNJICA</p> 09:30-10:30 – Discussion with the mayor of Petnjica and other municipality representatives 10:45-11:45 – Subgroup discussions with RCTP beneficiary from

		Rožaje	<p>Rožaje municipality (seasonal occupation of katuns) 13:30-15:00 visit of a model berry farm and meeting with a community close to the Serbian border, at mid-altitude (1000m) 16:00-17:30 – Informal visit of a rural tourism resort in Rožaje municipality</p> <p>20:00-21:00 – Team meeting OVERNIGHT IN BERANE</p>	<p>Petnjica, extension services, and representative of women association 12:00-12:30 – Women entrepreneur workshop for wool products 16:00-17:30 – RCTP beneficiary (milk producer) + Local Community Centre in Bijelo Polje 18:00-19:00 – Slow Food volunteer in Bijelo Polje 20:00-21:00 – Team meeting OVERNIGHT IN BERANE</p>
Sa	23 Apr	Field visit Andrijevisa, Plav and Gusinje	<p>08:30 – Leaving the hotel ANDRIJEVICA</p> <p>08:45-09:15 – Introduction from Andrijevisa vice mayor and other municipality representatives 09:30-10:00 – Visit to the House of Fruits building site 10:15 – Landslide site 10:30-11:30 – Japan village and agritourism 12:00-12:30 – Local household (dairy producers and hunter) 13:00-13:30 – Agritourism 14:00-18:30 – Visit to six households (dairy producers) Evening – Working session on budget OVERNIGHT IN BERANE</p>	<p>08:30 – Leaving the hotel PLAV and GUSINJE</p> <p>09:30-12:30 – Producer from Plav + group discussion in Plav (blueberries, mushrooms, livestock) 14:00- 16:00 – Producer from Gusinje + group discussion in Gusinje (livestock and katuns) 16:00 – 17:00 – Visit of an ecotourism trail in Gusinje OVERNIGHT IN BERANE</p>
Su	24 Apr	ORTHODOX EASTER	<p>8:30-12:30 – Working session on project structure and budget 13:00 Leaving the hotel 14:00-15:30 – Transfer to Pljevlja with a stop-over visit of a rural tourism scenic spot overlooking the Cehotinje river meanders. Landscape observation during the transfer (open pit coal mine, state of powergrid assets, erosion and forests management practices) 18:00-21:00 – Working session OVERNIGHT IN PLJEVLJA</p>	
Mo	25 Apr	Holiday on Orthodox Easter Field visit Pljevlja,	<p>08:30 – Leaving the hotel PLEVLJA</p> <p>09:00-11:30 – Local landscape: landslide, forest fire and erosion sites 12:00-12:30 – Household of dairy producers; youth interview 12:45-14:45 – Organic cereal producing households</p>	<p>08:30 – Leaving the hotel ŽABLJAK and ŠAVNIK</p> <p>10:00-12:00 – RCTP beneficiary in Žabljak (slaughterhouse) + Forest guard 13:00- 15:00 – Fire Brigade with ABC representative in Šavnik + Community centre and school + eco lodge</p>

		Žabljak and Šavnik	15:00-15:30 – Dairy producer Travel to Nikšić Evening – Working sessions on technical components (1 & 2) OVERNIGHT IN NIKŠIĆ	Travel to Nikšić Evening – Working sessions on technical components (1 & 2) OVERNIGHT IN NIKŠIĆ
Tu	26. Apr	Field visit Plužine and Nikšić	08:30 – Leaving the hotel PLUŽINE 10:30-11:30 – Dairy and Honey producer from Plužine + local landscape 12:45 – Plužine hydroelectric dam 13:30-14:30 – Remote dairy producers from Plužine Return to Podgorica Evening – Working session OVERNIGHT IN PODGORICA	08:30 – Leaving the hotel NIKŠIĆ 09:30-11:00 – Nikšić fire brigade volunteers training centre 11:30-15:00 – RCTP beneficiary+ Milk collecting centre in Nikšić + local community centre + visit of a rainwater storage pond 15:30-16:30 – Visit of a cheese and yogurt factory in Nikšić Return to Podgorica Evening – Working session OVERNIGHT IN PODGORICA
We	27. Apr	Podgorica	09:30-11:00 – Meeting on scope of National Council for Sustainable Development 09:30-11:00 – Meeting with Pr. Curovic, Forestry expert at the Biotechnical Faculty of Podgorica 11:30- 13:00 – Meeting with UNDP and UNEP in Montenegro 13:30-15:00 – Ministry of Finance and Social Welfare 15:00-16:00 – Discussion on Agro-budget Aide-Memoire preparation OVERNIGHT IN PODGORICA	
Th	28. Apr	Podgorica	Morning – Aide-Memoire finalisation 12:00-13:00 – Discussion on Spatial Planning 14:00-15:00 – Aide-Mémoire signature 15:00-16:00 – Meeting with United Nations Resident Coordinator Working session on project activities, budget and phasing OVERNIGHT IN PODGORICA	
Fr	29. Sept.	DEPARTURE	08.30-09:30 Closing discussion with representatives from the Ministry of Agriculture, Forestry and Water Management, Ministry of Ecology, Spatial Planning and Urbanism (including the NDA for Adaptation Fund) and Ministry of Finance and Social Welfare Working session on project Logframe Departure	

Annex 3: Environmental and Social Management Plan

I. Summary description of the project

1. **Country.** Montenegro is a small (approximately 13,820 km²) country of the Western Balkan populated by 620,000 inhabitants¹¹². After regaining its independence in 2006, the country swiftly ratified the Kyoto Protocol and became a member of the United Nations Framework Convention on Climate Change (UNFCCC) as a non-Annex 1 Party. It has also progressively aligned with regulations from the European Union (EU) while engaging in negotiations to integrate the Union. Its geophysical features also create a contrast between Southern coastal region, Central lowlands and Northern mountainous areas. Municipalities in the higher altitude zone are more sparsely populated and face specific adaptation challenges, which the project aims to address.

2. **Poverty.** Montenegro relies on a dual economy with a thriving model in coastal and central parts, while the northern mountainous area is increasingly disconnected from growth drivers, and suffers from reduced investments, limited competitiveness, emigration and isolation. The population of the northern region is the most exposed to the risk of poverty. In 2019, 41.2% of population of the northern region was at risk of poverty, while population of the central region had the lowest risk of poverty (16.6%)¹¹³. Considerably lower income of population in the northern region compared to other regions can be explained to a certain degree by a dominant share of agriculture. In addition to small sized holdings, climate and economic vulnerability, low incomes derived from agriculture stem primarily from weak links to markets and low competitiveness of the output produced. This situation is determined by constraints on both supply and demand sides that together form a vicious circle. On the supply side, farm size and farming patterns, problems related to innovation, lack of connectivity, lack of post-harvest storing facilities, handling and packaging, are the main causes for limited marketing opportunities available to rural producers, not least in northern areas. This in turn is linked to demand side failures, i.e. the under-development of vertically coordinated supply chains that could play a key role in driving demand for agricultural produce in line with market requirements¹¹⁴.

3. Sixty percent of all unemployed live in the less developed North, which hosts half of Montenegro's poor, and unemployment in the Northern region was over 36 percent in 2019 despite recent economic growth. Citizens in that region also have inferior access to social services and water, sewage, digital, and transportation infrastructure. Deteriorated rural roads in particular cause social, economic and health problems for increasingly isolated rural settlements. This has led to continued strong migration from the North to the South in the past decades. Given the size of the country, access to services and job opportunities for people in lagging regions, especially for the youth, can be boosted by investing both in human capital and productive capacities. The North, hosting the UN world heritage protected national park and other mountainous areas, provides opportunities to develop sustainable tourism such as ecotourism with strong linkages to the local economy's accommodation, agriculture, and travel service sectors, generating well-paid job opportunities and supporting inclusive economic development post-crisis.

4. **Agriculture.** Agricultural land in Montenegro covers an area of 309,241 hectares. It represents 22.4% of the territory (95.2% is family farms and 4.8% is registered agricultural businesses) and is very fragmented. Utilised agricultural land in 2018 was 256,808 ha, which has slightly increased with 0.2% compared to 2017. In total utilised agricultural land areas, perennial meadows and pastures areas prevail with the share of 94.3%, while arable land is present with 2.8%, permanent crops 2.1% and kitchen gardens 0.8%. In comparison with 2017, perennial meadows and pasture areas increased by 0.2%, arable land increased by 0.5%, kitchen garden increased by 0.5% and permanent crops increased by 0.2% in 2018. The farm structure survey of 2016 indicates a significant increase in utilised agricultural area under arable land, vineyards, orchards as well as meadows and pastures

¹¹² MONSTAT (2011). National census.

¹¹³ MONSTAT (2021). Statistical Yearbook 2021.

¹¹⁴ IFAD (2016). Rural Cluster Transformation Project – Project Design Report.

compared to the same areas from 2010¹¹⁵. Holdings in the North, prevalingly in mountainous regions, mainly breed livestock (big cattle, sheep and goats). In lower northern regions, continental fruits and berries are grown.

5. Seasonally accessible communal summer pastures in the mountains are known as katuns in Montenegro. For centuries, communities would move with their livestock, family and belongings from foothills villages to upper grasslands after snowmelt. Unwritten rules regulated the use and benefit of these pastures, which could only be accessed each year after the izdig (transhumance to summer pastures), a collectively agreed and celebrated date generally around May. Each household would maintain and occupy a dwelling, and the right to occupy a portion of the katun with one's herd was inherited. The ownership of land and/or housing in katuns is rarely formalized (the land usually being owned by the state), which can be an issue to access specific subsidies.

6. **Climate change.** Montenegro faces mean annual temperature steadily increasing since 1901, and has registered negative precipitation trends since 1981 specifically in the mountainous areas, as well as erratic rainfalls, higher extreme temperatures, frequent droughts and fires. Mountainous areas are more impacted than the rest of the country. Section I. A. and Annex 4 provides a detailed analysis of climate change and associated impacts in Gora intervention area.

7. Mountain ecosystems provide vital services, including water, forest, carbon storage and cultural values. They are at the same time particularly vulnerable to climate change. Accelerated snowmelt in spring translates in a disruption of water flow resulting in flash floods and excess accumulation downstream, while reduced upstream infiltration leads to water deficits in highlands, including katuns or summer pastures. This has direct impacts in terms of water availability within the watershed throughout the year, which can already be observed.

8. Heightened temperatures and intensifying droughts translate in an increased vulnerability of forests to fires and the degradation of natural resources in general. Fragile soils and burnt areas are in turn more at risk of landslides with the increased water runoff, with impacts on infrastructures such as roads. The heat and drought increases, together with the disrupted water flow, make reliable water supply more urgent. Small scale producers are particularly vulnerable to climate shocks as they rarely have the means to anticipate and adapt to these accelerating changes. The multiple impacts of climate change on production systems go beyond drought and heat cycles, and also include hail, late spring frost, and an increase in pests and diseases. Income instability, limited social capital and poor infrastructure (in particular roads) are additional barriers that constrain the adaptive capacity of poorer producers in northern mountainous areas.

9. **Project approach and theory of change.** Gora will seek to address the above-mentioned vulnerabilities, aiming at the following goal: *enhance ecosystem and smallholder livelihood resilience to climate change in northern Montenegro through the adoption of environmentally sustainable and climate resilient technologies and practices*, through a comprehensive approach:

- First through the **enhanced the resilience of smallholders' livelihoods to climate change in mountainous areas** (Outcome 1), by replicating RCTP's rural clustering approach. Indeed the success of RCTP in bringing together all the stakeholders of selected commodities translates both in the stable source of income resulting from the secure outlets negotiated through the clusters, and in the increased social capital, enabling these local actors to work together in identifying common priorities and goals. Gora will go beyond RCTP by ensuring the inclusive provision of information and training on agroecology and other climate resilient practices, and encouraging the diversification of income and production systems with the promotion of secondary value chains (including agro-ecotourism) and provision of climate adaptive matching grants. Support brought under the value chain fund will enable the graduation of poorer and marginalized producers, who are excluded from Government support (under the agro-budget), and who should progressively become eligible to other types of support and subsidies (beyond Gora). Overall, it is expected that up to 20,000 local

¹¹⁵ MONSTAT (2017).

stakeholders (50% women, 30% youth) would benefit from the support delivered under this outcome, notably through the enhancement of services provided by extensionists. By the end of the project, up to 80% of directly targeted households should report (i) the adoption of environmentally sustainable and climate resilient technologies and practices, and (ii) an increased stability of income, while 80% supported rural enterprises should report an increase in profit. It is also expected that the adoption of agroecology and other climate resilient practices at farm level could contribute to the resilient management of up to 720 hectares of agricultural land.

- Under its second component, the project will leverage the social capital built at cluster level to engage all local stakeholders in collectively mapping the key climate vulnerabilities of the local landscape through an integrated landscape management approach, leading to an **improved resilience of ecosystems and infrastructures assets** (Outcome 2). This participatory mapping will take a close look at women, youth and minorities' perspective on the local landscape. The resulting Local Climate Adaptation Strategies will highlight priority areas for resilient investments protecting both the landscape and livelihoods. Such investments will include the climate proofing of portions of uncategorized rural roads and other infrastructure, as well as the water storage at critical points to ensure the breakage of runoff and reduction of erosion risk. Biotechnical measures will also be piloted in a strategic manner, to restore degraded areas, protect infrastructures and increase water infiltration. These investments will result in a better management of the water flow at ecosystem level, aiming at an enhanced infiltration and water storage upstream, in summer pastures, for reduced runoff and enhanced soil conservation downstream. The prioritization of infrastructure will also include livelihood criteria, in relation with priorities identified at cluster level (under component 1). Under this outcome, 22 Local Climate Adaptation Strategies will be developed at community level, paving the way to the maintenance/improvement of at least 67 natural resource assets (through land restoration/reduced erosion, and improved water infiltration), over an estimated surface of 2,140 hectares. 285 infrastructure assets will also be improved to withstand climate change and variability-induced stress (including a cumulated 180km of rural access roads).
- Finally, the third component of Gora will aim at ensuring that **strategies and mechanisms for mountain adaptation, based on lessons from project approaches and implementation, are integrated at municipal and national level** (Outcome 3). This will be achieved by using the experience of the project to develop detailed vulnerability analysis and maps for all targeted municipalities, and supporting them in preparing 14 municipal rural climate adaptation strategies and adopting at least 70% to reflect climate adaptation priorities. Additionally, support will be provided to the National Council for Sustainable Development as a key space to discuss adaptation in Montenegro: a dedicated Working Group on Mountainous Areas will be established, to act as an arena where mountain adaptation solutions can be discussed and capitalized. These Municipal strategies together with the Working Group will enable an advocacy process at national level, contributing to a better integration of rural poor from mountainous areas.

II. Screening and categorization

i) ESP Screening and categorization

10. Gora aims to identify and implement priority adaptation measures for the Northern mountainous areas of Montenegro, in line with the priorities set forth by the Government of Montenegro (GoM). The project complies with the relevant national legislation and the investments undertaken by the project will promote climate resilience and take into consideration the vulnerability of the target areas in terms of climate-risks such as drought and exposure to forest fires, increased water shortages, land degradation, negative impact on income and livelihoods of rural poor. The proposed investments and capacity development support also aim to help marginalized climate vulnerable beneficiaries out of

poverty through sustainable and diversified sources of income, and by increasing awareness about integrated landscape management and concrete consequences of climate change.

11. As such, Gora is an environmentally positive project with no potentially adverse impacts. Following the risk assessment detailed in section III below and the IFAD SECAP (see part II. ii) hereunder) the project corresponds to a 'moderate risk category' due to some minor risks for which mitigation measures have been taken and integrated as described in the ESMP below. Overall, the potential environmental and social risks posed by Gora are limited and the project will make a net-positive contribution to ENRM and climate change adaptation.

Checklist of environmental and social principles	No further assessment required for compliance	Potential impacts and risks – further assessment and management required for compliance
ESP 1. Compliance with the Law	X	No risk
ESP 2. Access and Equity	X	No risk
ESP 3. Marginalized and Vulnerable Groups	X	No risk
ESP 4. Human Rights	X	No risk
ESP 5. Gender Equality and Women's Empowerment	X	No risk
ESP 6. Core Labour Rights	X	No risk
ESP 7. Indigenous Peoples	X	Not applicable: there are no indigenous people in the project area
ESP 8. Involuntary Resettlement	X	Not applicable: the project will not engage in resettlement activities
ESP 9. Protection of Natural Habitats		Low risk: During the mapping of the project activities the PCU will identify and exclude protected natural habitats ensuring that they will not directly or indirectly impact protected areas or high value conservation areas.
ESP 10. Conservation of Biological Diversity		Low risk: During the mapping of the project activities the PCU will conduct a full analysis on the potential impact on critical biodiversity in the project areas and take corrective measures to ensure their protection. Additionally, attention will be given to avoid use of invasive or non-native species for afforestation/reforestation.
ESP 11. Climate Change		Low risk: Dairy and meat production are essential agricultural activities in mountainous areas, and Gora will provide support to these value-chains. Intensification of livestock production may result in limited additional greenhouse gas (GHG) emissions. The ESMP and Gora M&E framework will ensure all pastoralists taking part in the project will have their cattle registered and herd sizes will be monitored. Any potential increase in cattle numbers by Gora will be offset through Ecosystem based Adaptation measures and improved pasture management and the resulting reduction of fire risk.
ESP 12. Prevention and Resource Efficiency		Low risk: Minor risks of effluents discharge may be posed by the upgrading of facilities (e.g. dairy, meat) and will be assessed and mitigated in line with the provisions of the Water Law. Additionally, climate proofing of rural access roads will consider the increased risk of illegal logging in the case of forest roads.
ESP 13. Public Health	X	No risk
ESP 14. Physical and Cultural Heritage		Low risk: All cultural heritage sites in the project areas will be mapped, avoided and reported on in the PPR as part of the ESMP. The project will ensure whether there

		are any national cultural heritage sites in the project areas and propose measures to avoid any alteration, damage, or removal of physical cultural resources, cultural sites, and sites with unique natural values.
ESP 15. Lands and Soil Conservation	X	No risk

ii) Alignment between ESP/AF and SECAP/IFAD

12. IFAD’s Social, Environmental and Climate Assessment Procedures (SECAP) were approved by the Executive Board and became effective in 2015. They were updated in 2017 and 2021. These procedures defined an improved course of action for assessing social, environmental and climate risks to enhance the sustainability of country strategic opportunities programmes (COSOPs), country strategy notes (CSNs), programmes and projects. SECAP along with its 9 Social, Environmental and Climate Standards, sets out the mandatory requirements and other elements that must be integrated throughout the project life cycle. The 2021 updated version (i) draws on lessons learned in SECAP’s implementation since 2017; (ii) clarifies the mandatory and non-mandatory requirements applicable to IFAD-supported investments; (iii) further aligns IFAD’s environmental and social standards and practices with those of other multilateral financial institutions; (iv) reflects IFAD’s complementary policies¹¹⁶ and climate mainstreaming agenda; (v) enables IFAD’s continued access to international environment and climate financing; and (vi) accounts for IFAD’s new commitments and upgraded internal processes. All IFAD projects entering the pipeline are subject to an environmental, social and climate risk screening, and are assigned a risk category for environment and social risks (High, Substantial, Moderate or Low), and for climate risks (High, Substantial, Moderate or Low). These findings, along with subsequent analysis and assessments, must be reflected in the project’s SECAP review note and project documents. Projects with “**Low environment and social Risk**” and “**Low**” climate risk do not require any further analysis.

13. **Moderate Risk** projects require: (i) the final SECAP review note and ESCMP, indicating how potential risks and impacts can be avoided or mitigated; and (ii) an environmental and social monitoring programme. Projects classified Moderate Risk for climate require a basic climate analysis.

14. For projects with **High and Substantial environmental and social risks and impacts**, the due diligence process entails a critical review of the documentation provided by the borrower/recipient/partner. This should involve site visits and interviews with project representatives and other stakeholders by independent environmental and social specialists. These specialists should gain first-hand knowledge of the project and meet with representatives of affected groups to discuss environmental and social concerns, and information needs. This provides IFAD with a more holistic view of the project’s major environmental and social risks and impacts, and the project’s mitigation resources. For Substantial Risk projects, a formal SECAP review note or abbreviated ESCMF is required. For High Risk projects, an Environmental, Social and Climate Management Framework or Environmental and Social Impact Assessment are required. These should also incorporate an ESCMP. In addition, thematic studies or plans can be required for substantial and high risk projects. These can include a Resettlement Action Framework or Plan (RAF or RAP), Indigenous Peoples Plan (IPP), FPIC implementation Plan, Pesticide Management Plan (PMP), etc.

15. For projects that are screened as “substantial” for climate risks, a Targeted Adaptation Assessment is required. For projects classified as “high”, a detailed vulnerability impact and adaptation assessment is required. These assessments aim to quantify risks, identify related adaptation options and ways to integrate them into the project design.

16. IFAD SECAP includes 9 Standards, for which detailed guidance is provided in 9 corresponding Guidance Notes (GN) with: (i) an introduction to each subject, (ii) key steps, roles and responsibilities, objectives and background, (iii) criteria for environmental screening in IFAD projects; (iv) potential

¹¹⁶ Including, but not restricted, to policies on targeting (2006), gender equality and women’s empowerment (2012), indigenous peoples (2009). Available at: www.ifad.org/operations/policy/policydocs.htm

mitigation and adaptation plans and measures for controlling adverse impacts, (v) monitoring project implementation. The SECAP also includes a 10th guidance note that provides an overview of the importance of IFAD's mainstreaming commitments and highlights entry points for promoting mainstreaming along the project cycle. IFAD's mainstreaming commitments are related to environmental sustainability, climate finance, gender equality, women and youth empowerment and improved nutrition.

17. The following table provides some information about the relation between AF ESP Principles and IFAD SECAP (for further information, visit <https://www.ifad.org/topic/gef/secap/overview>).

AF ESP Guidance Principle	IFAD SECAP Standards, Guiding Values and Principles
<p>ESP 1 Compliance with the Law</p>	<p>SECAP requires that activities in the framework of the IFAD financed projects or programmes meet IFAD's safeguard policy guidance, comply with applicable national laws and regulations (labour, health, safety, etc.) and international laws and treaties, and the prohibited investment activities list produced by the International Finance Corporation is adhered to.</p> <p>Project design should review: (i) current national policies, legislation and legislative instruments governing environmental management health, gender and social welfare, climate change (mitigation and adaptation) and governance with their implementation structures, identify challenges, and recommend appropriate changes for effective implementation; (ii) all relevant international treaties and conventions on the environment, climate change, health, gender, labour and human rights to which the country is a signatory.</p>
<p>Principle 2 Access and Equity</p>	<p>Access and Equity is a cross-cutting issue in all the 9 SECAP standards. SECAP requires that projects and programmes ensure the participation of target groups and equitable distribution of benefits. When projects result in physical or economic displacement (affecting access and user rights to land and other resources), the borrower or grant recipient should obtain FPIC from the affected people, document stakeholder engagement and consultation process and prepare resettlement plans or frameworks. The documents must be disclosed in a timely and accessible manner at the QA or relevant implementation stage.</p> <p>Standard 2 – Resource efficiency and pollution prevention highlights that Sustainable management requires that people who are dependent on these resources are properly consulted, enabled to participate in development and share equitably in the benefits of that development, and indicates that IFAD promotes an integrated water resources management approach that seeks the coordinated development and management of water, land and related resources in order to maximize economic and social welfare in an equitable manner and without compromising the sustainability of ecosystems.</p> <p>Standard 3 – Cultural Heritage includes the following objective: promote the equitable sharing of benefits from the use of Cultural Heritage.</p> <p>Standard 4 – Indigenous People includes the following objective: ensure indigenous peoples obtain fair and equitable benefits and opportunities from supported activities in a culturally appropriate and inclusive manner.</p> <p>IFAD's mainstreaming themes in the project cycle guidance note highlights that projects should aim at Expanding women's economic empowerment through access to and control of productive assets and benefits.</p>
<p>ESP 3 Marginalised and Vulnerable Groups.</p>	<p>Marginalized and Vulnerable Groups is a cross-cutting issue in all the 9 SECAP standards, as such groups are also the primary target of IFAD interventions. A robust SECAP process requires attention to social dimensions such as land tenure, community health, safety, labour, vulnerable and disadvantaged groups, and historical factors, particularly in relation to natural resource management. It not only looks at compliance (e.g. managing potential negative impacts), but expected positive impacts and ways to maximize opportunities. To assure a good contribution to the quality of SECAP, project design should assess the socio-economic and cultural profile, including key issues relating to disadvantaged or vulnerable groups, conflict, migration, employment and livelihoods. Consultation with communities and stakeholders must be maintained throughout the project lifecycle, especially in high-risk projects. For investment projects with a projected high sensitivity to climate hazards, IFAD requires a climate vulnerability analysis which can help to improve the targeting of investment actions to include the most vulnerable and least resilient target groups.</p>

	Other IFAD policies that support and complement this principle are: Improving Access to Land Tenure Security Policy, Gender Equality and Women's Empowerment Policy, Engagement with Indigenous Peoples Policy, Targeting Policy, Youth Policy Brief, Climate Change Strategy, Rural Enterprise Policy, Rural Finance Policy, Private Sector Strategy.
ESP 4 Human Rights	Human Rights is a cross-cutting issue in all the 9 SECAP standards. Among the Guiding Principles and Specific Requirements for IFAD's Social Environmental Climate Assessment Procedures (SECAP), is the principle to <i>"support the efforts of borrowers/recipients/ partners to respect human rights, avoiding infringement on any human rights and addressing adverse human rights risks and impacts caused by clients' business activities"</i> .
ESP 5 Gender Equality and Women's Empowerment	Gender Equality and Women's Empowerment is a cross-cutting issue in all the 9 SECAP Standards. IFAD's mainstreaming themes in the project cycle guidance note provides an overview of the importance of IFAD's mainstreaming commitments (including gender equality, women and youth empowerment); highlights entry points for promoting mainstreaming along the project cycle; proposes the use of assessments which – even if they may be focused on risk assessment and management – are opportunities for mainstreaming; and provides an overview of inventories of key sources of data, tools, methods and approaches that have been found useful.
ESP 6 Core Labour Rights	Core Labour Rights is a cross-cutting issue in all the 9 Standards. A robust SECAP process requires attention to social dimensions such as land tenure, community health, safety, labour, vulnerable and disadvantaged groups, and historical factors, particularly in relation to natural resource management. One of the guiding values and principles for SECAP is to minimize adverse social impacts and incorporate externalities. Avoid and mitigate any potential adverse impacts on health and safety, labour and working conditions and well-being of workers and local communities. The requirements set out in Standard 5 – Labour and working conditions are designed to achieve the following objectives: (i) Promote direct action to foster decent rural employment; (ii) Promote, respect and realize fundamental principles and rights at work through preventing discrimination and promoting equal opportunity of workers; supporting freedom of association and the effective recognition of the right to collective bargaining; and preventing the use of child labour and forced labour; (iii) Protect and promote the safety and health of workers; (iv) Ensure projects comply with national employment and labour laws and international commitments; and (v) Leave no one behind by protecting and supporting workers in disadvantaged and vulnerable situations, including a special focus, as appropriate, on women workers, young workers, migrant workers, workers in the informal economy and workers with disabilities
ESP 7 Indigenous People	Standard 4 – Indigenous People is a cornerstone to IFAD's goal to design projects not only with the full, effective and meaningful participation of indigenous peoples but also in a manner that aligns with their distinct vision and development priorities, building sustainable partnerships with indigenous peoples. Standard 4 seeks to ensure that projects are designed and implemented in a way that fosters full respect for indigenous peoples and their human rights, livelihoods and cultural uniqueness as they define them. The need for the standard is an acknowledgement of a history of discrimination and exclusion of indigenous peoples that has limited or prevented them from directing the course of their own development and well-being. The requirements set out in Standard 4 are designed to achieve the following objectives: (vi) Promote indigenous peoples ability to determine and develop priorities and strategies for exercising their right to development; (vii) Ensure that programming is designed in partnership with indigenous peoples, with their full effective and meaningful consultation and participation, with the objective of seeking their free, prior and informed consent (FPIC); (viii) Ensure indigenous peoples obtain fair and equitable benefits and opportunities from supported activities in a culturally appropriate and inclusive manner; and (ix) Recognize and respect the rights of indigenous peoples to their lands, territories, waters and coastal seas and other resources that they have traditionally owned or otherwise occupied and used. Implementation of the requirements of Standard 4 also aims to avoid adverse impacts on indigenous peoples, their rights, lands, territories and resources and – together with affected indigenous peoples – to mitigate and remedy any adverse impacts that cannot be avoided.

	<p>According to SECAP, when impacting indigenous peoples, the borrower or the grant recipient must seek FPIC from the concerned communities, document stakeholder engagement and consultation process and prepare an indigenous plan (IP). Whenever FPIC is not possible during project design, the FPIC implementation plan should specify how FPIC will be sought during early implementation. The FPIC plan and related documents must be disclosed in a timely and accessible manner at the Quality Assurance (QA) or relevant stage during implementation. IFAD SECAP promotes the Indigenous Peoples Plan as a tool to ensure that the design and implementation of projects foster full respect for indigenous peoples' identity, dignity, human rights, livelihood systems and cultural uniqueness, as defined by the indigenous peoples themselves. It also ensures that the affected groups receive culturally appropriate social and economic benefits, are not harmed by the projects, and can participate actively in projects that affect them. Other IFAD policies that support and complement these principles: Indigenous People's Policy; Targeting Policy; Gender Policy; Climate Change Strategy.</p>
<p>ESP 8 Involuntary Resettlement</p>	<p>Standard 7 – Physical and economic resettlement recognizes that increasing investments in the rural sector may at times involve project-related land acquisition and restrictions on land use – actions that, if improperly managed, may have adverse impacts on communities and persons, including physical displacement (relocation, loss of residential land or loss of shelter), economic displacement (loss of land, assets or access to assets, leading to loss of income sources or other means of livelihood) or both. The term “involuntary resettlement” refers to these impacts. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in displacement.</p> <p>Throughout the process of identification, planning, implementation and evaluation of the various elements of resettlement or economic displacement and their impacts, adequate attention will be paid to gender concerns: specific measures addressing the needs of female headed households, gender-inclusive consultation, information disclosure, and grievance mechanisms will be put in place in order to ensure that women and men will receive adequate and appropriate compensation for their losses and to restore and possibly improve their living standards. Other IFAD policies that support and complement this principle are: Gender Equality and Women's Empowerment Policy, Engagement with Indigenous Peoples Policy, Targeting Policy, Land Policy, ENRM Policy, Youth Policy Brief, Climate Change Strategy.</p>
<p>ESP 9 Protection of Natural Habitats</p>	<p>Standard 1 – Biodiversity conservation requires identification of habitat type and applies increasingly stringent requirements based on an areas' biodiversity values. Where natural habitats are affected, IFAD-funded/supported projects and programmes will proceed only after putting in place appropriate mitigation measures to achieve no net loss, and preferably a net gain of the associated biodiversity values over the long term. This must be accompanied by a robust long-term biodiversity action plan or equivalent that describes conservation outcomes and implementation, monitoring and evaluation actions.</p> <p>Other IFAD policies that support and complement these principles are: Environment and Natural Resources Management (ENRM) Policy; Land Policy; Climate Change Strategy.</p>
<p>ESP 10 Conservation of Biodiversity</p>	<p>The requirements set out in Standard 1 – Biodiversity conservation are designed to achieve the following objectives: (i) maintain and conserve biodiversity; (ii) preserve the integrity of ecosystems; (iii) maintain and enhance the benefits of ecosystem services; (iv) adopt the use of a precautionary approach to biodiversity conservation and ensure opportunities for environmentally sustainable development; (v) ensure the fair and equitable sharing of the benefits from the utilization of genetic resources; and (vi) respect, preserve, and maintain knowledge, innovations and practices of indigenous peoples, and local communities relevant to the conservation and sustainable use of biodiversity and their customary use of biological resources.</p> <p>The main role of this safeguard standard is to avoid or, if avoidance is not possible, minimize and mitigate potential adverse social and environmental impacts on biodiversity and ecosystem services associated with project-related activities. This can be seen through the promotion and requirements on the “use of a precautionary approach” as outlined throughout standard 1. Requirements of Standard 1 address risks to biodiversity and</p>

	<p>ecosystem types, with increasing stringency depending on risk levels and biodiversity values of project areas.</p> <p>Mitigation activities to eliminate or reduce the negative impacts of a project on biodiversity should follow the following order of preference: (1) Complete avoidance of adverse impact; (2) Reduction of impacts on biodiversity where unavoidable; (3) Restoration of habitats to their original state; (4) Relocation of affected species; (5) Compensation for any unavoidable damage.</p> <p>Other IFAD policies that support and complement these principles are: Environment and Natural Resources Management (ENRM) Policy; Land Policy; Climate Change Strategy.</p>
<p>ESP 11 Climate Change</p>	<p>SECAP asks to incorporate climate change risk analysis into projects, which are subject to an environmental, social and climate risk screening, and are assigned a risk category for climate vulnerability (substantial, high, moderate, low).</p> <p>The requirements set out in Standard 9 – Climate change are designed to achieve the following objectives: (i) ensure alignment of IFAD-supported projects with targets and priorities of countries’ Nationally Determined Contributions and the goals of the Paris Agreement and other international frameworks; (ii) ensure that proposed activities are screened and assessed for climate change and disaster risks and impacts both of and to projects; (iii) apply the SECAP risk mitigation hierarchy principle of applying a hierarchy of risk management measures in project design; (iv) strengthen the climate resilience of communities and their adaptive capacity to address risks of climate change impacts and climate-related disasters; and (v) increase the ability of communities to adapt to the adverse impacts of climate change, and foster climate resilience and low GHG-emitting projects that do not threaten without compromising food production.</p> <p>IFAD’s mainstreaming themes in the project cycle guidance note provides an overview of the importance of IFAD’s mainstreaming commitments (including Climate change); highlights entry points for promoting mainstreaming along the project cycle; proposes the use of assessments which – even if they may be focused on risk assessment and management – are opportunities for mainstreaming; and provides an overview of inventories of key sources of data, tools, methods and approaches that have been found useful.</p>
<p>ESP 12 Pollution Prevention and Resource Efficiency</p>	<p>Standard 2 – Resource efficiency and pollution prevention includes requirements that aim at ensuring that IFAD-supported projects and programmes minimize, mitigate and manage any risks and potential adverse impacts that may be related to resource use and pollution, with the following objectives: (i) avoid, minimize and manage the risks and impacts associated with hazardous substances and materials, including pesticides; (ii) avoid or minimize project-related emissions of short-and long-lived climate-change related pollutants; (iii) promote sustainable use of resources, including energy, land and water; and (iv) identify, where feasible, project-related opportunities for resource-use efficiency. Standard 2 outlines a project-level approach to mitigating, minimizing and managing any risks and potential adverse impacts that may be related to resource use and pollution. IFAD requires that key principles are applied. These include a precautionary approach to addressing significant environmental and social risks and impacts through the mitigation hierarchy; the “polluter pays” principle (whereby the cost of mitigation is borne by the polluter, where relevant); and adaptive management techniques (whereby lessons are learned from past management actions and are proactively utilized to predict and improve management as the project implementation progresses).</p>
<p>ESP 13 Human Health</p>	<p>The requirements of Standard 6 – Community Health and Safety aim to ensure that IFAD-supported programs and projects avoid or minimize the risks and impacts to community health, safety and security. The requirements are designed to achieve the following objectives: (i) to anticipate and avoid adverse impacts on the health and safety of project-affected communities during the project life cycle from both routine and non-routine circumstances; (ii) to ensure that measures are taken to avoid or minimize community exposure to hazardous materials that be used during project activities; (iii) to promote quality and safety, and considerations relating to climate change, in the design and construction of infrastructure, including dams; (iv) to avoid or minimize community exposure to project-related traffic and road safety risks; (v) to minimize community exposure to diseases; (vi) to ensure that projects abide by the principles of “do no harm to nutrition”; (vii) to avoid risks of project-related gender-based violence, including risks of sexual</p>

	harassment, sexual exploitation and abuse, and human trafficking to project-affected people and communities; (viii) to avoid or minimize adverse impacts on ecosystems services that may arise from project activities; (ix) to have in place effective measures to address emergency events; and (x) to ensure that the safeguarding of personnel and property is carried out in a manner that avoids or minimizes risks to the project-affected communities
ESP 14 Physical and Cultural Heritage	The requirements set out in Standard 3 – Cultural heritage are designed to achieve the following objectives: (i) preserve and safeguard Cultural Heritage; (ii) ensure that effective and active measures are taken to prevent IFAD-supported projects from altering, damaging, or removing any tangible or intangible Cultural Heritage; (iii) promote the equitable sharing of benefits from the use of Cultural Heritage; (iv) promote meaningful consultation on matters relating to Cultural Heritage. Other IFAD policies that support and complement ESP 14 are: Gender Equality and Women’s Empowerment Policy, Engagement with Indigenous Peoples Policy, Targeting Policy, ENRM Policy, Climate Change Strategy.
ESP 15 Lands and Soil Conservation	Standard 2 – Resource efficiency and pollution prevention includes a specific focus on soil conservation, stating that <i>sustainable soil management is an essential element of sustainable agriculture and is central to sustainable intensification, climate -change resilience and safeguarding ecosystem services and biodiversity. The updated World Soil Charter lists nine guiding principles that guide all actions to ensure that soils are managed sustainably and that the functions of degraded soils are rehabilitated or restored. IFAD will integrate these principles into its projects, as appropriate, to ensure sustainable soil management and to promote restoration of degraded soils</i> Other IFAD policies that support and complement these principles: Land Policy; Targeting Policy; ENRM Policy; Climate Change Strategy.

III. Environment and Social Impact Assessment

Principle 1: Compliance with the Law

18. Gora will comply with Montenegro’s national technical standards (as outlined in its laws and regulations). The national procedure for Environmental Impact Assessments (EIAs) requires the project bearer (MoAFWM in the case of Gora) to confirm the need for an EIA with the competent authority (Municipalities in the case of works foreseen under Gora). Based on RCTP experience (where this enquiry is systematically made as part of concerned Public Calls), and considering none of the works planned under the project are of “complex” nature, it is not foreseen that EIAs will be required. The project will systematically conduct Rapid Environmental Impact Assessments for all works. Additionally, and where required by the competent authority, Gora will ensure that Water Conditions and Water No-Objections are obtained.

19. The project complies with the Environmental and Social Policy of the Adaptation Fund, and has been designed to minimise any negative environmental impact, resulting in net environmental benefits. Gora will respect and adhere to the national laws and codes of the GoM, in particular the project will comply with the following GoM laws and codes:

- [Law on environmental impact assessment \(16 November 2018, No 01-1622/2\)](#). This Law regulates the manner and procedure of impact assessment for projects that may have a significant environmental impact in general, including the rules for preparation and evaluation of environmental impact assessment research and studies, and other issues of importance for environmental impact assessment as regards the territory of Montenegro. As per the procedures set out in the Law, the first step entails deciding on the need for an assessment of impacts, which begins by submitting an application for the decision to the competent authority (Municipality in the case of Gora activities) by the project initiator (MoAFWM in the case of Gora). Based on the experience of RCTP, EIAs were not required for project investments such as rural access roads rehabilitation and multiple use water infrastructure. In line with RCTP practice, Gora will nonetheless ensure that Rapid Environmental Impact Assessments are conducted for all relevant investments.

- **Water Law (No 27/2007, May, 17, 2007)**. This Law regulates the legal status and all necessary standards and requirements for obtaining the integrated water management regarding the waters and related issues on the territory of Montenegro. The rules and requirements prescribed by this Law are also aimed to regulate other issues of importance to water management and water resources. Gora will comply with the provisions of the Water Law, and notably water management principles outlined in article 19. Gora activities possibly falling under the scope of the Law include:
 - (i) Multipurpose water storage facilities: as these investments fall under the general use of water (article 42), the need to obtain water conditions is not foreseen (Article 114). The use of water will respect water supply priorities outlined in article 47. Technical inspection of the water facilities at the completion of their construction or reconstruction shall be conducted in compliance with the Law which regulates building of facilities.
 - (ii) Biotechnical measures to reduce erosion: fall under the category of works and measures for the Protection against Adverse Impacts of Waters (as described under article 92), and should be executed in compliance with Water Management Plans where they exist.

Water Conditions shall be issued by the competent authority of the local government (Municipality) and may apply to Gora in the following unlikely cases: adjunction of specific equipment to water storage facilities; cases where facilities which can have significant impact in terms of water pollution; or cases where dedicated facilities are constructed to reduce erosion. Water No-objection should also be obtained for the same investments prior to the start of the construction/reconstruction (issued by the same authority). Water no-objection shall verify compliance of the technical specifications for the facilities and works.

- **Law on forests (09 December 2010, No 74/2010)**. This Law aims to regulate the cultivation, protection, preservation and improvement of forests, including the necessary planning, forest road construction and maintenance, monitoring, as well as other issues of great importance as regards the Montenegrin forest domain (forest land and forest sector related activities). Some of the main tasks of these rules are aimed to offer; permanent preservation and improvement procedures; sustainable and multifunctional forest management; preservation and enhancement of biological and landscape/soil diversity of forests. Gora will comply with the provisions of the Law on forests, in particular with regards to:
 - (i) grazing in the forest: where pastoral management practices include forest grazing as an integrated measure to reduce forest fires, this will be conducted in accordance with article 40, *“in a way that does not endanger the functions of the forest, on the areas that are determined for grazing by contracting projects”*;
 - (ii) forest rehabilitation where identified biotechnical measures include reforestation or afforestation, in line with the provisions of article 48 and 52, and by establishing forest rehabilitation plans where required; and always including the involvement of at least one employed person with a university degree in forestry with a license to perform professional activities in forestry (article 67);
 - (iii) collection of non-timber forest products¹¹⁷ (if such products are retained as possible secondary value chains) in line with article 63: *in accordance with the forest management program, in a way that does not endanger ecosystems and forest functions; and on the basis of a public tender procedure to a legal or natural person registered for the purchase of non-timber forest products in the Central Register of Business.*

Additionally, Gora will support the rehabilitation of degraded forests and forest lands (as outlined in article 36), as well as measures for forest fires protection (as outlined in article 46).

¹¹⁷ Flowers, seeds, fruits, resins, conifers and leaves of forest trees and shrubs; grass, moss, fern, husk, peat and humus; medicinal, aromatic and edible herbs; forest fruits and mushrooms.

- **[Law on Agriculture and Rural Development \(No 56/09, August 14, 2009\)](#)**. This law governs: the development of agriculture and rural areas, objectives and measures of the agricultural policy, support in agriculture and eligibility requirements, support to beneficiaries, supplementary activities in agriculture, organization in agriculture, as well as other issues of relevance for agriculture and rural development. Gora support will be implemented through the agro-budget, the instrument for implementation of measures of agricultural policy (article 6), and will as such align with criteria and conditions set forth in the agro-budget each year. In particular and in line with conditions of eligibility for incentives outlined in the Law, Gora will support the registration of beneficiaries as “*holder of an agricultural holding*” (article 31). Gora is fully aligned on principles and measures highlighted by the law, notably measures for sustainable agriculture resource management (article 14, 15, 16, 17), measures for improving the quality of life and development (diversification) of economic activities in rural areas (article 18); extension activities (article 53). Support to clusters will also take into account the criteria provided by the Law on *quality and marking of agricultural products and food* (including for branding of “*higher quality products*”, “*organic agriculture product*”, “*integrated agriculture product*”, “*traditional product*” and “*designation of origin and geographic indication*”). Gora will also ensure supported producers abide by the “*Good Agricultural Practice*” and comply with “the general and specific requirements as regards hygiene and quality”.
- **[Law on spatial planning and construction of facilities \(No. 082/20 of August 6, 2020\)](#)**. This Law regulates the system of spatial planning, the manner and conditions of construction of facilities, legalization of illegal facilities and other issues of importance for spatial planning and construction of facilities on the territory of Montenegro. Gora is fully aligned with the principles of the Law, and will take into account the specific regulations pertaining to the National Spatial Plan (currently being revised) and relevant Municipal/Regional Spatial Plans (as applicable).

20. Gora is also fully aligned with the principles of environmental protection and sustainable development, instruments and measures for the protection of life and environment regulated by the [Law on environment \(2016\)](#), as well as with the [Law on nature protection \(2016\)](#), which provides the general conditions and manner of protection and conservation of nature.

21. Finally, Gora will comply with all relevant Laws including: the Law on agricultural land (2011), the Law on roads (2020), the Law on local self-government (2017), the Law on Cooperative (2015), the Veterinary Law (2012), the Law on Livestock (2010), the Law on animal identification and registration (2007), the Law on plant protection products (2011), the Law on planting material (2011), the Law on plant health protection (2011), the Law on plant variety protection (2011), the Law on agricultural plant seeds (2015), the Law on alien and invasive alien species of plants, animals and fungi (2019), the Law on food safety (2015), the Law on protection and rescue (2016), the Law on organic production (2013), the Law on agricultural and food products quality schemes (2017), and the Law on geographical indications (2011) amongst others.

ESMP Compliance

Concern	Law Legislation	Enforcing agencies	Enforced regulation/item
Verification of need for EIA for infrastructures	Law on environmental impact assessment (2018)	Municipalities	EIA
Water conditions in rare cases: adjunction of specific equipment to water storage facilities; unlikely cases where facilities which can have significant impact in terms of water pollution; or unlikely cases where dedicated facilities are constructed to reduce erosion	Water Law (2007)	Municipalities	Water Conditions and Water No-Objections obtained

Contracts for the commercial collection of NTFP	Law on forests (2010)	MoAFWM	Public tender procedure or registration in Central Register of Business
Eligibility for incentives conditional to the registration as “holder of an agricultural holding”	Law on Agriculture and Rural Development (2009)	MoAFWM	Registration of beneficiaries as “holder of an agricultural holding”

22. The proposed structuration of clusters, workshops and trainings described under subcomponent 1.1 and 2.1 fall within the general principle of freedom of association which is recognized by the Montenegrin legal system. Formulation of eligibility criteria and calls for participation will also prevent breach of any recommended and mandatory non-discrimination principles recognized in Montenegro.

Principle 2: Access and Equity

23. No Further assessment of potential impacts and risks is required for compliance with the access and equity since the project will not reduce or prevent communities in the targeted areas from accessing basic services. The project will take a number of transparent steps that will help ensure that the benefits are being distributed fairly with no discrimination nor favouritism. Primarily, project targeting has been agreed with the government and comprises targeting criteria based on gender and age quotas. The project will advertise broadly through the mass media (radio, social media, settlement and cluster village meetings, workshops, etc.) for the implementation of an outreach/mobilisation strategy. Beneficiaries will be explained, as they have been throughout the participatory and gender-balanced consultations during the design, that this is a project with a strong focus on women and youth, but that also adult men will also be eligible.

24. The vulnerability assessment conducted as part of the initial geographic targeting has taken into account levels of poverty and climate vulnerability, and hereby ensures that that the targeted beneficiaries will be rural poor and climate vulnerable smallholders as well as the vulnerable categories of women and youth. Fifty percent of beneficiaries will be women and thirty percent youth.

Principle 3: Marginalised and Vulnerable Groups

25. The project has been shown not to pose any risks to the marginalised and vulnerable communities. The design team had a Targeting, Gender and Social Inclusion Specialist who conducted a poverty, targeting and gender-sensitive assessment in the targeted Municipalities. The project targeting strategy has been designed based on these assessments and presented in section I. A. The specialist collected information and undertook consultations with relevant institutions, local officials and a number of marginalized and vulnerable members of the local communities.

26. **Poverty.** In 2020, 33 percent of Montenegro’s total population lived in rural parts of the country, in comparison to 41 percent in 2000¹¹⁸. Population of rural areas is considerably more exposed to the risk of poverty than the urban population. The risk of poverty is present for every third resident of rural areas (36.3%). The population of the northern region is the most exposed to the risk of poverty¹¹⁹. In 2019, 41.2% of population of northern region was at risk of poverty, while population of the central region had the lowest risk of poverty (16.6%)¹²⁰.

27. Semi-subsistence farmers are poorer households below the threshold for subsidies¹²¹ from the Government and the European Union. They have access to small areas of farm/arable land (up to two

¹¹⁸ <https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS?locations=ME>

¹¹⁹ MONSTAT (2018). Survey on Income and Living Conditions.

¹²⁰ MONSTAT (2021). Statistical Yearbook 2021.

¹²¹ For example, 3 cows, 20 goat, 30 sheep; at least 5 livestock units as a condition for dairy processing support; area under cereals at least 0.5 ha; potatoes 0.5 ha; area under vegetables at least outdoors 0.3 ha or indoors 0.1 ha; area under fruit at least 0.5 ha; area under berry fruit species at least 0.2 ha; area under medicinal plants 0.3 ha; beekeepers who have 10 hives as a condition for procurement of equipment and / or 30 hives as a condition for adaptation of a special facility for production and packaging of honey and bee products located on the agricultural holding

hectares), grow some fruits or vegetables and keep some livestock. They process cheese and products for household use and informal sales. Annual income ranges from EUR 2,000 to 4,000, of which up to one third comes from agriculture. The project will help them increase their resilience by becoming more commercially and economically active, notably by creating linkages between them, commercial and economically active smallholders/small-scale processors and other strategic value chain actors. These semi-subsistence farmers are on the front line of the climate change crisis, which impacts every aspect of their daily lives — from the money they earn from their crops to the food they put on the table for their families. Gora will support these farmers adapt to the climate changes that are already happening.

28. **Gender.** The Gora project will put special emphasis on addressing gender inequalities and empowering women, as it is vital to meet the challenge of reducing the vulnerability of livelihoods and ecosystems in northern Montenegro to the negative impacts of climate change. This will be done in three ways: (i) recognition of gender differences in adaptation needs and capacities as part of landscape and cluster planning processes; (ii) gender-equitable participation and influence in adaptation decision-making processes; (iii) gender-equitable access to finance and other benefits resulting from investments in adaptation (e.g. support for climate adaptive businesses). In addition, special attention will be given to promoting a more equitable balance in workloads and in the sharing of economic and social benefits between women and men, for example by introducing time and labour-saving technologies and promoting household methodologies, such as the Gender Action and Learning System¹²². Finally, female role models will be promoted. Fifty percent of the Gora project's beneficiaries will be women.

29. **Youth.** Rural youth¹²³ will be targeted directly by Gora. Emphasis will be put on promoting their economic empowerment (e.g. by giving them priority for accessing the climate-adaptive grants and strengthening their business skills) and enabling them to have an equal voice and influence in rural institutions and organizations, especially in terms of landscape and cluster management. Youth learning routes will be organised to link them up with mentors. Moreover, community centres will be supported and will offer rural youth the opportunity to access information and network. The use of ICTs, promotion of certification and rural tourism will attract the interest of young people. Finally, young role models will be promoted. Thirty percent of the Gora project's beneficiaries will be youth.

30. **Non-discrimination** of vulnerable people applies to all vulnerable categories as mentioned above but also extends to the elderly and persons with disabilities. In all consultations and at all times, IFAD will ensure that no vulnerable people are discriminated. Should any of the beneficiaries fall into this category, efforts will be made to facilitate access to the project's services, events, and any other activities related to the project.

31. **Monitoring.** Gora includes an M&E officer as well as a Gender and Youth Specialist. Both will be charged with ensuring that the system collects gender and age disaggregated data, produces gender knowledge and monitors investments in poor and climate vulnerable regions. The gender perspective will be systematically mainstreamed at individual and organisational levels into PCU management from the start via quantitative and qualitative participatory monitoring and evaluation, ad hoc studies, and workshops. As per AF gender policy, during implementation the Gender and Youth Specialist will ensure project compliance with the gender policy guidelines. The assessment will include but not be limited to the questions under Implementation, Performance Monitoring and Evaluation.

Principle 4: Human Rights

32. No further assessment of potential impacts and risks is required for compliance with human rights since the project is designed to respect and adhere to the requirements of all relevant conventions on human rights in compliance with the ESP. Among the Guiding Principles and Specific Requirements for IFAD's Social Environmental Climate Assessment Procedures (SECAP), is the

¹²² See [Integrating the Gender Action Learning System \(GALS\) in IFAD operations](#)

¹²³ Gora will use RCTP's definition of youth, namely below 40 years old.

principle to “*support the efforts of borrowers/recipients/ partners to respect human rights, avoiding infringement on any human rights and addressing adverse human rights risks and impacts caused by clients’ business activities*”.

33. Montenegro has ratified fourteen human rights Conventions including against torture; civil and political rights; convention on the elimination of discrimination against women; racial discrimination; rights of the child; and persons with disabilities. Montenegro does not have any pending human rights issues with the Human Rights Council Special Procedures. Any observed human rights violations will be reported through the project grievances procedure.

Principle 5: Gender Equality and Women’s Empowerment

34. As detailed in sections II. K and III. C, the project has conducted a Gender Assessment as required by the AF Gender Policy, which is presented in Annex 5 of the project proposal. The GA analysed gender in terms of gender-based violence; access to land; poverty; culture context of gender roles; the gendered division of labour; gender-based power structures; gender legal and national strategies; differentiated climate change impacts on gender; and the gender-related issues raised from community consultations. The assessment will assisted the project design in taking proactive measures to integrate gender-focused development strategies, thus ensuring that no risk is posed to the principle of gender equality and women’s empowerment.

35. **Analysis.** Montenegro has a Gender Inequality Index (GII) value of 0.109, ranking it 26 out of 162 countries in the 2019 index¹²⁴. With the Gender Equality Index¹²⁵ value of 55 (out of maximum 100 points), calculated for the first time in 2019, Montenegro scored lower than the EU average of 67.433. The Western Balkans remains a region dominated by patriarchal gender norms. Gender parity in education is good, with nearly equal school attendance of boys and girls. Women are formally employed much less than men. The 2010 Agriculture Census found that 40 percent of the Montenegrin agriculture labour force is composed of women, while women represent less than 13 percent of owners of agriculture holdings¹²⁶. Gender inequalities also exist in terms of the management of free time. Women spend significantly more time caring for dependent family members and doing housework, which consequently leaves them with less time for themselves and social activities compared to men. Domestic violence is prevalent in Montenegro. According to a 2017 survey, 43 per cent of women in Montenegro had experienced some form of violence during their lifetime, and 18 per cent had experienced violence in the previous 12 months¹²⁷.

36. Rural women are more vulnerable to the effects of climate change and more likely to die as a result of natural disasters than men¹²⁸. This, in turn, deepens gender inequalities, creating a vicious circle. Women are disproportionately dependent on scarce natural resources, leaving them particularly vulnerable to weather changes and natural disasters. Due to high unemployment rates, a high percentage of women in the Balkans tend to stay at home, where they are responsible for the household’s food production and its water and energy supply. These are the resources most affected by the impacts of climate change, making women in the Balkans more vulnerable than men to climate change¹²⁹. Rural women in Montenegro do not get a fair share of the assets, resources and services needed to earn a decent living or adapt to climate change. They have less access than men to land,

¹²⁴ UNDP (2020). Human Development Report – Montenegro.

¹²⁵ The Gender Equality Index is a ‘tool to measure the progress of gender equality in the EU’. However, as a comprehensive instrument, it can be used to evaluate and compare the state of gender equality in any European country, in any EU candidate country, such as Montenegro, or beyond Europe. It was developed by the European Institute for Gender Equality (EIGE), an autonomous body of the European Union and was first launched in 2013. The Gender Equality Index is based on the definition that gender equality is an ‘equal share of assets and equal dignity and integrity between women and men’. It identifies six main domains of gender equality: work, money, knowledge, time, power and health.

¹²⁶ MARD (2015). Government of Montenegro, Ministry of Agriculture and Rural Development. Strategy for the Development of Agriculture and Rural Areas 2015-2020.

¹²⁷ Report on the Rapid Social Impact Assessment of the COVID-19 Outbreak in Montenegro. UN Montenegro, April–June 2020.

¹²⁸ E.g. Neumayer, E. & Plümpner, T. (2006). The Gendered Nature of Natural Disasters: The Impact of Catastrophic Events on the Gender Gap in Life Expectancy, 1981–2002.

¹²⁹ UNEP (2015). Outlook on climate change adaptation in the Western Balkan Mountains.

finances, agricultural inputs, training and technologies to help them manage climate-related shocks. Very often their decision-making power is limited, which means that they are not involved in the decisions at household and community level on how to address climate change. They are, however, powerful agents for promoting sustainable development and effective responses to climate change. Sustainable development demands the active participation of rural women in environmental planning, finance, budgeting and policy-making processes.

37. **Design.** The IFAD's poverty targeting and gender sensitive design and implementation guidelines were applied during the design of the project. The design team included a Targeting, Gender and Social Inclusion Specialist who conducted a poverty, targeting and gender-sensitive assessment in the targeted Municipalities. In order to overcome any potential risks related to this principle, the project has developed a proactive strategy for the participation of women in project activities. Specific gender objectives, activities, disaggregated targets and budget allocations have been established, and the selection criteria for the service provider includes women staff to ensure outreach to women and integrate gender aspects.

38. **Inclusion.** The Gora project will put special emphasis on addressing gender inequalities and empowering women, as it is vital to meet the challenge of reducing the vulnerability of livelihoods and ecosystems in northern Montenegro to the negative impacts of climate change. This will be done in three ways: (i) recognition of gender differences in adaptation needs and capacities as part of landscape and cluster planning processes; (ii) gender-equitable participation and influence in adaptation decision-making processes; (iii) gender-equitable access to finance and other benefits resulting from investments in adaptation (e.g. support for climate adaptive businesses). In addition, special attention will be given to promoting a more equitable balance in workloads and in the sharing of economic and social benefits between women and men, for example by introducing time and labour-saving technologies and promoting household methodologies, such as the GALS. Finally, female role models will be promoted. Fifty percent of the Gora project's beneficiaries will be women.

Principle 6: Core Labour rights

39. The project will not negatively affect Core Labour Rights. Since regaining independence in 2006, the country ratified 76 International Labour Standards (Conventions), including all eight Fundamental Conventions on forced labour; freedom of association and protection of right to organise; right to organise and collective bargaining; equal remuneration; abolition of forced labour; discrimination (employment and occupation); minimum age; and worst forms of child labour. Montenegro is a candidate country for EU membership and negotiations are relatively advanced as compared to other countries from the Western Balkans. The ILO technical assistance focuses therefore on developing an EU-compatible framework for labour laws, as well as social and employment policies. The new Labour Code adopted by the Parliament in 2019 is an example for ILO support to EU alignment.

40. The main framework for the delivery of ILO support to Montenegro is the Decent Country Work Programme 2019 to 2021. The *2022 Report of the Committee of Experts to the 110th International Labour Conference, on the Application of Conventions and Recommendations reported on the Application of International Labour Standards in Montenegro* made specific recommendations, which current ILO support focuses on: providing better access to public employment services for vulnerable groups such as persons with disabilities, long term unemployed or youth; modernizing labour market administration processes through digitalization; designing a Youth Guarantee Scheme; improving safety at work and strengthening labour inspectorates; supporting social and economic councils; promoting alternative dispute resolution for labour conflicts, and supporting Employers and Workers' organizations in improving advocacy and service delivery to members.

41. Activities throughout the project are targeted at reducing inequality and raising gender awareness for gender equality to overcome traditional stereotypes regarding the role of women in society. Positive discrimination in favour of women and youth will be used to provide fair and equal opportunity to women who seek employment as labour and gain from wages earned. The project will furthermore create climate resilient employment enabling marginalised and vulnerable groups

including unemployed youth and women to raise their income. The relevant international and national labour laws guided by EU and ILO labour and standards will be followed throughout project implementation. The project will respect, promote, and realize the principles mentioned in the ILO Declaration of Fundamental Principles and Rights at Work, and ensure that they are respected and realized in good faith by the Executing Entity and other contractors.

42. IFAD has a longstanding partnership agreement with ILO dating back to 1979. The Project will furthermore not engage child labour in any of its activities. The prohibition of child labour will be part of the agreement with the beneficiaries and will be a non-negotiable provision of the agreement. IFAD is also an equal opportunities employer and as such it works to ensure that all its projects are free of discrimination in respect of employment and occupation. The project design ensures quotas for women and youth participation and transparent processes for recruitment as well as raising awareness raising about women and youth participation in decision making processes.

Principle 7: Indigenous Peoples

43. As there are no indigenous groups in Montenegro, the project will not involve any particular indigenous group. This aspect is hence not applicable and does not require further assessment for ESP compliance.

Principle 8: Involuntary resettlement

44. No involuntary resettlement is foreseen in any circumstance during project implementation. As such, this aspect is not applicable and does not require further assessment for ESP compliance.

Principle 9: Protection of Natural Habitats

45. The project is not expected to have any negative impact on critical natural habitats including those that are (a) legally protected; (b) officially proposed for protection; (c) recognised by authoritative sources for their high conservation value, including as critical habitat; or (d) recognised as protected by traditional or indigenous local communities.

46. The Municipalities in which the project will be implemented have been selected based on a vulnerability index (see Annex 4) and are large mountainous areas where the households are more prone to climate, economic and environmental shocks. The exact project site locations however will be the result of a detailed mapping, resulting from the clustering of value chains and participatory mapping of climate vulnerabilities at local level. While protected areas are included in the Northern region where the project will focus its activities, such areas will be excluded from project site selection.

47. The stimulus for economic diversification of rural farmer clusters is not expected to result in conversion of natural habitat a local level. Protected areas will de facto be excluded from project interventions, and activities on the fringes of protected areas will respect the legal framework that limit human activities in such buffer zones.

48. As such, every effort will be made to avoid the natural habitat areas that are considered critical. To this effect and as part of the ESMP, the PCU will ensure that the project is not implemented in protected areas, and monitor that the project implementation will not engage in the unjustified conversion or degradation of other critical habitat areas (including those that are officially proposed for protection; recognized by authoritative sources for their high conservation value, including as critical habitat; or recognized as protected by local communities). The project will screen the project areas against the list of national protected areas¹³⁰ and other critical habitats, and report in the PPR. Relevant mitigation measures will be proposed for their protection as well as an explanation as to why they cannot be avoided if it is the case.

49. The project will also deploy a number of measures benefitting natural habitats, including measures to reduce erosion (natural assisted regeneration, reforestation and afforestation) and measures to prevent forest fires (that can destroy considerable surfaces of natural habitat) with the implementation of fire-cutting corridors, forest grazing, and investment in water storage facilities

¹³⁰ https://www.iucn.org/sites/dev/files/content/documents/2016/en_rac_spa_adriatic_mne_2016.pdf

(facilitating fast intervention in case of fire and alleviating the mobilization of fire brigades to deliver consumption water in mountain settlements in the dry season).

50. Gora is also fully aligned with the principles of environmental protection and sustainable development, instruments and measures for the protection of life and environment regulated by the [Law on environment](#) (2016), as well as with the [Law on nature protection](#) (2016), which provides the general conditions and manner of protection and conservation of nature.

Principle 10: Conservation of Biological Diversity

51. The project is not expected to have any negative impact on critical biological diversity. To mitigate any possible risks the project will screen the project areas for critical biodiversity to ensure there is no overlap, this screening will be reported on in the PPR. In the event of overlap mitigation measures will be established, and they will be monitored and reported on by the PCU. The project will not be exposed to any risks related to conservation and biodiversity and care will be taken to not endanger any fauna or flora habitats particularly endangered endemic species listed in the table below.

List of Endangered Endemic Fauna and Flora

Description	Class and name
Fauna red list of endemic endangered species	Actinopterygii: <i>Gobio skadarensis</i> Gastropoda: <i>Bracenicia spiridoni</i> , <i>Gyraulus ioanis</i> , <i>Gyraulus shasi</i> , <i>Plagigeyeria montenigrina</i> , <i>Radomaniola elongate</i> , <i>Radomaniola lacustris</i> , <i>Saxurinator orthodoxus</i> , <i>Valvata montenegrina</i> , <i>Vinodolia gluhodolica</i> , <i>Vinodolia matjasici</i> Insecta: <i>Merodon orjensis</i>
Flora red list of endemic endangered species	-

52. The project objectives and activities are designed to support water and soil conservation practices as means of adapting to the weather extremes that are increasingly being felt as a result of climate change: restoration of degraded forests will ensure a more coherent linkage between existing protected areas, creating migration corridors for numerous species. Investment in multipurpose water storage and antierosive hedges will also increase landscape heterogeneity and provide niche shelters for multiple plants and animals. The project will also promote the use and management of katuns which are home to a rich biodiversity. Particular attention will be given to the selection of species for afforestation or reforestation, to ensure selection of native and adaptive species. Invasive species will be excluded.

Principle 11: Climate Change

53. Gora is the result of a thorough assessment of the climate change adaptation needs and recommended course of action, contributing directly to priorities outlined in the TNC, and addressing the adaptation needs mapped through the vulnerability assessment conducted in section I. A.

54. **GHG emission.** Montenegro is actively pursuing climate change policy both nationally and internationally, as one of the 197 state parties to the United Nations Framework Convention on Climate Change, to which it has been a party since 2006. Montenegro's national GHG emissions account for only 0.009% of the global emissions, and the country remains strongly committed to managing its development potential in a responsible and sustainable manner and with the smallest impact on the environment and climate change.¹³¹ In 2019, GHG emissions from the agriculture sector represented 271.57 Gg CO₂eq and came essentially from livestock (enteric fermentation and manure management).¹³² The agriculture sector was the lowest contributor to GHG emissions in Montenegro in 2019, with a 7.5% share (the first sector being energy with a 74.6% share).¹³³

¹³¹ Third Biennial Update Report of Montenegro to the UNFCCC (2021).

¹³² Ibid.

¹³³ Ibid.

55. Gora does not promote any drivers of climate change (energy, transport, heavy industry, building materials, large-scale agriculture, large-scale forest products, and waste management). The project will directly contribute to both national mitigation measures for the agriculture sector include support for organic agriculture production and support for manure management. At the same time, the TNC includes direct support to pastoral practices in its adaptation measures for the agricultural sector: *Adequate conditions for growing fodder in new climate conditions should be ensured and new technology should be used; Promoting of sustainable use of mountain pastures and support sustainable use of manure; and Building of micro-reservoirs to cope with fires and water shortages in livestock and crop production.*

56. Dairy and meat production are essential agricultural activities in mountainous areas, and Gora will support these value-chains. Intensification of livestock production may result in limited additional GHG emissions. However, the project is designed to be, on the whole, a net carbon sink, and many measures have been taken to further reduce the GHG emission of cattle. Research shows¹³⁴¹³⁵¹³⁶¹³⁷ that subsistence farming has a low productivity mainly due to low feed quality, with low protein and energy intakes particularly during drier periods that also leads to higher GHG emissions. Gora will contribute to improving feeding practices with minimal usage of herbicides and chemical fertilisers and the promotion of the use of manure as compost. While the aim of the project is to increase yield per animal, there is a minor risk that as an indirect result of value chain clustering, VCF support and improved pastoral resources, cattle numbers and associated GHG emissions may increase. Mitigation measures rely notably on the benefits brought by improved pasture management, access to water and improved health and welfare of animals. Integrating livestock in agro-forestry systems will result in decreased fire risk. Indeed, seasonal migration to highland pastures with herds of cattle and sheep are already part of the traditional lifestyle that is nowadays threatened by rural depopulation, and extensive grazing is below the bio-capacity of these vast common pastures, and contributes to eliminating excess flammable biomass that fuel wildfires, while maintaining an open landscape. Overall, and thanks also to the promotion of EbA, Gora is expected to be a net carbon sink.

57. **GHG offsetting.** The targeted mountainous areas have been identified as being the most vulnerable in the country. The project will introduce water saving technologies and soil management techniques, awareness raising, capacity building, improved access to water and mainstreaming agroecology and other climate resilient practices. The environmental benefits of agroecology are well documented as the combination of composting (including composting of manure), no-till, mulching, intermediate crops, and crop rotation significantly increases the resilience of agriculture to drought, improves soil conditions through lowering of soil temperatures, increasing soil humidity and crop yields in comparison with traditional ploughing practices. Through these benefits agroecology also contributes a number of other environmental co-benefits from the local to global levels. Notably, reduced/no till, agriculture residues as mulching and crop rotation improve soil carbon stocks and reduce CO₂ emissions into the atmosphere. The promotion of Ecosystem based Adaptation at landscape level through the use of biotechnical measures also enhances carbon storage in the soil by restoring degraded soils and avoiding further erosion (including landslides). Practices such as assisted natural regeneration, afforestation and reforestation also create carbon sinks.

Principle 12: Pollution Prevention and Resource Efficiency

58. The project will not pose any significant risks to resource efficiency (in particular water) or pollution risks and no further assessments will be required beyond the procedures already integrated into the project. As stated under Principle 11, the project will not be a net emitter of GHG's additionally it will bring environmental benefits in sustainable resource management, through the collection of water and promotion of efficient practices with regards to water use (micro-irrigation, soil and water

¹³⁴ FAO (2013) Tackling climate change through livestock.

¹³⁵ Gaitán L, Läderach P, Graefe S, Rao I, van der Hoek R (2016) Climate-Smart Livestock Systems: An Assessment of Carbon Stocks and GHG Emissions in Nicaragua. PLOS ONE 11(12).

¹³⁶ Dr, Jan Dijkstra (2015) Large impact of grass quality on methane emission. Wageningen University.

¹³⁷ T.V. Vellinga and I.E: Hoving. Maize silage for dairy cows: mitigation of methane emissions can be offset by land use change. April 2011, Volume 89, Issue 3, pp 413–426.

conservation practices through agroecology and biotechnical measures). Gora will support the restoration of degraded land, through the use of anti-erosive practices (biotechnical measures), afforestation, reforestation and natural assisted regeneration. Overall, these activities should improve the availability of ecosystem services (and carbon storage), or at least limit their expected loss due to extreme climate events. The stimulus for economic diversification of rural farmer clusters is not expected to result in excessive pressure from human activities (rural tourism, small-scale processing industries). No increased use of pesticides is expected from the project, which will actually support adoption of agroecology and other climate resilient practices. Through training on improved composting and fertility management, Gora will also reduce the risk of manure spills/dumping in rivers.

59. **Potential risks.** Minor risks of discharged effluents may be posed by the upgrading of facilities (e.g. dairy, meat and other processing facilities) under component 1, and will be managed through the compliance with the Water Law, by obtaining the relevant Water Conditions and No-Objections. Exploitation of resources from the forest (NTPF), if retained amongst the diversification options, will comply with the relevant legislation (and in particular the Law on Forests which states that commercial exploitation of NTPF may be authorized, *in accordance with the forest management program, in a way that does not endanger ecosystems and forest functions; and on the basis of a public tender procedure to a legal or natural person registered for the purchase of non-timber forest products in the Central Register of Business*. Rehabilitation of critical points of rural access roads in forested area could facilitate access for illegal logging and thus increase the pressure on forest resources. Selection criteria for portions of roads to be rehabilitated will integrate this risk.

Principle 13: Public Health

60. Although public health is not the primary focus of activities promoted in the Gora project, it is not expected to cause adverse effect on this matter either. The WHO explains that many factors combine together to affect the health of individuals and communities. Whether people are healthy or not, is determined by their circumstances and environment. To a large extent, factors such as where people live, the state of their environment, genetics, income and education levels, and our relationships with friends and family all have considerable impacts on health, whereas the more commonly considered factors such as access and use of health care services often have less of an impact. The main overarching determinants of health are: (i) the social and economic environment, the physical environment, and the person's individual characteristics and behaviours.

61. The project will improve all the determinants of health presented in the screening table below and as listed by the WHO. Gora will have a positive contribution to public health, by supporting livelihoods and local economies, improved diets and reduced vulnerability to climate shocks. By contributing to rehabilitation and climate-proofing of critical rural access road sections, positive effect on healthcare accessibility for remote communities can be expected. Access to equipment reducing women's workload will also benefit their health. Reduction in the risk of forest fires will also decrease exposure to toxic fumes and respiratory problems for nearby inhabitants. Finally, by encouraging nutritional health through diversification of available edible products and supporting the livelihoods of poor rural households, quality of life should improve as well, which is recognised as having a positive effect on overall health.

Determinants of health	Health risk	Mitigation measures	Impact on health
Income and social status	Lower income and social status are linked to worse health	The project will target the most vulnerable and marginalised to provide them sustainable avenues for livelihood development. The project will reduce the risk on health posed by low income and social status.	Positive
Education	Low education levels are linked with poor health,	Gora relies on capacity building and awareness raising activities that will increase the knowledge and	Positive

	more stress and lower self-confidence.	confidence of targeted smallholders and other stakeholders. Redynamization of local settlement has been linked to the reactivation of local services such as schools, also enhancing access to education.	
Physical environment	Hazards in the physical environment can lead to health risks (e.g. toxic fumes from forest fires) Employment and working conditions – people out of employment are less healthy.	Gora will promote integrated land management approaches that will reduce or mitigate hazards such as landslides, forest fires and droughts. The project will also reduce unemployment and increase livelihood possibilities through the development of value chain clusters. The project will directly support the alleviation of women workload.	Positive
Social support networks	Greater support from families, friends and communities is linked to better health	Gora relies on participatory approaches that have demonstrated their relevance in increasing social capital. The project will also directly support networks of women and youth.	Positive
Health services	Access and use of services that prevent and treat disease influences health	Rehabilitation and climate-proofing of critical road sections will result in an improved access to healthcare services. Through improved livelihoods and employment, the beneficiaries will also have improved access to healthcare that will be beneficial for their health.	Positive
Land use	Changes in land use, soil quality, choice of crop have impact on health	The implementation of EbA practices at farm or ecosystem level should result in the protection/rehabilitation of close to 3,000 ha of land.	Positive
Unsustainable farming	Unsustainable farming including chemical and energy use, biodiversity, organic production methods, and diversity of foods produced	The project will promote agroecology and other climate resilient practices, which are sustainable forms of farming relying on limited to no chemical inputs.	Positive
Water	Irrigation use and its impact on river/water-table levels and production outputs can have negative impacts on health.	Gora will support water storage infrastructure and efficient use of water (e.g. using micro irrigation techniques). This will have a direct impact on reducing water table extraction rates and combined soil and water conservation practices, improve productivity and human health.	Positive

Principle 14: Physical and Cultural Heritage

62. Montenegro acceded to the convention Concerning the Protection of World Cultural and Natural Heritage on 3 June 2006 after declaring its independence. There are four sites in Montenegro on the list of World Cultural and Natural Heritage, and a further six on the tentative list (official list of sites that may be considered for future submission). The first site in Montenegro is the Natural and Culturo-Historical Region of Kotor (inscribed at the 3rd UNESCO session in 1979). Durmitor National Park was inscribed in 1980 and extended in 2005. The site Stećci Medieval Tombstone Graveyards, inscribed in 2016, is shared with Bosnia and Herzegovina, Croatia, and Serbia, while the site Venetian Works of Defence between the 16th and 17th centuries is shared with Croatia and Italy. Durmitor National Park is listed as a natural site while the other three are cultural sites, as determined by the organization's selection criteria.

63. In line with the role of katuns as living, evolving system of human communities in an intricate relationship with their territory, cultural or agricultural landscape or biophysical and wider social environment, Montenegrin stakeholders are now exploring the possibilities and relevance of applying to Globally Important Agricultural Heritage Systems (GIAHS)¹³⁸ to make the katuns listed at the

¹³⁸ <https://www.fao.org/giahs/background/en/>

Agricultural Heritage of the Food and Agriculture Organisation of the United Nations (FAO). Through its support to Integrated Landscape Management, and participatory approaches, as well as targeted support to pastoral practices and improved living conditions in the katuns, Gora will strengthen the revalorisation of their cultural importance.

Principle 15: Lands and Soil Conservation

64. The project will not have negative impacts on lands and soil conservation. The project has been designed in a fashion that reduces any risk posed by it to the environment, it is also not expected to pose any risks to lands as well as promote soil conservation.

65. The second component of Gora relies on landscape approaches, recognizing that the stakeholders of a given value chain interact in a local territory that can be identified as the "landscape"¹³⁹, and that within this landscape, key climate vulnerabilities can be mapped, in particular in relation with the flow of water at the scale of the watershed (with impacts in terms of drought/water availability, erosion, and flooding). As such, Gora will support local communities in integrating all elements of their territorial unit (including summer pastures or katuns) and preparing local strategies to address the current and potential impacts of climate change.

66. Gora will promote the Ecosystem based Adaptation approach which repairs degraded ecosystems and allows agriculture and other livelihoods to become resilient to climate change.¹⁴⁰ EbA – which has been introduced by the Secretariat of the Convention on Biological Diversity – is applicable in many situations: (i) conservation of agrobiodiversity to provide specific gene pools for crop and livestock adaptation to climate change; (ii) establishment of diverse agroforestry systems to cope with increased risk from changed climatic conditions; (iii) conservation and restoration of forests to stabilize land slopes and regulate water flows; (iv) sustainable management of upland wetlands and floodplains for maintenance of water flow and quality; etc. Improved agricultural productivity through EbA lessens flood damages, makes water available year-round, sustains itself under extreme weather, enhances biodiversity, strengthens watershed/landscape functions and improves food security.

67. By promoting EbA at both farming system (under component 1 through mainstreaming of agroecology) and landscape level (using biotechnical measures under component 2), and through its integrated approaches, Gora will ensure the comprehensive conservation of lands and soil in its intervention areas. It is expected that these interventions will enable the protection and/or rehabilitation of close to 3,000 hectares of land.

IV. Environment, Social and Climate Management Plan

i) Safeguards and Screening Procedures

68. The project has been designed in full compliance with Montenegrin Environmental, Water and Forest Laws and relevant safeguard procedures have been fully mainstreamed into the selection procedures of the project. Gora will follow the national procedure for Environmental Impact Assessments (EIAs), which requires the project bearer (MoAFWM in the case of Gora) to confirm the need for an EIA with the competent authority (Municipalities in the case of works foreseen under Gora) for the construction of infrastructures. Gora will ensure that Rapid Environmental Impact Assessments are conducted for all relevant investments, even where EIAs are not requested. Water conditions and/or no-objections will be sought in the following unlikely cases: adjunction of specific equipment to water storage facilities; cases where facilities which can have significant impact in terms of water pollution (to be considered for the rehabilitation of dairy facilities or slaughterhouses); or cases where dedicated facilities are constructed to reduce erosion. The PCU will ensure that commercial pickers are formally registered as per the provisions of the Law on Forest in the case

¹³⁹ The Law on Spatial Planning and Construction of Structure (2017) recognizes the "landscape" (*predio, pejzaz*) as an area, as perceived by people, whose character is the result of the action and interaction of natural and/or human factors.

¹⁴⁰ Secretariat of the Convention on Biological Diversity, 2009. "Connecting Biodiversity and Climate Change Mitigation and Adaptation: Report of the Second Ad Hoc Technical Expert Group on Biodiversity and Climate Change." Technical Series No. 41. Montreal: CBD.

where NTFP would be retained as a secondary value chain. The project will monitor livestock units' numbers amongst the beneficiaries and will record any eventual increase on a quarterly basis. Finally, all provisions outlined in the relevant Spatial Plans (national, regional or municipal, as applicable) will be respected.

69. The project will also map all the areas of protected natural and cultural heritage, as well as map the presence of critical biodiversity in its intervention areas. These elements will be reported in the PPR tracker accompanying report. As part of the PPR tracker the project will also report on all the indicators (including gender and youth), identifying those indicators that are not meeting their targets and proposing the corrective measures being taken by the PCU. Below is a consolidated EMSP table synthesizing project safeguards for each priority of the Adaptation Fund's ESP and GP and reporting plan.

SUMMARY MANAGEMENT AND REPORTING PLAN	
ESP	Management Plan and Reporting Requirements
ESP 9 Protection of Natural Habitats	<p>A) The project will identify:</p> <ul style="list-style-type: none"> i. The presence in or near the project area of natural habitats; ii. The potential of the project to impact directly, indirectly, or cumulatively upon natural habitats.
	<p>B) If critical natural habitats exist and there is a potential of the project to impact the habitat, the project will:</p> <ul style="list-style-type: none"> i. Describe the location of the critical habitat in relation to the project and why it cannot be avoided, as well as its characteristics and critical value. ii. For each affected critical natural habitat, provide an analysis on the nature and the extent of the impact including direct, indirect, cumulative, or secondary impacts; the severity or significance of the impact; and a demonstration that the impact is consistent with management plans and affected area custodians.
	<p>C) Reporting</p> <p>It is unlikely the project will have any negative impact on critical natural habitats, as protected areas will be de facto excluded from project activities. The project will submit biannual progress reports; annual supervision reports to IFAD as well as the annual PPR to the Adaptation Fund; MTR and final evaluation and completion survey.</p>
ESP 10 Conservation of Biological Diversity	<p>A) The project will identify:</p> <ul style="list-style-type: none"> i. The presence in or near the project area of critical biodiversity; ii. The potential of the project to impact directly, indirectly, or cumulatively upon critical biodiversity; iii. Native and adaptive tree species to be used for afforestation/reforestation, excluding non-native and potentially invasive species.
	<p>B) If critical biodiversity exists and there is a potential of the project to impact the habitat, the project will:</p> <ul style="list-style-type: none"> i. Describe the elements of known biological diversity importance in the project area, using any relevant sources of information, such as protection status, status on the IUCN Red List of Threatened Species and other inventories¹⁴¹, recognition as a UNESCO Man and the Biosphere Programme reserve¹⁴², Ramsar site¹⁴³, etc. ii. Describe why the biological diversity cannot be avoided and what measures will be taken to minimize impacts.
	<p>C) Reporting</p> <p>It is unlikely the project will have any negative impact on protected species. The project will conduct the screening and reporting as soon as the project specific areas have been determined. In the unlikely event that the project is expected to have a negative impact on biodiversity conservation, the project will develop an ESMP in relation to ESP 10 and monitor and report in the biannual progress reports; annual supervision reports to IFAD as well as the annual PPR to the Adaptation Fund; MTR and final evaluation and completion survey.</p>
	A) Monitoring

¹⁴¹ IUCN Red List of Threatened Species: <https://www.iucnredlist.org/>

¹⁴² United Nations Educational, Scientific and Cultural Organization, www.unesco.org/new/en/natural-sciences/environment/ecological-sciences/man-and-biosphere-programme

¹⁴³ Convention on Wetlands of International Importance, called the Ramsar Convention, www.ramsar.com

ESP 11 Climate Change	The project will monitor livestock units' numbers amongst the beneficiaries and will record any eventual increase on a quarterly basis. The project will also monitor the implementation of pastoral practices and document their (favorable) impact on the local landscape, in terms of preservation and sustainable management.
	B) Reporting The project will report both biannually for the progress reports, as well as annually in the PPR to the AF. It will report on: (i) overall cattle numbers and annual increase; (ii) implementation of pastoral practices; and (iii) implementation of other practices that result in carbon storage (biotechnical measures, agroecology, etc.).
ESP 12 Pollution prevention and resource efficiency	A) Water Conditions and Water no-objection Minor risks of effluents discharge may be posed by the upgrading of facilities (e.g. dairy, meat) under component 1, and will be managed through the compliance with the Water Law, by obtaining the relevant Water Conditions and No-Objections.
	B) Exploitation of resources from the forest If retained amongst the diversification options, this will comply with the relevant legislation (and in particular the Law on Forests which states that commercial exploitation of NTPF may be authorized, <i>in accordance with the forest management program, in a way that does not endanger ecosystems and forest functions; and on the basis of a public tender procedure to a legal or natural person registered for the purchase of non-timber forest products in the Central Register of Business</i> . Rehabilitation of critical points of rural access roads in forested area could facilitate access for illegal logging and thus increase the pressure on forest resources. Selection criteria for portions of roads to be rehabilitated will integrate this risk.
	B) Monitoring The PCU, Municipalities and members of concerned clusters will ensure that the relevant laws are complied with and that (i) no facility rehabilitated by the project results in pollution to the environment; and (ii) exploitation of resources from the forest is done in a way that does not endanger ecosystems and forest functions.
	C) Reporting The project will submit biannual progress reports; annual supervision reports to IFAD as well as the annual PPR to the Adaptation Fund; MTR and final evaluation and completion survey.
ESP 14 Physical and cultural heritage	A) The project will identify: i. The presence in or near the project area of areas of physical and cultural heritage ii. The potential of the project to impact directly, indirectly, or cumulatively upon areas of physical and cultural heritage
	B) If such physical and cultural heritage exist and there is a potential of the project to impact upon it, the project will: i. Provide an inventory of the physical and cultural heritage present in the wider project area that enjoys recognition at community, national, or international levels. Describe the cultural heritage, the location and the results of a risk assessment analyzing the potential for impacting the cultural heritage. ii. Describe the measures to be taken to ensure that cultural heritage is not impacted, and if it is being accessed by communities, how this access will continue.
	C) Reporting It is unlikely the project will have any negative impact on physical and cultural heritage. The project will conduct the screening and reporting as soon as the precise project areas have been determined. In the unlikely event that the project would be expected have a negative impact on biodiversity conservation, the project will develop an ESMP in relation to ESP 14 and monitor and report in the biannual progress reports; annual supervision reports to IFAD as well as the annual PPR to the Adaptation Fund; MTR & final evaluation and completion survey.

ii) Consultation

70. **Design consultations.** The design of the Gora project was done in a hybrid manner. From January to March 2022 virtual meetings were held with national and regional counterparts. In April 2022, an in-country mission took place during two weeks. A wide range of stakeholders were consulted, both at national, municipal and local level. Special attention was given to ensure a gender and youth focus in these consultations. As such, institutions dealing with gender and youth issues, both public and from the civil society, were consulted. Male and female potential beneficiaries and stakeholders were consulted both separately and in mixed groups. Moreover, the appropriateness of

time and location of consultation meetings, especially for women, was taken into account. More detail on the consultative process, including lists of stakeholders consulted, is available in Annex 2.

71. The main issues emerging from these consultations related to droughts, exacerbated by limited access to water, remoteness (due to lack or poor condition of roads), limited economic opportunities, forest fires, heavy rainfall and erosion. Women mentioned that given that they are often not registered in the register of agricultural holdings or hold land titles in their names, they are not able to request state support. Often it is the husband who is registered and makes the request on their behalf. Women also expressed high interest in equipment or technologies that would reduce their workload, such as milking machines, mowers and equipment for making pressed hay. It was also mentioned that young people do not have a lot of attractive opportunities in rural areas and they often migrate to cities or abroad.

72. **ESMP Consultations.** Project consultations will at all times be gender-sensitive and inclusive of vulnerable and marginalised groups, including as part of any screening and mitigation measures that could be needed for ESP 9, 10, and 14. The project will have regular consultations with beneficiaries throughout the project: beneficiaries will be extensively consulted as part of the rural clustering process under component 1, and participatory mapping for the Local Climate Adaptation Strategies under component 2. More generally, continuous stakeholder engagement and consultation will take place throughout the implementation.

iii) Grievance Mechanism¹⁴⁴

73. The project will utilize the existing IFAD's grievance mechanism to allow affected to raise concerns in case the project is not complying with its social and environmental policies or commitments. The consultative process with the community and beneficiaries aims to ensure prevention of grievances that might arise from the project activities. However, if at all, there are any grievances, the below redress mechanism is proposed:

- Grievance redress mechanism would be shared with the community during the project inception workshop and subsequent meetings and consultations with the beneficiaries;
- As part of the grievance redress mechanism, the contact details of relevant project partners (project coordinator, regional coordinators, territorial specialists and extension services) will be made available to stakeholders including project beneficiaries and local communities. Contact numbers will be displayed at common or predominant places along with the project details. This is expected to promote social auditing of project implementation. The grievance mechanism will be available to the entire project intervention areas. However, the functionality of the mechanism rests with the beneficiaries considering that the project including the grievance mechanism is envisaged to be a bottom up approach.

74. Grievances are aimed to be addressed at the field level by the project team which will be the first level of redress mechanism. If the grievance is not resolved at the field level, it will be escalated to the PCU and then to IFAD who will be responsible for addressing grievances related to violation of any of the provisions of Environmental and Social Policy of the Adaptation Fund. All grievances received and action taken on them will be put up before the PCU and Steering Committee meetings and will also be included in the progress reports for reporting and monitoring purposes.

V. Monitoring and Evaluation Arrangements

75. As described in section III. E of the project proposal, Gora will have a comprehensive monitoring and reporting system that will include quarterly reports, technical reports, annual project reports, the AF PPR tracking, annual IFAD supervision mission reports, a Mid-term Review and a final evaluation and completion survey.

76. The monitoring and reporting of the ESMP will be commensurate with the limited ESMP required for the project. As presented section IV. i) ESP compliance for ESPs 9, 10 and 14 will be

¹⁴⁴ The redress mechanism is described in section III. D.

reported on through the annual PPR and supervision missions to verify the presence of any critical natural habitats, critical biodiversity and physical cultural heritage in the project area. Risks posed in terms of GHG emissions in ESP 11 will be monitored and reported on, assessing overall cattle numbers and annual increase, implementation of pastoral practices and implementation of other practices that result in carbon storage (biotechnical measures, agroecology, etc.).

77. As part of ESP 12, compliance with provisions of the Water Law in case of pollution risk from dairy facilities or slaughterhouses will be closely monitored through the PCU and supervision missions, together with compliance with provisions of the Law on Forest regarding commercial use of NTFP should those be retained as secondary value chains. These elements will be reported on in the annual supervision missions and PPR reports, the MTR and the final evaluation.

i) Implementation schedule

78. The implementation schedule of ESMP will be as follows:

Activities	Time					
	PY1	PY2	PY3	PY4	PY5	PY6
Development of technical guidelines for the project		Q1				
Capacity building of project team		Q1				
Environmental and Social Screening		Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4
ESMP of project infrastructures			Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4
Implementation of ESMP		Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4
Monitoring and reporting of ESMP		Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4

ii) Cost for ESMP

79. The preparation and implementation of ESMP will have costs that have been built in to the project budget. The cost implications and their source of funds will be as follows:

ESMP related activity	Source of funding to cover costs
Development of technical guidelines for the project	Built-in the Project Costs
Capacity building of project team	Built-in the Project Costs
Environmental and Social Screening	Built-in the Project Costs
ESMP of project infrastructures	Built-in the Project Costs
Implementation of ESMP	Built-in the Project Costs
Monitoring and reporting of ESMP	Built-in the Project Costs

80. The institutional arrangements include the distribution of roles and responsibilities in the preparation of Screening and in the implementation of ESMP. The key players and their responsibilities will be as follows:

Organisation/designation	Responsibility
Ministry of Agriculture, Forestry and Water Management	Submission of application for the decision on need for EIA for all project infrastructures, as per the procedures set out in the Law on Environmental Impact Assessment, and compliance on provisions of the Law according to the outcome of the decision.
Municipalities	Decision on need for EIA for all project infrastructures Decision on attribution of Water Conditions and Water No Objections
IFAD/PCU – Project Coordinator, Environment and Climate Specialist, and Legal Officer	Consolidation of information from monitoring at local/municipal level; Verification of compliance with relevant laws.
PCU Field Staff	Presentation of Screening and ESMP in the MSM meetings and vulnerability mapping meetings at cluster level. Implementation of the ESMP at the local level. <u>At Municipal level</u> Identification of project risks related to ESP 9, 10 and 14 (identification of areas of interest and proposition of mitigation solutions);

	Monitoring of risks associated with GHG emissions; Monitoring of risks of pollution; Verification of compliance with relevant Laws.
Extension services and other implementation partners	<u>At local level</u> Identification of project risks related to ESP 9, 10 and 14 (with regards to site locations); Monitoring of risks associated with GHG emissions; Monitoring of risks of pollution; Verification of compliance with relevant Laws.

Appendix 1 – Indicative PPR Accompanying report

1. Project Description

- 1.1 Description of the proposed operation
- 1.2 Maps and diagrams of the project site
- 1.3 Area that will be affected and impacted
- 1.4 Settlements that will be affected
- 1.5 Population that will be affected (attach list of households)

2. Baseline Condition

- 2.1 Description of existing environmental and social condition.
- 2.2 Attach maps and other data that has been collected.

3. Environment Impacts and Risks

The Screening will be in terms of: (a) Direct Environmental Risks; (b) Direct Environmental Impacts; (c) Indirect Environmental Risks; and (d) Indirect Environmental Risks on the compliance with the following ESPs:

- i. Compliance with the Law;
- ii. Protection of Natural Habitats;
- iii. Core labour rights;
- iv. Conservation of Biological Diversity;
- v. Climate Change;
- vi. Pollution Prevention and Resource Efficiency;
- vii. Public Health;
- viii. Physical and Cultural Heritage;
- ix. Land and Soil Conservation.

4 Social Impacts and Risks

The Screening will be in terms of: (a) Direct Environmental Risks; (b) Direct Environmental Impacts; (c) Indirect Environmental Risks; and (d) Indirect Environmental Risks on the compliance with the following ESPs:

- i. Compliance with the Law;
- ii. Access and Equity;
- iii. Marginalised and Vulnerable Groups;
- iv. Human Rights;
- v. Gender Equity and Women's Empowerment;
- vi. Core Labour Rights;
- vii. Public Health;
- viii. Physical and Cultural Heritage.

5. Analysis of Alternatives

Description of alternatives that were identified and their Screening in terms of: (a) Direct and Indirect Environment and Social Impact (b) Opportunities for enhancing environmental and social benefits.

6. Recommendations

Risk Management options in terms of: (i) Preventing Risk; (ii) Avoiding Risk; (iii) Mitigating Risk; (iv) Transferring Risk; (v) Absorbing Risk.

Annex 4: Climate Vulnerability analysis in Montenegro

The information presented in this Annex aims at completing the climate exposure and vulnerability analysis conducted in section I. A. of the project proposal.

Climate change impacts on Agriculture and Water in Montenegro

1. Climate variability and hazards and potential impacts on agriculture and on water in Montenegro as characterized by the TNC are presented in the tables below.

Climate variability and hazards and potential impacts on water in Montenegro.

Source: Government of Montenegro. Third National Communication of the Republic of Montenegro under the UNFCCC, 2020.

Climate variability and hazards	Potential impacts
Increase in temperature	<ul style="list-style-type: none"> - Causes an increase in water use especially in the summer period and this can reduce the net water supply, increase competition for water and reduce access to water quality and quantity - Increases in temperatures and water temperatures reduce habitat quality and productivity and can degrade ecosystems
Decrease in precipitation	<ul style="list-style-type: none"> - Water quality will decrease and sediment transport will increase due to reductions in runoff and warmer water temperatures - Insufficient water for irrigation - Affects the performance and operation of existing and planned manmade hydrological systems. - Decreases in average annual yields of rechargeable systems and/or increase pumping costs for groundwater supply - Ground water-table levels decrease
Heavy rains	<ul style="list-style-type: none"> - Increases in the peak runoff increase flooding, erosion, and sediment transport, and adverse health impacts - River and lake flooding of urban, suburban, and rural land - Drinking water safety - Waterborne disease vectors - Affect rural and suburban drainage

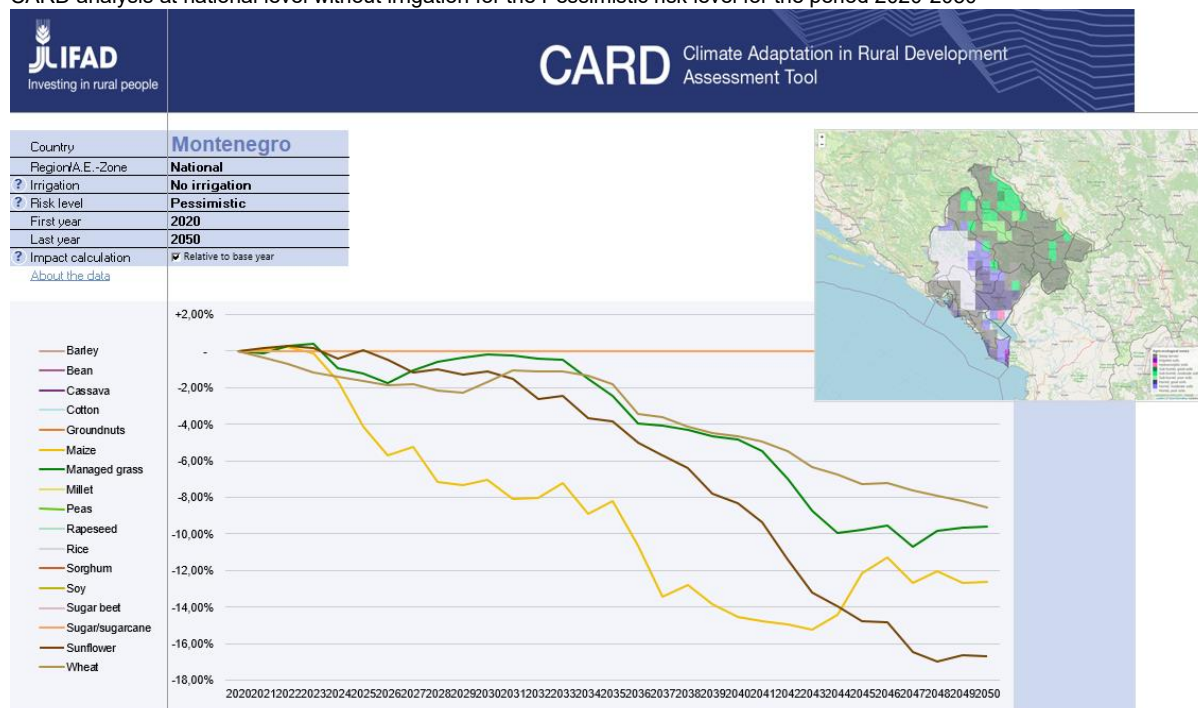
Climate variability and hazards and potential impacts on agriculture in Montenegro.

Source: Government of Montenegro. Third National Communication of the Republic of Montenegro under the UNFCCC, 2020.

Climate variability and hazards	Potential impacts
Increase in temperature	<ul style="list-style-type: none"> - Shift of vegetation periods towards the beginning of the year - Sharp interruptions in the vegetation process cause losses in yield, particularly in fruit-growing cultures, due to frost - Increases in crop yields (and land productivity) up to a point, followed by decreases - Increases in productivity of livestock up to a point, followed by decreases - Complex effects on weeds and insects - Heat stress affects livestock and milk production, gains in muscle mass and reproduction
Decrease in precipitation	<ul style="list-style-type: none"> - Decreases in crop yields (and land productivity) - Decreased irrigation water supply - Increased irrigation water demand
Droughts	<ul style="list-style-type: none"> - Limited plant growth, and therefore substantial reduction in yields - A decrease in the content of organic matter in soils - Increasing dependency on insufficiently developed irrigation systems - Reduction in the production of fodder for livestock feed
Floods	<ul style="list-style-type: none"> - Loss of crop yield - Increased plant diseases and weeds - Increase in crop damage - Loss of livestock due to difficulty of evacuation

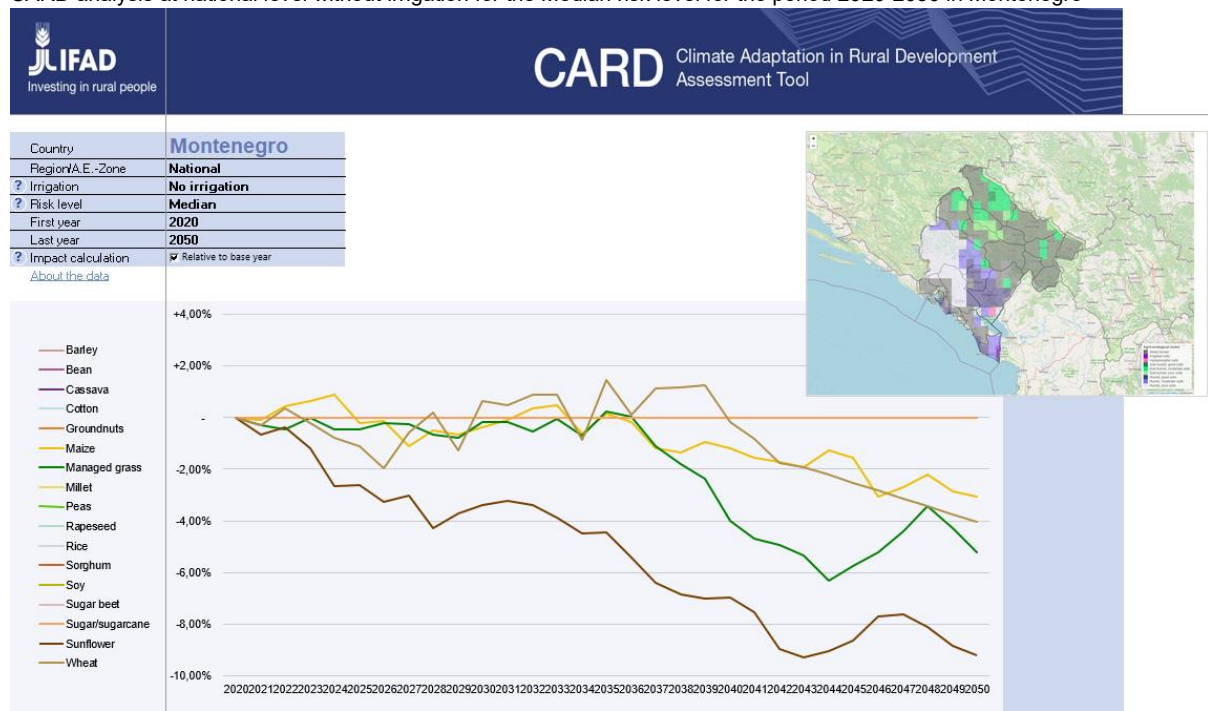
2. **Climate Adaptation in Rural Development (CARD) projection.** The CARD¹⁴⁵ assessment tool enables easy access to peer-reviewed modelling results for crop yields under climate change. It has been developed by the West and Central Africa Division of the International Fund for Agricultural Development (IFAD) with funding from Phase II of the Adaptation for Smallholder Agriculture Programme (ASAP2).
3. The CARD tool allows a choice between three risk settings, each setting impacting the way the underlying crop-climate models are analysed:
 - **Median:** This setting reflects a “best guess” of the uncertainties reflected in the models. The models are aggregated using the median.
 - **Pessimistic:** This setting reflects a pessimistic consideration of the uncertainties reflected in the models. The models are aggregated using the 10th percentile of all underlying crop yield projections (i.e. close to the model with the largest decline, or smallest increase, in crop yields).
 - **Optimistic:** This setting reflects an optimistic consideration of the uncertainties reflected in the models. The models are aggregated using the 90th percentile of all underlying crop yield predictions (i.e. close to the model with the least decline, or largest increase, in crop yields).
4. **Main findings.** The main findings of the CARD analysis (as shown in the figures below) are:
 - At national level, for both the median and pessimistic risk levels, there is a clear downward trend in production for the analysed crops after 2040 and 2030 respectively.
 - The “managed grass” category referring to pastures (katuns) presents a similar downward trend for both risk levels.
 - For the specific AEZ steep terrain (representing the main area of the Northern region of Montenegro), the yield of “managed grass” would decrease by 10% by 2050 with the Pessimistic risk level.

CARD analysis at national level without irrigation for the Pessimistic risk level for the period 2020-2050

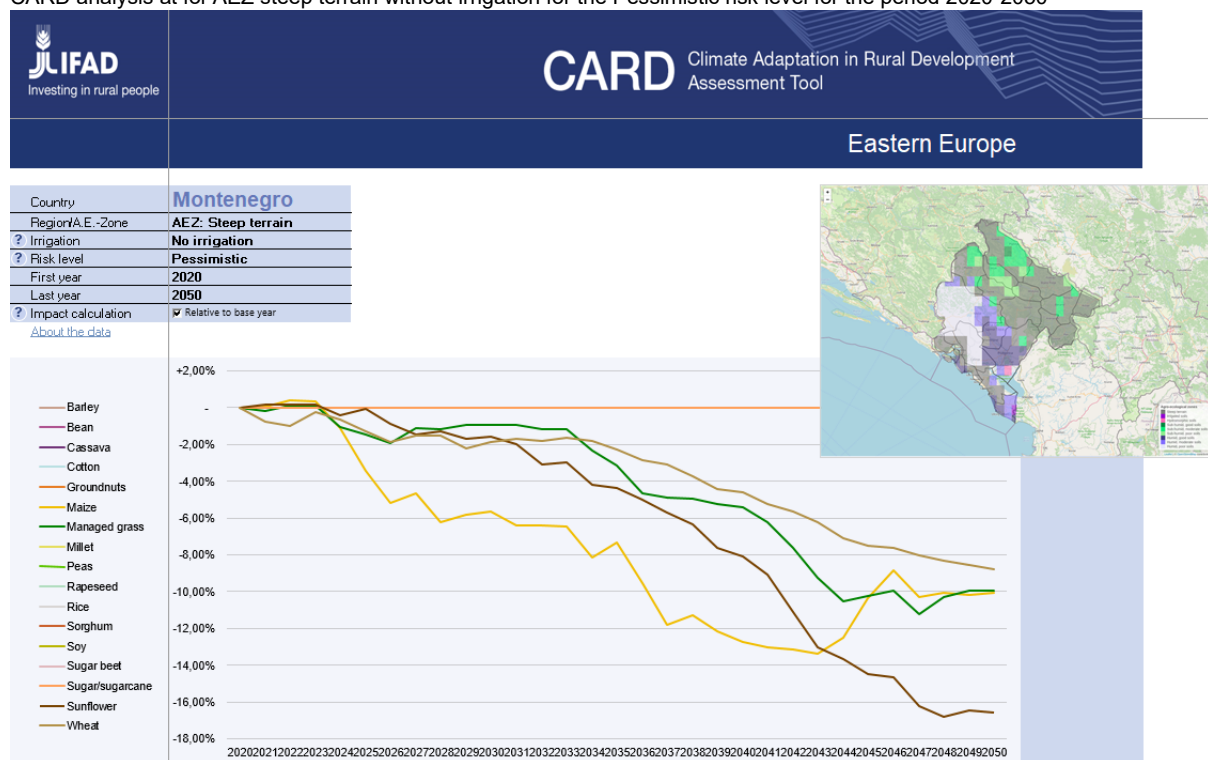


¹⁴⁵ https://www.ifad.org/documents/38714170/41085512/Card_usermanual_W.pdf/e867a16c-e581-8038-aa6f-1767a10629a3

CARD analysis at national level without irrigation for the Median risk level for the period 2020-2050 in Montenegro



CARD analysis at for AEZ steep terrain without irrigation for the Pessimistic risk level for the period 2020-2050



Climate Vulnerability analysis in Montenegro for geographic targeting

5. IFAD conducted a vulnerability analysis to assess Montenegro’s vulnerability to climate change. Vulnerability refers to the propensity of exposed elements to suffer adverse effects when impacted by hazard events. The analysis is based on official statistics and data¹⁴⁶, improved with additional data¹⁴⁷ and analyses to increase the evidence base and knowledge on how climate change affects rural populations. Climate vulnerability is defined as a function of exposure, sensitivity, and adaptive capacity:

- **Exposure** is typically conceptualized as the type and intensity of the hazard event affecting a system.
- **Sensitivity** is the predisposition of a system to suffer harm, loss, or damage as a consequence of a hazard event.
- **Adaptive capacity** is defined as “the ability of a system [human or natural] to adjust to climate change (including climate variability and extremes) to moderate potential damages, to take advantage of opportunities, or to cope with the consequences’ (Intergovernmental Panel on Climate Change (IPCC) Working Group 2, 2001).

6. Climate vulnerability and the size of affected populations is location specific and derives from unique interactions of different biophysical and socioeconomic variables so that different levels of vulnerability characterize different places. The indicators used to assess exposure, sensitivity and adaptive capacity were chosen on the basis of the socio-economic, climatic and environmental analysis presented in section I. A. of the project proposal. These indicators are presented in the below table and in the below section “Mapping of Climate Vulnerability”:

EXPOSURE	SENSITIVITY	ADAPTIVE CAPACITY
<ul style="list-style-type: none"> • Daily heavy rains (number of events; >50mm, 1981-2020) • Trend of Standardized Precipitation-Evapotranspiration Index (1981-2020) • Trends of Min temperature in cold months (Nov-Apr) 1958-2019 	<ul style="list-style-type: none"> • Average Revised Universal Soil Loss - RUSLE (<200tn/ha/year) (erosion) • Rural Population (<250 hab/km²) • Development index 	<ul style="list-style-type: none"> • Proximity to main electric lines • Youth population (<35y) • Proximity to main roads

7. Mountainous ecosystems provide vital services including water, forest, carbon storage and cultural values. People in and around mountain regions depend on these services for livelihood, income generation, food, health and wellbeing. As presented below, the main direct impacts of climate change are precipitation changes such as erratic rainfall, drying up springs and more frequent storms and increasing wildfire weather induced by the increasing temperatures. The main indirect impacts are the decrease in pollinator diversity and the climate induced hazards such as landslides and mudflows. As a results of these impacts, the conditions of the ecosystems are altered, shortage of fodder can occur (see CARD analysis) with decreasing regeneration potential, threatening native and endemic species. Climate change is likely to lead to a decrease in quality and quantity of mountain ecosystem products which will result in vulnerable households falling further into poverty and lead to food, nutrition and health insecurity with related outmigration.

8. **Exposure.** Analysis of historical climate trends shows that the country has experienced considerable warming in its climate over the past century, with an acceleration over the past 50 years. The minimum temperature is the one with the highest increase in time and is particularly affecting the mountainous areas with higher temperature in winter and in early spring (associated with an early onset of vegetation, putting crops at risk in case of late frost).

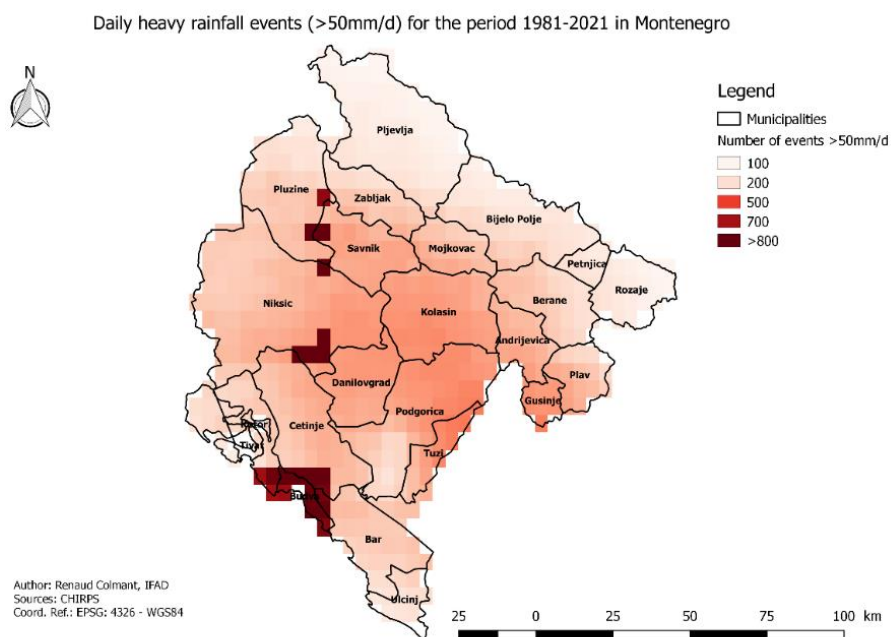
9. At national level, annual precipitation does not show significant change, with a slight decrease since 1901 and a slight increase for the period 1981-2020. There is a clear shift however in the

¹⁴⁶ Committee on emergency, PPRC, NDC, IPCC

¹⁴⁷ Remote sensing analysis undertook by IFAD and EO4SD Atlas.

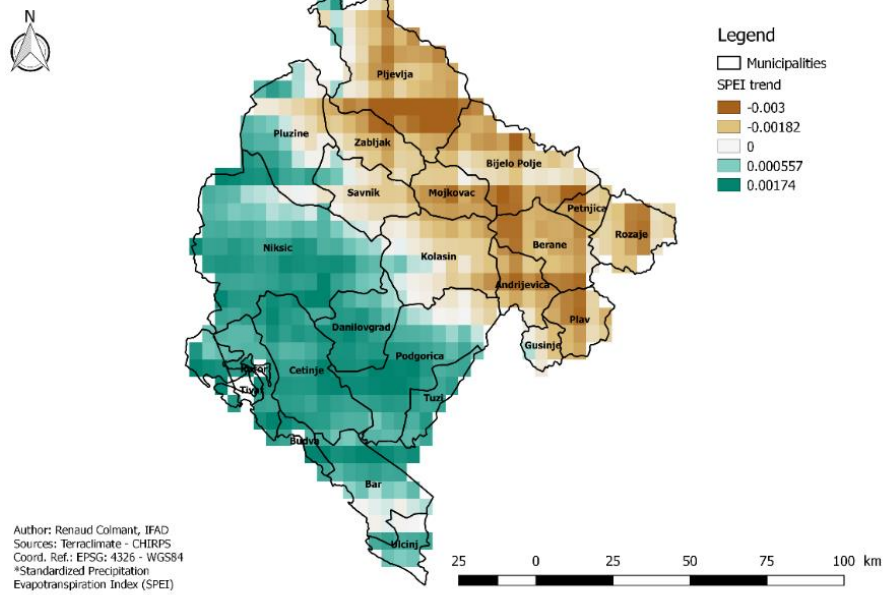
precipitation patterns, associated with an increase in precipitation intensity: an increase of 30-40% of intense rainfall events during summer months can be expected, together with less precipitation in the Northern mountainous region during the winter months when water is usually stored in form of snow. Indeed, snow presence at national level is decreasing in time since 2000, with negative tendency in the Northern region and in Nikšić. This shift has a major impact on water availability, decreasing the amount of water effectively stored in soil and increasing the vulnerability of the ecosystem to drought. The increase in precipitation during summer months translates in a significant intensification of heavy rainfall events in the mountainous areas of Montenegro (and intense rainfall is associated with a reduced infiltration/increased runoff).

10. Droughts have been more frequent and intense since 1981. At national level, the trend for the 1981-2020 period is negative, indicating a clear increase in long term droughts. The SPEI drought index by municipalities shows that the Northern mountainous municipalities are the ones affected the most by drought compared to municipalities of Central and Southern Coastal regions. In the past, the frequent and intense droughts have impacted the quality and quantity of the agricultural yield, revenues, the costs to prevent and control the spread of diseases, insects, and weeds, as well as the irrigation rate and have led to forest fires. Future climate scenarios are following similar trends, further aggravating system exposure as presented above.



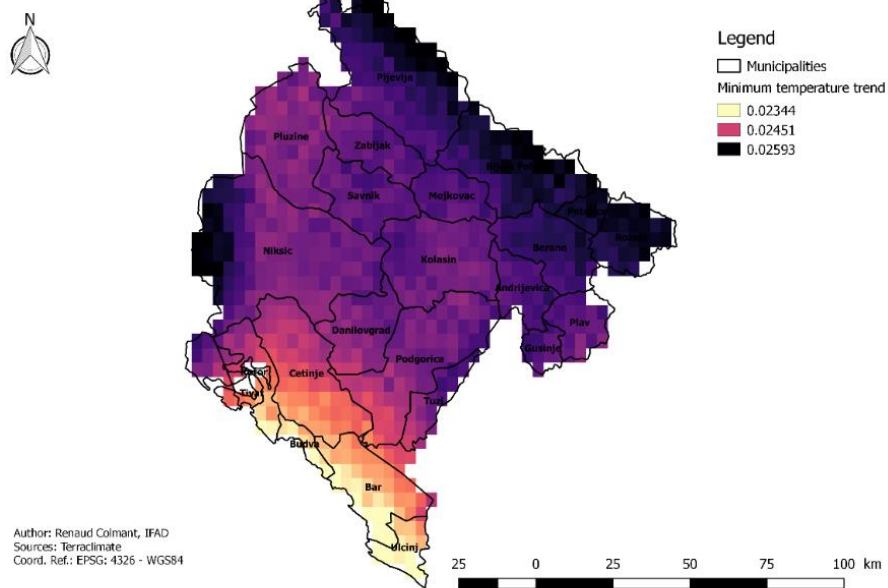
Source: CHIRPS

Trend of the SPEI* drought index for the period 1981-2021 in Montenegro

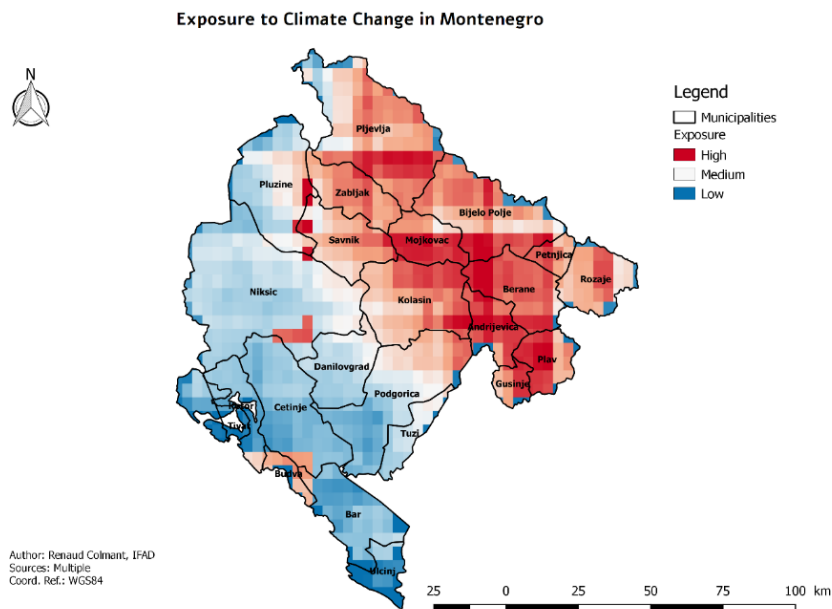


Source: Terraclimate & CHIRPS

Trends of minimum temperature in cold months (Nov-Apr) for the period 1958-2019 in Montenegro



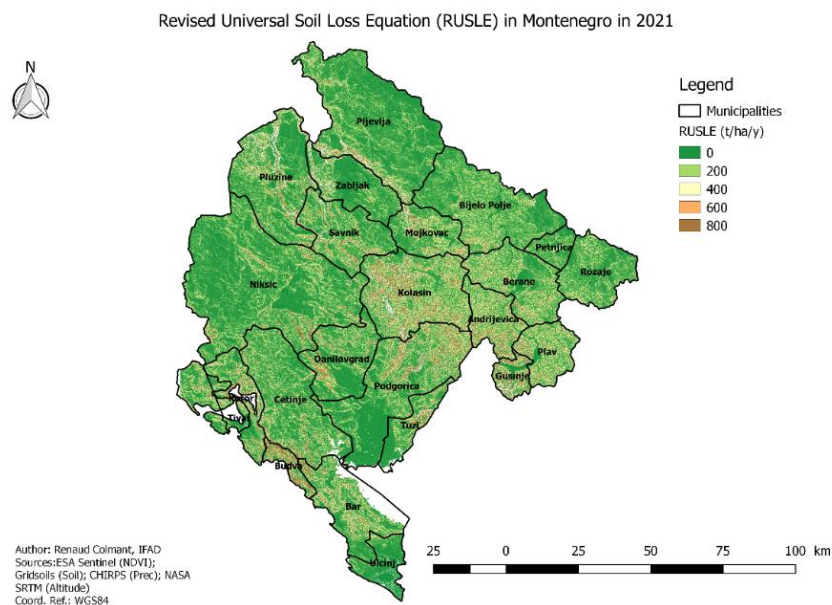
Source: Terraclimate



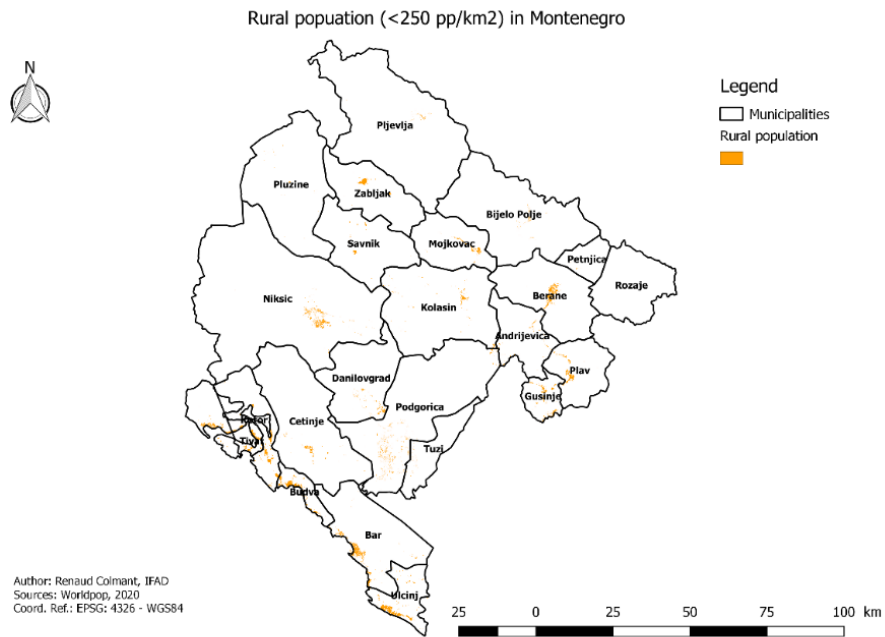
11. **Sensitivity.** Sensitivity is also higher in mountainous municipalities of Montenegro than in the rest of the country. The susceptibility of a system to suffer harm, loss or damage as a result of a hazard depends on the state of that system at a given time and on the socio-economic status of the population. Northern mountainous areas of Montenegro have more degraded soils and the population is less affluent than the rest of the country.

12. By undertaking an in-depth study of soils in Montenegro based on the Revised Universal Soil Loss Equation (RUSLE) method, it was possible to identify areas that are most prone to erosion and landslides with high resolution. Soil erosion is caused by both natural and anthropogenic factors and is visible throughout the country, especially in the mountainous regions of the northeast. Erosion follows the rainfall pattern and depends on the presence of vegetation and the soil conservation practices (forest, agroforestry and physical infrastructure) put in place.

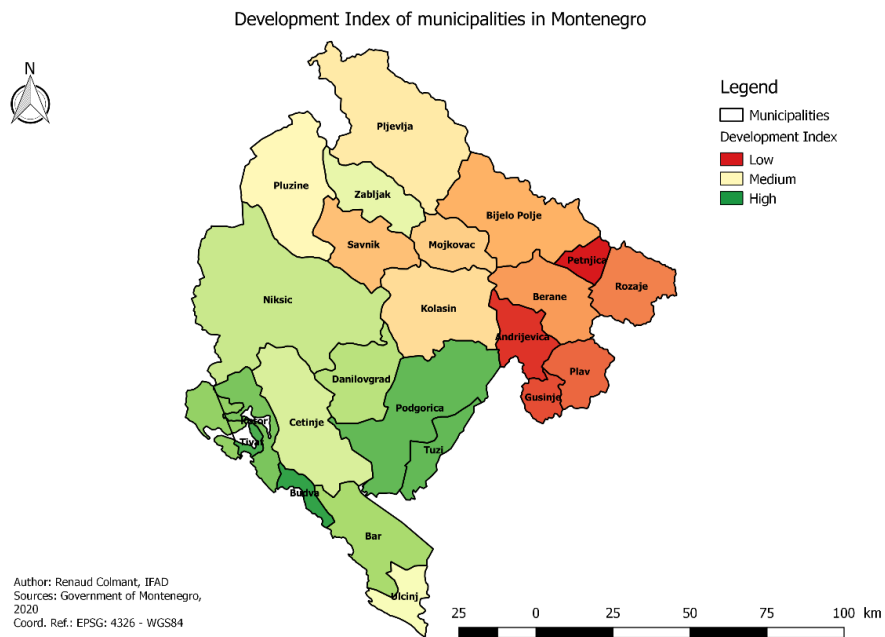
13. Since sensitivity is also linked to the socio-economic situation of the population, the analysis was based on the development index established by the GoM for each municipality and cross-checked with the rural population, which is more vulnerable than the urban population to the climatic shocks.



Source: ESA Sentinel 2; Gridsoils; CHIRPS; NASA SRTM.

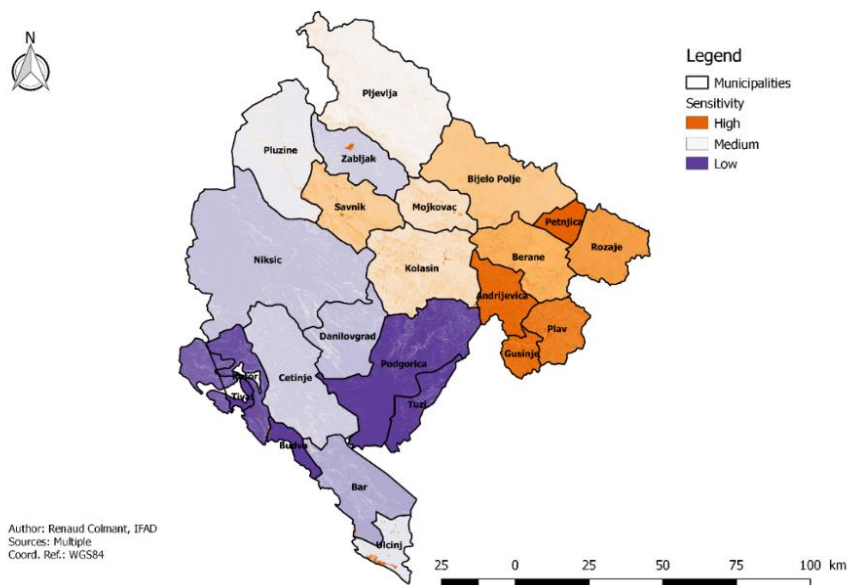


Rural population (<250 pp/km²) in Montenegro in 2020. Source: Worldpop.



Source: Government of Montenegro.

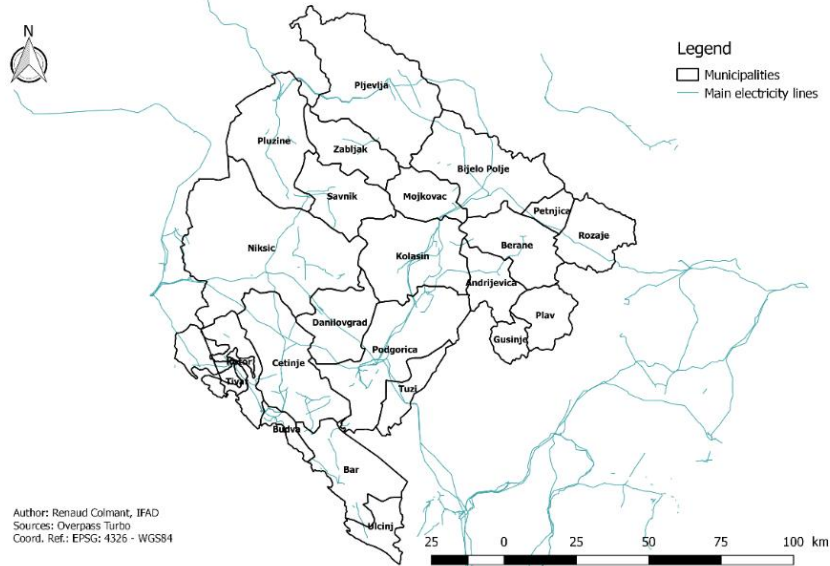
Sensitivity to Climate Change in Montenegro



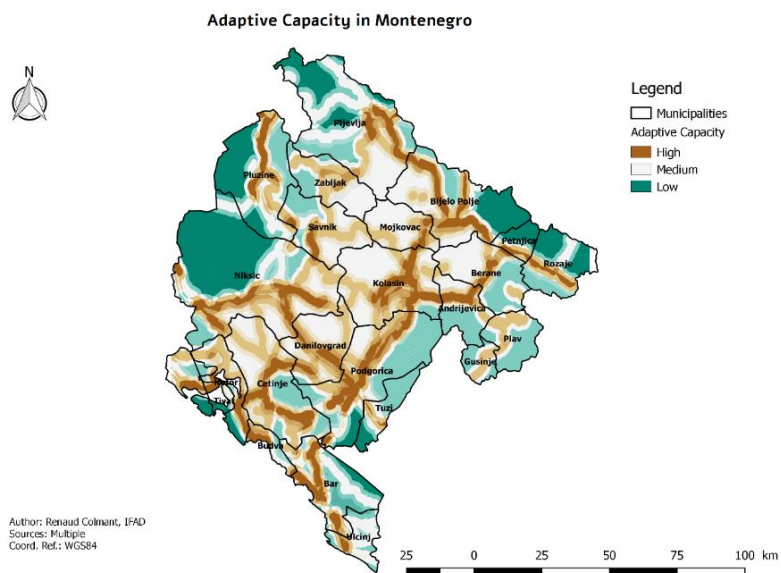
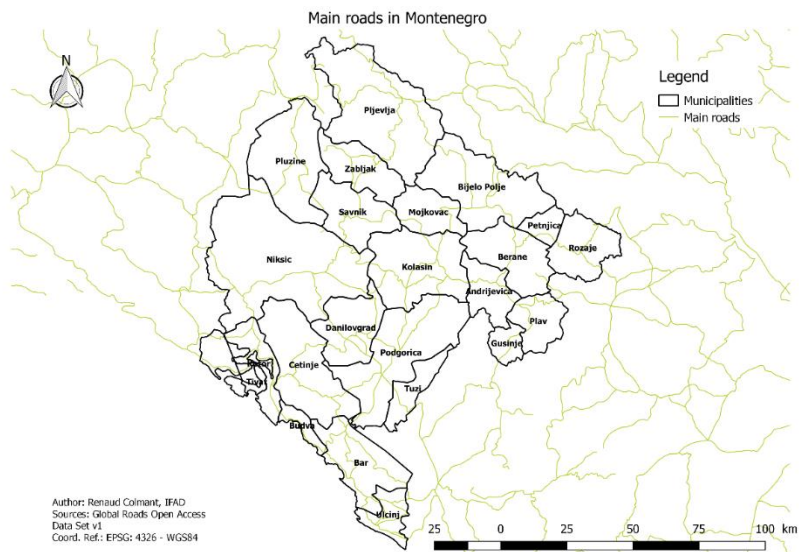
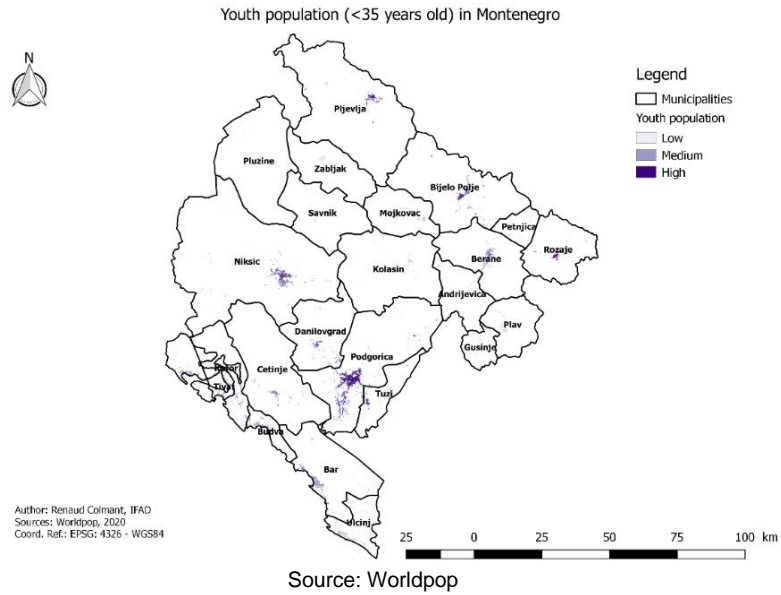
14. **Adaptive Capacity.** The ability of a system (human or natural) to adapt to climate change, including climate variability and extremes, to moderate potential damage, to take advantage of opportunities or to cope with consequences is highly dependent on the basic infrastructure and means of communication of the population (in the case of a human system).

15. In the mountainous regions of Montenegro, limited access to electricity is constraining some households' access to information and ability to communicating. In the event of a disaster (e.g. forest fire, flood, earthquake and major drought), the response will depend on the information known and shared. Adaptive capacity also depends on road connectivity. Mountainous areas are less well connected than the rest of the country. Indeed, the 'last mile road' is usually lacking in mountainous areas. In the event of a climatic disaster (e.g. landslide, fire or prolonged event such as drought), access to key areas (e.g. villages, crops, and services such as schools or medical centres) is crucial for the population. For farmers, access to both crops and market is essential for their adaptive capacity. Finally, the youth population was taken as a proxy of the adaptive capacity of the population to react to climate change on the long term.

Main electricity lines in Montenegro



Source: Overpass Turbo.



Annex 5: Gender Assessment and Sensitive Design Checklist

Situational analysis

- 1. Performance according to international gender equality indices.** The 2019 female HDI value for Montenegro is 0.814 in contrast with 0.843 for males, resulting in a GDI value of 0.966, placing Montenegro into the group of countries with medium to high equality in HDI achievements between women and men. Montenegro has a Gender Inequality Index (GII) value of 0.109, ranking it 26 out of 162 countries in the 2019 index¹⁴⁸. The European Union's Gender Equality Index¹⁴⁹ for Montenegro was calculated for the first time in 2019 with a score of 55. In comparison to other European countries, Montenegro still lags behind. Only four countries scored lower than Montenegro in 2019 – Romania, Slovakia, Hungary and Greece. Women in Montenegro are least equal when it comes to power (gender equality in decision-making in political, economic and social life), followed sequentially by time (gender inequalities in terms of the management of free time), knowledge (inequalities between women and men in terms of educational attainment and segregation in different fields of education), money (gender inequalities regarding the general economic situation and concerning access to financial resources) and work (extent to which women and men can benefit from equal access to employment and good working conditions). Women are the most equal when it comes to health (status of health, behaviour including healthy lifestyle habits and access to health care)¹⁵⁰.
- 2. Demographics.** Out of the total of 621,306 inhabitants in Montenegro in 2020, 314,084 were women, or 51 percent of the total population¹⁵¹. Life expectancy at birth for women in Montenegro is 79 years¹⁵².
- 3. Discriminatory social norms.** The Western Balkans remains a region dominated by patriarchal gender norms. The biggest challenge for improving gender equality is changing the mentality of women and men towards traditional gender roles¹⁵³. The literature consistently identifies social attitudes as a barrier to increasing gender equality. Many people are not aware of women's rights or gender non-discrimination laws¹⁵⁴. In several areas of gender equality, legal provisions are adequate and conform to UN and international norms. However, these are not always implemented or adhered to in practice, due to social barriers, and lack of capacity, knowledge, and resources¹⁵⁵.
- 4.** Much of the literature recognises the need to include men and raise men's awareness about gender issues. Most of the literature on the Western Balkans looks at interpersonal and household gender norms, such as girls' access to school, women's work and household decision-making. There is also a strong literature on women's political participation and violence against women and girls¹⁵⁶.
- 5. Education.** Gender parity in education is good, with nearly equal school attendance of boys and girls. Increasing numbers of girls go to university. The expected years of schooling for women is

¹⁴⁸ UNDP (2020). Human Development Report – Montenegro.

¹⁴⁹ The Gender Equality Index is a 'tool to measure the progress of gender equality in the EU'. However, as a comprehensive instrument, it can be used to evaluate and compare the state of gender equality in any European country, in any EU candidate country, such as Montenegro, or beyond Europe. It was developed by the European Institute for Gender Equality (EIGE), an autonomous body of the European Union and was first launched in 2013. The Gender Equality Index is based on the definition that gender equality is an 'equal share of assets and equal dignity and integrity between women and men'. It identifies six main domains of gender equality: work, money, knowledge, time, power and health.

¹⁵⁰ MONSTAT (2019). Gender Equality Index – Montenegro.

¹⁵¹ Data for 2020. <https://data.worldbank.org/country/montenegro>

¹⁵² Ibid.

¹⁵³ Petričević, I. (2012). Women's Rights in The Western Balkans in The Context of EU Integration: Institutional Mechanisms for Gender Equality. Background paper for the Committee on Women's Rights and Gender Equality in the European Parliament.

¹⁵⁴ Ibid.

¹⁵⁵ Browne, E. (2017). Gender in the Western Balkans. K4D Helpdesk Report. Brighton, UK: Institute of Development Studies.

¹⁵⁶ Ibid.

15.4 years, while that of men is 14.7¹⁵⁷. Gender issues are around which subjects they choose to study, and what schools teach about gender and sexuality^{158.c}

6. However, in the segment of the population that had no education at all (the total of 11 324 citizens), women also represented a significant majority (80.8%)¹⁵⁹. Similarly, within the segment of the population with incomplete primary school, women comprise the majority of 73%¹⁶⁰. The huge gap that is evident here, however, can probably be ascribed to older generations when it was less common for women to receive any kind of education. Times have changed and today, women represent the majority of those who complete bachelor studies according to the new reformed educational system (57.4%). They also represent the majority of those who receive postgraduate degrees (67% of those with a specialist diploma are women; 61.6% of those have received masters' degrees)¹⁶¹. However, there is no evidence that the better education of women has resulted in them securing better jobs or having higher salaries¹⁶².

7. **Women's political participation.** Montenegro has a gender quota for the number of women elected and fines for the party if their electoral lists do not meet gender equality provisions¹⁶³. There is also quite strong policy in place for women's representation, but this is not always adhered to¹⁶⁴. The literature states that 'women's participation is low', but the 27 per cent female parliamentarians is well in line with and slightly better than the world average (26 per cent)¹⁶⁵, while still significantly below the European average.

8. **Sexual and reproductive health and rights.** Traditional gender roles and conservative attitudes towards women's sexuality prevail. Access to maternity care is reasonable, but women tend not go to the doctor for any other health needs¹⁶⁶. Women in work often face discrimination in terms of maternity rights, including questions in job interviews about their marital status and intent to have children, despite laws in place against this¹⁶⁷. LGBT rights are poorly protected, with rural areas showing worse discrimination than urban areas¹⁶⁸.

9. **Violence against women and girls.** Domestic violence is prevalent in Montenegro. According to a 2017 survey, 43 per cent of women in Montenegro had experienced some form of violence during their lifetime, and 18 per cent had experienced violence in the previous 12 months¹⁶⁹. Several societal and structural barriers including social stigma and shame, distrust of institutions, fear of retaliation by the perpetrator, lack of awareness and access to referral services, and tolerance towards violence are behind the prevalence and underreporting of gender-based violence (GBV) in Montenegro: a concern that has been consistently raised in EU progress reports and in the reports of the Committee on the Elimination of Discrimination against Women regarding the country¹⁷⁰.

¹⁵⁷ UNDP (2020). Human Development Report – Montenegro.

¹⁵⁸ Browne, E. (2017). Gender in the Western Balkans. K4D Helpdesk Report. Brighton, UK: Institute of Development Studies (IDS).

¹⁵⁹ MONSTAT (2019). Gender Equality Index – Montenegro.

¹⁶⁰ MONSTAT & Ministry for Human and Minority Rights (2018). Men and Women in Montenegro.

¹⁶¹ Ibid.

¹⁶² MONSTAT (2019). Gender Equality Index – Montenegro.

¹⁶³ UNDP (2016). Strengthening women's political participation: An analysis of the impact of women's parliamentary networks in Europe and Central Asia.

¹⁶⁴ Petričević, I. (2012). Women's Rights in the Western Balkans in the Context of EU Integration: Institutional Mechanisms for Gender Equality. Background paper for the Committee on Women's Rights and Gender Equality in the European Parliament.

¹⁶⁵ <https://data.ipu.org/women-averages>

¹⁶⁶ Browne, E. (2017). Gender in the Western Balkans. K4D Helpdesk Report. Brighton, UK: IDS.

¹⁶⁷ Petričević, I. (2012). Women's Rights in the Western Balkans in the Context of EU Integration: Institutional Mechanisms for Gender Equality. Background paper for the Committee on Women's Rights and Gender Equality in the European Parliament.

¹⁶⁸ Browne, E. (2017). Gender in the Western Balkans. K4D Helpdesk Report. Brighton, UK: IDS.

¹⁶⁹ Report on the Rapid Social Impact Assessment of the COVID-19 Outbreak in Montenegro. UN Montenegro, 2020.

¹⁷⁰ The EU Progress Report for 2020 points to gender-based violence and violence against children as 'issues of serious concern'. See also concluding observations on the second periodic report of Montenegro, 21 July 2017, CEDAW (2017).

10. The national strategy to combat domestic violence notes the need to engage with men and boys and change attitudes towards domestic violence¹⁷¹. Women largely do not report incidents, due to mistrust of security and justice institutions, as well as norms of acceptance¹⁷².

11. A UNDP Survey on Violence Perception showed that 92 per cent of citizens rated domestic violence as significantly present, while only 13 per cent stated that they felt comfortable talking or reporting it. The same research confirmed the high tolerance for domestic violence in the society as a whole, with one out of four citizens said violence was justified. Also, in only 36 per cent of cases, wider family members would be prepared to provide support and protection to victims of violence¹⁷³.

12. A Rapid Social Impact Assessment of the COVID-19 outbreak in Montenegro describes that, on the one hand, the epidemic has exacerbated various risk factors such as anxiety and stress, coupled with economic pressures - leading to an increase in gender-based violence, resulting in increased reports and requests for support, while, on the other hand, there has been a decline in the multi-sectoral and multi-disciplinary response to victims during the lockdown¹⁷⁴.

13. **Women and work.** Women are much less formally employed than men. The figures for full-time equivalent employment in Montenegro are 37.3% for women and 50.5% for men; evidencing a gender gap of 13.2 percentage points. Women earn less than men and do not occupy high level positions, as they face gendered barriers to access. Women face high barriers to working, so in order to access employment at all, they are expected to be better qualified than the male candidates. They earn 16 per cent less than men¹⁷⁵. This is explained by the presence of a higher frequency of women in low paid occupations and sectors, some of which are seen as traditionally 'female', and that female workers are often pushed into these jobs despite their higher level of education¹⁷⁶.

14. During recent times, Montenegro has passed some pieces of legislation that were unfavourable to the employment of women. A piece of legislation often referred to as the 'Law on Mothers' was introduced recently, but was quickly withdrawn. This law strongly discouraged women with three or more children from working and as a result approximately 17,000 women withdrew from the labour force¹⁷⁷. However, after the withdrawal of the law, many of the women could not return to their previous work.

15. Women face barriers to self-employment. Female participation in self-employment programmes organized by the Employment Agency of Montenegro (EAM) is 44 percent¹⁷⁸. Women comprised just 9.6% of business owners in 2011¹⁷⁹, reportedly the lowest in the Balkan region. Traditional gender roles discourage women from starting businesses; many women are expected to stay home and care for the household and family. Partly as a result of the traditional gender roles, household assets are usually owned by male members of the household – as a result, female entrepreneurs have less flexibility in offering collateral to obtain a loan. Despite the gloomy picture, attitudes are changing for the better for female entrepreneurship over time. Organizations, such as the Investment and Development Fund, and various donor programmes are supporting female-owned businesses and encouraging more women to consider entrepreneurship as a means of supporting themselves and

¹⁷¹ Petričević, I. (2012). Women's Rights in the Western Balkans in the Context of EU Integration: Institutional Mechanisms for Gender Equality. Background paper for the Committee on Women's Rights and Gender Equality in the European Parliament.

¹⁷² Browne, E. (2017). Gender in the Western Balkans. K4D Helpdesk Report. Brighton, UK: IDS.

¹⁷³ UNDP (2012). Study on Family Violence and Violence against Women in Montenegro.

¹⁷⁴ United Nations (2020). The Rapid Social Impact Assessment of the COVID-19 outbreak in Montenegro.

¹⁷⁵ Avlijaš, S., Ivanović, N., Vladislavljević, M., & Vujić, S. (2013). Gender pay gap in the Western Balkan countries: evidence from Serbia, Montenegro and Macedonia. FREN-Foundation for the Advancement of Economics.

¹⁷⁶ MONSTAT (2019). Gender Equality Index – Montenegro.

¹⁷⁷ NGO Shadow Report on the Implementation of the Convention on the Elimination of All Forms of Discrimination Against Women CEDAW in Montenegro, 2017, p.9

¹⁷⁸ World Bank Group (2016). Montenegro Achieving Sustainable and Inclusive Growth amidst High Volatility: Systematic Country Diagnostic.

¹⁷⁹ MONSTAT (2012). Owners of Business Entities in Montenegro in 2011 by Gender.

their families¹⁸⁰. Access to land can increase a woman's security, status and enhance her bargaining power in families and communities, boosting well-being at the household level¹⁸¹.

16. Closing gender gaps in access to economic opportunities requires removing the barriers and disincentives to employment and entrepreneurship for women. These include: (i) improving access to assets and productive inputs, (ii) providing access to child and elder care, (iii) removing disincentives and barriers embedded in labour taxation and regulation, and (iv) increasing employability of women through effective active labour market policies & adequate skills and training. Cross-cutting policies around social norms and discrimination; access to information; and monitoring and evaluation systems are also important¹⁸².

17. **Time management.** Gender inequalities also exist in terms of the management of free time. Data shows that 42.7% of women spend time caring for children, elderly, disables, relatives, etc. compared to 23.8% of men. Also, 68% of women spend at least one hour doing housework every day, while the same is true for only 10.3% of men¹⁸³. Women spend significantly more time caring for dependent family members and doing housework, which consequently leaves them with less time for themselves and social activities compared to men. According to data, every tenth man in Montenegro engages in housework, including cooking, on a daily basis compared to every third man in the EU¹⁸⁴.

18. Domestic and care work, which is mostly unpaid, is stereotypically believed to be a woman's responsibility while paid work and 'providing for the family' is believed to be a man's. Consequently, 'the unequal distribution of time spent on caring and housework activities between men and women remains a major hurdle to progress towards gender equality'¹⁸⁵. The disproportionate amount of time women spend on care and domestic chores impacts upon their participation in employment and opportunities for social, personal and civic activities. This means that, on a daily basis, women are increasingly expected to carry a 'double burden' of balancing paid and unpaid activities¹⁸⁶.

19. **Land and property.** A key issue in this context is the protection of lawful property right-holders whose rights are recognized by the law but are undisclosed (not registered) in land registries¹⁸⁷. Although the legal framework grants legal protection to the property rights of wives, female partners and daughters, in practice these do not translate into joint registration or link to a higher rate of property registered in women's names. Inheritance is traditionally regulated through the male line of descent. Properties are overwhelmingly registered in the sole name of a husband, male partner, son or brother. Real property that spouses acquire during marriage, for example, is still all too often registered in the name of the husband. The wife's interests can be lost to a third party who acquires the property from her husband or to (male) heirs in the inheritance process if she is widowed. Among other factors, the implementation gap between the law (de jure) and actual practice (de facto) can lead to a serious breach of constitutionally guaranteed rights such as ownership rights and freedom from discrimination¹⁸⁸.

20. Property in Montenegro is overwhelmingly owned by men. Women tend not to own land and property. Women are owners of four percent of houses, eight percent of land and 14 percent of holiday houses¹⁸⁹. Inheritance almost always goes to men, even where women have the rights to it. The legal background of inheritance is in keeping with the principle of equal rights. For example, The Law on Inheritance 114 knows no difference between sons and daughters and Article 11 explicitly

¹⁸⁰ European Investment Bank (2016). Assessment of financing needs of SMEs in the Western Balkans countries - Synthesis Report.

¹⁸¹ World Bank Group (2016). Montenegro Achieving Sustainable and Inclusive Growth amidst High Volatility: Systematic Country Diagnostic.

¹⁸² World Bank Group (2017). Promoting Women's Access to Economic Opportunities: Montenegro.

¹⁸³ MONSTAT (2019). Gender Equality Index – Montenegro.

¹⁸⁴ European Institute for Gender Equality (2019). Gender Equality Index 2019: Work-Life Balance.

¹⁸⁵ Ibid.

¹⁸⁶ MONSTAT (2019). Gender Equality Index – Montenegro.

¹⁸⁷ FAO & GIZ (2021). Guidelines on Strengthening Gender Equality in Land Registration in Southeast Europe, Rome.

¹⁸⁸ FAO & GIZ (2019). Guidelines on Strengthening Gender Equality in Notarial Practices in Southeast Europe, Rome.

¹⁸⁹ World Bank Group (2016). Montenegro Achieving Sustainable and Inclusive Growth amidst High Volatility: Systematic Country Diagnostic.

stipulates to that effect. Although there is no data available concerning women voluntarily renouncing their right to inheritance, the fact that they own less than 25% of real estate indicates undoubtedly an asymmetry in inheritance practices¹⁹⁰. Urban areas have more women owners than rural areas.

21. **Agriculture and the rural sector.** Gender inequalities remain socially accepted and tolerated, especially in rural areas, where traditions and patriarchal structure remain strong and inequalities are more entrenched. In the rural areas women bear the biggest burden with regular, everyday tasks from taking care of the entire family, namely children and the elderly, and household chores, such as preparing meals, washing, ironing, running errands, and gardening. Domestic labour performed by women and girls is not perceived as real work and as such is taken for granted. In most of the cases, men are those who are engaged in paid work and bring money home. The oldest male member of the household owns the property and gets to decide how the family budget is spent¹⁹¹.

22. The 2010 Agriculture Census found that 40 percent of the Montenegrin agriculture labour force is composed of women, while women represent less than 13 percent of owners of agriculture holdings¹⁹², suggesting that in the majority of farms women have a limited formal role and are unlikely to contribute to important farm-related decision-making processes. Of the total number of women employed on agricultural holdings, the largest share is held by women over age 65¹⁹³. There is an increasing number of women who are the holders of agricultural holdings. Since 2016, 1,349 farms in the Register of Agricultural Holdings have been registered to women¹⁹⁴. It should be noted that agricultural holdings can only be registered in the name of one household member, namely the official head of the household.

23. A key constraining factor to gender inclusion is the lack of data and evidence on women's roles in agricultural production in national statistics. Official statistics and labour market analyses in the Western Balkans describe rural women engaged in small-scale agriculture as 'inactive', 'informal' and as 'unemployed'¹⁹⁵.

24. Women are experienced farmers, and men often readily admit the equal role women play regarding labour contribution, capabilities, and decision-making. Male farmers recognize the crucial role of women in farming activities, even if women are typically not engaged in marketing, purchasing, and communications with irrigation managers or other authorities. While this highlights women's important role in agricultural production and value addition, women often fail to receive or control the revenues of their work, and typically do not hold ownership rights over the agricultural land they work on¹⁹⁶.

25. Existing evidence points to females and males having specific responsibilities on the farm, based on skills, physical ability, and traditions, while other tasks are done by both women and men, depending on availability and family structure. In livestock, for instance, care and milking are joint tasks, while milk processing is typically done by women. Similarly, cropping decisions are usually made jointly, but women are more likely to decide on the kinds of vegetables grown in greenhouses. Typical female tasks identified in high value crop production are seedling preparation, fertilizing, weeding, disease control, harvesting, grading, and conditioning, as well as management of the greenhouse drip irrigation system. Women are experienced in detecting water stress in vegetables and avoid irrigation right before harvest, in order not to compact the soil, and to keep the produce clean and dry for better storage, marketing and processing¹⁹⁷.

¹⁹⁰ European Union (2019). Women's rights in Western Balkans.

¹⁹¹ CARE (2021). CONEX Balkan Project Rapid Gender Analysis Report Western Balkan Region – Albania, Bosnia & Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia.

¹⁹² MARD (2015). Government of Montenegro, Ministry of Agriculture and Rural Development. Strategy for the Development of Agriculture and Rural Areas 2015-2020.

¹⁹³ Ministry of Sustainable Development and Tourism (2020). National Drought Plan.

¹⁹⁴ Ministry of Human and Minority Rights (2019). Report of Montenegro on the implementation of the Beijing Declaration and Platform for Action (BPfA) AND 2030 Agenda for Sustainable Development.

¹⁹⁵ World Bank (2020). Gender Inclusion in Productive Investments in the Western Balkans.

¹⁹⁶ Ibid.

¹⁹⁷ Ibid.

Table: Farm Tasks Carried Out by Females, Males, or Both¹⁹⁸¹⁹⁹

Female tasks	Male tasks
Greenhouse vegetable production	Communications with irrigation company
Preparing seedlings, fertilizing, weeding, disease detection, spraying, harvesting, sorting, packaging	Paying irrigation fee
Value addition: vegetables, fruit, honey	Field irrigation, pipe and pump installation
Milk processing	Field crop production (mechanized)
Operating drip irrigation in greenhouses	Marketing of produce
Weeding, harvesting of field crops	Purchase inputs
Selling processed goods at trade fairs/from home	Hiring and operating of machinery
	Hiring of seasonal workers (men for field preparation, women for harvest)
Shared tasks	
Choice of vegetable varieties	
Soil preparation (manual)	
Livestock care, including milking ²⁰⁰	
Field vegetable and crop production (manual processes like weeding, harvest)	

26. Women’s on-farm responsibilities have broadened with an increase of males seeking off-farm work. In addition to working on their family farm, male family members pursue employment off-farm, where income is typically higher, often on a permanent basis near the home, but also seasonally, or abroad with long absences from the farm²⁰¹. Women in those households often take on additional farm responsibilities that typically would have been carried out by men²⁰². In addition, young males tend to move to the cities, placing even more responsibilities on women. This ‘feminization’ of agriculture can create both opportunities and challenges for women: when remunerated, their increased involvement in agricultural work or in off-farm rural enterprises can empower women within their households and communities; however, if women are left with increased responsibilities in agriculture –but without male labour, agricultural extension information, recognized rights over land and agricultural assets, or without basic literacy and numeracy– they are unlikely to succeed. Moreover, if women continue to perform the bulk of unpaid on-farm work while men work in more lucrative off-farm jobs, gender gaps in wealth and labour burdens can widen²⁰³.

27. Overall, the production-related tasks that women farmers are skilled at and responsible for, contribute significantly to the rural economy. Their skills and responsibilities for high-value agriculture contribute significantly to the quality of production and hence to farm income. They also contribute to the national goals of improving productivity of high value agricultural commodities and boosting the export potential for niche products and aromatic and medicinal plants, and increased value addition and quality²⁰⁴.

28. **Climate change.** Women and men are affected differently by climate change and are differently prepared to adapt to climate change. This is due to underlying inequality in socio-economic status, influenced by three factors: (i) The degree of equality of rights of women and men in national legislation; (ii) The degree of law enforcement; (iii) The tradition and customs that define the role of men and women in society (so-called “gender roles”). Countries can successfully address climate change risks only if they recognize the different perspectives, impacts, and interests of women and men in sector-level policies relevant to climate change (e.g. energy, transport, agriculture, tourism,

¹⁹⁸ World Bank (2018). Gender and irrigation in Kosovo. Views on access, service and production by female and male users of formal and non-formal irrigation; ASA on Social Inclusion and gender in ECA.

¹⁹⁹ Ibid.

²⁰⁰ It should be noted that during the field visits it was reported that it is mainly the women who are responsible for the milking and the care of the cows.

²⁰¹ World Bank (2020). Gender Inclusion in Productive Investments in the Western Balkans.

²⁰² World Bank (2018). Workshop Summary: Improving the integration of women in Kosovo’s labour market.

²⁰³ Quisumbing, A., Meinzen-Dick, R. and Malapit, H. (2019). Gender equality: Women’s empowerment for rural revitalization; 2019 Global Food Policy Report, Chapter 5 pp. 44-51; Washington DC, IFPRI.

²⁰⁴ MARD (2015). Government of Montenegro, Ministry of Agriculture and Rural Development. Strategy for the Development of Agriculture and Rural Areas 2015-2020.

and forestry). Additionally, so-called “horizontal policies” concerning human rights and gender equality are of key importance.

29. Rural women are more vulnerable to the effects of climate change and more likely to die as a result of natural disasters than men²⁰⁵. This, in turn, deepens gender inequalities, creating a vicious circle. Women are disproportionately dependent on scarce natural resources, leaving them particularly vulnerable to weather changes and natural disasters. Due to high unemployment rates, a high percentage of women in the Balkans tend to stay at home, where they are responsible for the household’s food production and its water and energy supply. These are the resources most affected by the impacts of climate change, making women in the Balkans more vulnerable than men to climate change²⁰⁶. As mentioned above, rural women in Montenegro do not get a fair share of the assets, resources and services needed to earn a decent living or adapt to climate change. They have less access than men to land, finances, agricultural inputs, training and technologies to help them manage climate-related shocks. Very often their decision-making power is limited, which means that they are not involved in the decisions at household and community level on how to address climate change. They are, however, powerful agents for promoting sustainable development and effective responses to climate change. Sustainable development demands the active participation of rural women in environmental planning, finance, budgeting and policy-making processes.

Policy and institutional framework

30. Montenegro has ratified international treaties, such as the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and the United Nations’ Framework Convention on Climate Change (UNFCCC), which promote a gender-sensitive approach and encourage the signatory countries to mainstream gender into national sustainable development and climate change policies.

31. Montenegro has a legislative framework in place to ensure gender equality and equal access to opportunities. Montenegro has the Gender Equality Committee of the Parliament of Montenegro and the Office for Gender Equality, and there is also the institute of the Ombudsman. Within the Ministry of Justice and for Minority Rights of Montenegro, the Gender Equality Department is the body responsible for achieving gender equality in the country. To this end, its main objectives are to favour women’s participation in the politics and economy of the country and reduce violence against women. However, a practical implementation dimension is lacking despite the existence of a legal and an institutional façade.

32. The Constitution of Montenegro (2007) proclaims the equality of all citizens as one of its main principles and provides the opportunity for the introduction of special measures for achieving overall equality, including equality between women and men. The Anti-Discrimination Law (adopted in 2010, amended in 2011, 2014, and 2017) and the Law on Gender Equality (adopted in 2007 and amended in 2010, 2011, and 2015), which is accompanied by the Action Plan for Gender Equality (2007–2010, 2011–2016, and 2017– 2021), lay the foundation for legal and institutional protection from gender-based discrimination.

33. The Government of Montenegro has adopted the National Strategy for Gender Equality 2021–2025 with the Action Plan for the period 2021 to 2022. The umbrella goal is to raise the level of gender equality in Montenegro. This will be done by improving the implementation of the existing normative framework. In addition, measures will be applied that strengthen the capacity of institutional mechanisms to implement legal provisions for protection against discrimination, establish more efficient and effective coordination, implementation oversight and reporting.

- Operational Objective 1: Improve the application of the existing normative framework on the implementation of gender equality policy and protection against discrimination on the grounds of sex and gender

²⁰⁵ E.g. Neumayer, E. & Plümpner, T. (2006). The Gendered Nature of Natural Disasters: The Impact of Catastrophic Events on the Gender Gap in Life Expectancy, 1981–2002.

²⁰⁶ UNEP (2015). Outlook on climate change adaptation in the Western Balkan Mountains.

- Operational Objective 2: Improve public policies and public education to reduce stereotypes and prejudice against women and persons of different gender identities
- Operational Objective 3: Increase the level of participation of women and persons of different gender identities in areas that provide access to resources and benefits from the use of resources

34. The national laws and strategies that recognize the importance of gender equality in policies related to climate change include the following:

- The National Strategy for Sustainable Development until 2030, which includes the measure related to Sustainable Development Goal No. 5 – “Eliminate gender discrimination”;
- The Strategy for Development of Agriculture and Rural Areas 2015–2020;
- The National Strategy on Women’s Entrepreneurship (2015–2020), which could be fully implemented in all climate change policies that are related to economic activities, entrepreneurship, and equal distribution of economic power and resources,
- A gender-sensitive approach is declared as one of the leading principles of the National Climate Change Strategy to 2030, but gender sensitivity is not integrated into the objectives and measures of the Strategy and its Action Plan.

35. In Montenegro, gender equality is recognized as an important aspect of the Sustainable Development Strategy and two sectoral policies - agriculture and entrepreneurship. Additional efforts are needed to integrate gender equality into other sectoral policies relevant to climate change (such as energy, water management, forestry, tourism, transport, etc.). The National Strategy for Climate Change to 2030 considers a gender-sensitive approach important for addressing climate change, but it has not elaborated this further in the objectives or the Action Plan. In December 2019, the Law on Protection against Climate Change was adopted, which did not address gender issues. This law envisages the adoption of two strategic documents that will practically replace the current National Strategy on Climate Change. It is of utmost importance that in the process of drafting these two strategic documents, the gender dimension is taken into account and incorporated horizontally across all objectives. Article 9 of the Law on Protection against Climate Change (2019) calls for the adoption of a 10-year Climate Change Adaptation Plan. This plan provides an opportunity for integrating gender issues.

36. Montenegro participated in a pilot initiative of the Global Support Programme for National Communications and Biennial Update Reports (in short, GSP), funded by the Global Environment Facility (GEF) and jointly implemented by UNDP and UNEP, in Western Balkan countries²⁰⁷. Among other areas of work, the GSP supports the integration of gender equality considerations into climate reporting. As a result, Montenegro defined three objectives within its national Gender Action Plan:

- to improve climate change legislation and policy documents (strategies and by-laws) by introducing a gender perspective, as well as to introduce climate change perspective in policy documents related to gender equality;
- to strengthen national institutions to mainstream gender into the climate change transparency framework by assessing the capacities of institution to interlink gender and climate change as a first step. A set of trainings were also proposed. It was also proposed to nominate gender representative into Working Group on Climate Change within the National Council for Sustainable Development, and
- to improve the system of collection and analysis of sex-disaggregated data and gender data relevant for MRV and transparency.

37. In Montenegro, there are currently no registered institutional methods and bodies of inter-institutional cooperation between the two main sets of institutions: the first set including those working in the field of gender equality, and the second set including those working in the field of climate

²⁰⁷ UNDP (2021). Gender mainstreaming into climate transparency and measurement, reporting and verification (MRV): 2017-2020. Results of GSP Pilot in Western Balkan countries (Albania, Bosnia and Herzegovina, North Macedonia, Montenegro and Serbia) and Lebanon.

change and every sector related to climate change²⁰⁸. Moreover, key biodiversity related documents in Montenegro are gender blind with zero evidence of usage of gender keywords²⁰⁹. Due to the fact that the Montenegro has established a basis for intersecting gender and climate change which should be revised and upgraded, and has also ratified the international commitments on ensuring a gender perspective in climate change policy and actions, the country has to develop and establish mechanisms for inter-institutional cooperation and capacity building. On the other hand, policy development and improvement go hand-in-hand with strengthened institutional capacities and knowledge on the respective issue²¹⁰.

38. Other projects dealing with the promotion of gender equality include the following:

- **Regional Programme: Ending violence against women in the Western Balkans and Turkey - “Implementing norms, changing minds”**. The main objectives of the programme are:
 - creation of an enabling legislative and policy environment, in line with international standards on eliminating violence against women and all forms of discrimination;
 - promotion of favorable social norms and attitudes to promote gender equality and prevent discrimination and violence against women, empowerment of women and girls who have experienced discrimination or violence, including those from disadvantaged groups, to advocate and use available, accessible, and quality services.
- **“Communicating Gender Equality”**: the EU supported project “Communicating Gender Equality” is implemented by UNDP with Ministry of Public Administration, Digital society and Media and Section for Gender Equality within Ministry of Justice, Human and Minority Rights. The project aims to strengthen governmental and media communication to address implementation of high standards of gender mainstreaming in public communication.
- **Gender mainstreaming for effective governance in partnership with the Ministry of Public administration, Digital Society and Media and with the participation of Section for Gender Equality in the Ministry of Justice, Human and Minority Rights**: UNDP conducted comprehensive research to assure evidence-based policy development and ensure best practices in gender mainstreaming in public administration.
- **Women’s economic empowerment**. RCC and UNDP have placed sustainable solutions at the heart of the joint roadmap for WB economies named “Women’s Economic Empowerment: Areas for joint actions” offering visionary and systemic economic transformation and prioritizing in COVID-19 context, with the following objectives: 1. Improved access for women in all their diversity to managerial and leadership roles in social and economic sectors; 2. Increased access of women and girls in all their diversities to entrepreneurship, and employment opportunities in non-traditional sectors of STEM, digital and green economy.

²⁰⁸ Government of Montenegro (2022). Third Biennial Update Report for the fulfilment of the obligations under the UNFCCC.

²⁰⁹ GIZ (2018). Gender Based Review of the Key National Biodiversity Related Strategies and Reports in South-East Europe.

²¹⁰ Government of Montenegro (2022). Third BUR for the fulfilment of the obligations under the UNFCCC.

Gora's gender strategy

39. **Strategic pathways.** By specifically focusing on gender equality and women's empowerment, the Gora project will deepen the impact and strengthen the sustainability of its efforts to reduce the vulnerability of livelihoods and ecosystems in northern Montenegro to the negative impacts of climate change. It will use a combination of multiple and complementary gender practices that facilitate changes in gender roles and relations. The project will improve women's access to resources and opportunities in combination with practices to enhance women's and men's awareness and consciousness. In addition, it will engage in policy dialogue on gender equality and women's empowerment. Three strategic pathways for gender equality and women's empowerment will be followed:

- Promote economic empowerment to enable rural women and men to have equal opportunities to participate in and benefit from profitable economic activities;
- Enable women and men to have an equal voice and influence in rural institutions and organizations; and,
- Achieve a more equitable balance of workloads and the sharing of economic and social benefits between women and men.

40. More precisely, landscape and cluster planning will be informed by a gender and youth analysis, which will take an intersectional approach and explore the roles and relationships between people of different genders, as well as gender- and youth-specific opportunities, barriers, and decision-making power. With this knowledge, actions can be planned and implemented in ways that recognise gender and age roles and dynamics while tackling discriminatory norms and practices.

41. The planning of actions will be a participatory process that brings together all relevant stakeholders. This includes local authorities, conservation organisations, and community members. The leaders of planning processes will actively work to create opportunities for meaningful participation by women, youth and others whose voices are often left out of decision making. This will require targeted consultations, capacity building, and engagement of facilitators from the excluded groups.

42. Targeted landscape actions that address gender- and age-specific needs and capacities will be included. These actions might be needed to reduce vulnerability of livelihoods, recognising gender-specific roles, to overcome gender-based barriers to resource access and control or to channel resources on a priority basis to groups that are typically excluded, such as women's and youth groups, to ensure that they can meaningfully participate in the planning and implementation of actions. As the actions are implemented, it will be important to engage with decision makers at different levels to raise awareness of discriminatory policies and practices, and to promote a governance of ecosystem services that is gender-equitable and inclusive.

43. The Gora project will support multi-stakeholder platforms and participatory processes to improve landscape governance and management. Therefore, throughout its implementation, specific attention will be given to participatory reflective monitoring of the inclusiveness of landscape management by using tools like "*How are we doing?*"²¹¹.

²¹¹ CIFOR-ICRAF (2020). How are we doing? A tool to reflect on the process, progress and priorities of your multi-stakeholder forum. <https://www.cifor.org/knowledge/publication/7796>

44. The pathways for gender equality in the Gora project are represented in the figure below.

Goal	Deepen the impact and strengthen the sustainability of Gora's efforts to reduce the vulnerability of livelihoods and ecosystems in northern Montenegro to the negative impacts of climate change through support to gender equality and women's empowerment		
Outreach	At least 50 percent of beneficiaries will be women		
Outcomes	Economic empowerment	Voice and decision-making	Workload balance and wellbeing
Activities	<p>Creating new income opportunities for women (e.g. climate-adaptive businesses)</p> <p>Supporting women to set up their own climate resilient businesses, including non-traditional enterprises</p> <p>Strengthening women's land rights (e.g. through awareness raising)</p> <p>Adapting training to the needs of women</p> <p>Sensitize men and boys as a strategy to support the economic engagement of women</p>	<p>Landscape and cluster planning will purposely take into account women's needs and aspirations</p> <p>Representation of women in landscape and cluster decision-making will be guaranteed</p> <p>Arrangements will be made to ensure that the needs and aspirations of women are taken into account in the policy engagement activities</p> <p>Household methodologies will be promoted</p> <p>Improving access to information (e.g. climate, market, etc.)</p> <p>Promotion of female role models (such as successful female entrepreneurs)</p>	<p>Time- and labour-saving technologies will be promoted (e.g. as part of the support for climate-adaptive businesses)</p> <p>Gender issues, including addressing gender-based stereotypes, will be incorporated in trainings</p> <p>Awareness-raising on gender-based violence</p>
	Including a gender-dimension in all policy engagement activities		
M&E	Sex- and age-disaggregated data		

Activities per sub-component

Component 1: Sustainable Mountain Livelihoods	
Subcomponent 1.1: Mountain value chain clustering for resilient rural transformation	<ul style="list-style-type: none"> • Prioritisation of value chains with strong involvement of women (e.g. livestock, berries, honey, etc.) • Carry out gender analysis to inform cluster development • Creating opportunities for meaningful participation by women in mapping exercise of pre-targeted commodities and in the Multi-Stakeholder Platforms and meetings • Organising outreach campaigns targeted at women (e.g. using female role models) • Gender training of municipal extension staff • Introduction of household methodologies, e.g. principles of the Gender Action and Learning System (GALS) • Awareness raising on gender-based violence
Subcomponent 1.2. Cluster services for resilient agriculture and business development	<ul style="list-style-type: none"> • Ensuring trainings take into account women's needs (e.g. timing, location, literacy levels, etc.) • Positive discrimination in terms of financial, technical advisory and other support of female producers and/or entrepreneurs • Organising exchange visits for female producers and/or entrepreneurs and supporting their participation in local, regional and national events such as agricultural fairs, etc. • Supporting organisation of female producers and/or entrepreneurs • Raising awareness and supporting women's access to land • Supporting families to register women in the register of agricultural holdings
Subcomponent 1.3. Financial support to adaptive activities	<ul style="list-style-type: none"> • Positive discrimination of female producers and/or entrepreneurs in terms of financial support through the VCF (50% grants under each of the three VCF windows to be allocated to women) • Priority given to support to help reduce women's time and labour constraints
Component 2. Integrated Landscape Management	
Subcomponent 2.1. Local Climate Adaptation Strategies	<ul style="list-style-type: none"> • Carry out gender analysis to inform the development of Local Climate Adaptation Strategies • Creating opportunities for meaningful participation by women in mapping process and the development of Local Climate Adaptation Strategies • Participatory reflective monitoring of the inclusiveness of landscape management by using tools like "How are we doing?"
Subcomponent 2.2. Nature positive landscape management	<ul style="list-style-type: none"> • Supported nature positive landscape management activities will address gender-specific needs and capacities identified during the planning process • Increasing women's access to multipurpose water storage systems
Subcomponent 2.3. Rural Adaptation Public Investments	<ul style="list-style-type: none"> • Use number of potential female beneficiaries as a criterion for the selection of roads to be climate proofed • Strengthen women's social capital and access to information through community centres
Component 3. Mainstreaming mountain adaptation strategies	
Subcomponent 3.1. Models for Mountain Adaptation	<ul style="list-style-type: none"> • Ensure gender dimension is included in knowledge products prepared and disseminated
Subcomponent 3.2. Mechanisms and strategies for mountain adaptation at municipal and national level	<ul style="list-style-type: none"> • Ensure gender dimension is included in the activities of the working group for mountainous areas under the NCSD • Ensure gender dimension is included in the development of municipal climate adaptation strategies for rural Mountainous areas

45. Implementation arrangements. Gender and Social Inclusion aspects of Gora will be managed by the Gender and Youth Specialist, who will be responsible for gender and social inclusion issues (overseeing the implementation of the gender strategy, building the capacity of staff and helping colleagues to address considerations related to gender equality and women's empowerment in their operations, including knowledge management, M&E, indicators and measurement of results). Dedicated budget has been allocated to address these issues, as well as to ensure the mainstreaming of gender considerations into all of Gora's activities. The following arrangements will guarantee that gender is taken into account in the implementation of the project:

- A dedicated staff will be recruited for gender and social inclusion aspects.
- A strategy and project-type action plan will be established at project start-up.
- Budget has been allocated for specific gender- and youth-related activities
- Quotas have been set for women (50%) and youth (30%) as a percentage of beneficiaries, and all collected and analysed data will be disaggregated by sex and gender.
- Information campaigns and outreach events targeting women and youth will be carried out during project implementation
- Female and young trainers will be mobilized.
- Studies undertaken by the project will include a gender and age perspective
- Gender parity in the PCU will be encouraged.
- Responsibility for gender mainstreaming will be included in the terms of reference of all key project staff.
- Responsibility for gender mainstreaming will be included in the terms of reference of service providers.
- In all its activities, compliance with IFAD's policy on preventing and combating sexual harassment, exploitation and abuse will be sought. This will be reflected in the terms of reference of all key project staff and service providers.

Annex 6: Lessons learned from the Rural Clustering and Transformation Project

1. The ongoing Rural Clustering and Transformation Project (RCTP) (2017-2023) is the first IFAD financed project in Montenegro. The project's overall goal is to contribute to the transformation of smallholders' livelihoods in Northern Montenegro, enabling them to become more competitive and resilient to climate change. RCTP, notably through its Adaptation for Smallholder Agriculture Programme (ASAP) funding, responded to climate threats by working on land and water management in mountainous areas of seven Northern municipalities of Montenegro: the project enhanced water storage and soil health with the promotion of climate resilient practices through matching grants, resulting in a reduced vulnerability of communities to climate change, especially during recurring periods of drought, but also (since 2021) to fight forest fires, an increasing climate change related hazard. RCTP also helped local communities protect natural habitats and productive lands. The RCTP specific cluster approach focused on economic diversification, with a territorial continuity, guaranteeing a strong cohesion between all local stakeholders, increasing their social capital, and their resilience to shocks. Finally, the rural roads rehabilitation in remote areas co-financed by Municipalities was a key activity to enhance access to land more adapted to fragile productions (e.g. raspberries, which are quite sensitive to transportation), to improve access to markets and to reduce vulnerability to climate shocks.

2. The ongoing RCTP is showing an excellent track record, with steady disbursements, and exceeding physical realisation targets (high efficiency). As of September 2021, and at its fourth year of implementation out of six, RCTP had already reached 20,365 beneficiaries (99% of final target).

3. Component 1 of RCTP, aimed at facilitating value-chain clustering for resilient transformation. As of September 2021, and 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. The clusters reached various degrees of maturity with concrete changes positively impacting all stakeholders (increase of incomes for producers and particularly for the most vulnerable ones, increase of volume of transactions for traders with an broadening of their area of procurement thanks to the better accessibility of previously locked-up areas- see next para). RCTP continues its accompanying support with respect to each specificity (value chain, location, etc.). 504 grants were allocated to stakeholders of the targeted value chains through public calls, more widely benefitting to 2,270 people engaged in the production of berries, meat, dairy, or seed potato (76% of target) through 12 active economic clusters.

4. Component 2 of RCTP aimed to support rural clusters with supportive rural infrastructure, mostly roads and water supply systems. Regarding water infrastructures, as of September 2021, 42 water supply systems and rain harvesting structures had been constructed or rehabilitated out of 50 since project start, accounting for 84% of the final target; regarding roads, 78km of "last km" roads had been rehabilitated or constructed (65% of final target), taking into account that the final objective was 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, raspberry).

5. Under the Adaptation for Smallholder Agriculture Programme (ASAP) financing to Component2 (rural infrastructure), 2,626 people (of which 48% women) were supported in coping with the effects of climate change (131% of initial objective), with 1,224 households (102% of initial objective) and 42 production and processing facilities (84% of initial objective) benefitting from improved access to water (as of September 2021), exceeding the initial target.

6. The results of the Project, assessed during the Supervision mission of September 2021, have 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 but also internet coverage), 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.

7. Gora will scale up the successes of RCTP in 14 mountainous municipalities of northern Montenegro (including the municipalities of Plužine, Pljevlja, Kolašin, Rožaje, Andrijevica, Plav, and Gusinje) in addition to the “RCTP municipalities” of Šavnik, Žabljak, Mojkovac, Bijelo Polje, Berane and Petnica, as well as Nikšić), capitalizing on the experience of the ongoing RCTP, and addressing the gaps identified during its implementation. Further to expanding the landscape approach of RCTP, connected with the promotion of dynamic and innovative clusters, the Gora Project will strive to integrate all elements of the territorial unit (including summer pastures or katuns), will reinforce the technical capacity building provided to local stakeholders, and will widen the choice of targeted value chains to ensure the promotion of climate resilient productions and farming systems. Through the integrated landscape approach, Gora will promote the inclusive identification of solutions to climate change challenges at local level.

8. The present annex aims at thoroughly documenting the successes and lessons drawn from the implementation of the ongoing RCTP project, focusing on the following:

- **Rural clustering of value chains through the support of Multi-Stakeholders Platforms.** Rural clusters identified sectors of investment with the private sector that could rapidly benefit most producers providing them with a secured outlet: milk-collecting centres, meat processing plant, cold storage facilities. Experience shows that most opportunities for smallholders lie in developing linkages with existing off-takers present in the municipalities through commonly identified and focused investments, both in terms of economic infrastructure – to aggregate the agricultural production and socio-economic skills facilitation to ensure the economic sustainability and its social acceptance. The RCTP implementation has also illustrated the strong potential of this approach in increasing the resilience of local stakeholders and their willingness to become involved in their local development processes beyond these first concrete activities.
- **Increased smallholder revenues through small grants and graduation mechanisms.** Small grants provided by the Value Chain Fund (window 1 and 2) have a huge impact on small farmers gross incomes due to increased production capacities and better selling prices through guaranteed outlets by private off-takers within rural clusters. Small farmers benefiting from RCTP support may then access other grant mechanisms (IPARD, Agro-budget, MIDAS, etc.) and achieve an effective social and economic mobility / graduation.
- **Gender and youth inclusion, and targeting.** A differentiated targeting approach is needed for gender equality and funding, according to the poverty level of the direct beneficiaries, and such an approach requires a robust understanding of the characteristics of the most vulnerable, particularly women and youth, and of how they can benefit from a project. Achievement of gender equality being constrained by socio-cultural stereotypes, IFAD has (i) draw on UNDP’s experience which has been championing the gender and youth cause in Montenegro, and (ii) leveraged knowledge of the Ministries of Labour and Social Welfare, and of Minorities and Human Rights.
- **Partnerships.** RCTP is well anchored in the national context. Additionally from the implementing MoAFWM (particularly the Directorate for Rural Development), the project has established communication with key partner ministries (Ministry for human and minorities rights – department for Gender equality, Ministry of Sports – department of Youth) as well as the Union of Municipalities of Montenegro to better align on their respective strategic and simultaneously to share with them lessons learnt from RCTP implementation. The engagement of RCTP team in the Municipalities has succeeded in guaranteeing a strong **ownership** of all local stakeholders, and their adoption of project approaches. This also translates in the high **level of local co-financing (mobilised by both private investors and municipalities)**, an additional factor of **ownership** at national and local levels.

- **Adaptation to climate change.** A key aim of RCTP was to reduce the vulnerability of the rural poor to climatic risks. The project benefited from ASAP fund to support Climate Change adaptation and to ensure a rational and sustainable use of 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. Beyond ASAP financing, RCTP activities have shown their relevance in increasing the resilience of targeted beneficiaries.
- **A strong implementation team.** The success of RCTP is the direct result of its strong and committed implementation team (half of which was specifically contracted when the other half (M&E, administrative and fiduciary functions) was seconded from the Ministry of Agriculture, Forestry and Water Management), with highly-capable human resources (who developed a know-how on the specific modalities of implementation of the project); a network of relations with other stakeholders (projects, partners, service providers, clients, etc.); as well as relevant and well-defined implementation mechanisms, guaranteeing that the project delivers on its objectives.

Rural clustering of value chains through the support to Multi-Stakeholders Platforms

9. **Principle.** Rural clusters are the entry point for the stakeholder engagement through which RCTP supports the development of targeted value chains within a given territory. RCTP has sought to increase the volume of production and trade of agricultural products within each rural cluster, through individual investment and support to key economic infrastructure co-managed by the stakeholders. The clusters are geographic concentration of interconnected producers, off-takers, processors, suppliers, and associated institutions, who create a multi-stakeholders platform (MSP) to enhance direct and indirect synergies among them, resulting in market linkages. RCTP engaged in 11 rural clusters in 7 Municipalities of Northern Montenegro, targeting four promising VCs: livestock (primarily sheep meat but also high-value dairy), cultivated berries and seed potatoes. Within a cluster, each MSP helps the actors overcome various challenges through better coordination, creation of trust by deepening partnerships and improvement of the consistency of product quantity and quality. The support provided has led to an increased profitability of upland farming and agribusinesses, and improved the attractiveness for young farmers to remain or return in the rural areas.

10. RCTP has retained the following prerequisites for the formation of a cluster:

- Clearly and precisely defined market demand for the targeted products;
- Interest of agribusiness retailers to join a value chain in the corresponding geographic area;
- Interest of local farmers and SMEs to develop and increase production;
- Opportunities for developing competitive, profitable and sustainable production.

11. **Value chain development.** Cluster development should generate benefits to its stakeholders, amongst which the increased negotiation capacity of smallholders/associated individuals with inputs suppliers, off-takers and processors in the MSPs. Value chain clustering also enables economies of scale (reduction of the common costs of market performance), efficient promotion and marketing, enhanced access to capacity building for the cluster members and development of the whole local economy. RCTP specifically targeted four Value Chains: Raspberries, seed potatoes, meat (sheep, and cows), as well as milk and other dairy (sheep, goat, and cows). These VCs were selected based on their market potential and strong pre-existing demand. Branding, quality control and geographical indication/ designation of origin²¹² were proposed as a mid-term objective (exit strategy) of the clusters, to leverage the specificities of these value chains in mountain areas, but not implemented.

²¹² Such approaches are developed from scratch in most cases, as existing GIs usually relate to bigger producers and more developed geographical territories.

RELATIVE SUCCESS OF THE VALUE-CHAINS SUPPORTED BY RCTP

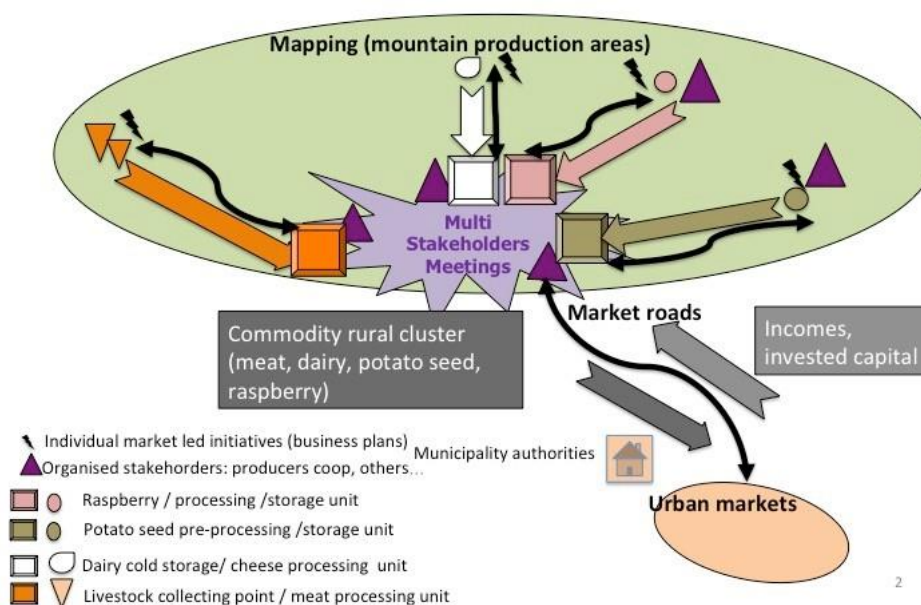
In 2021, the price of **raspberries** doubled compared to year 2020, increasing from EUR 1.5 to EUR 3.00/kg which made the commodity even more attractive MSP have been instrumental to ensure that the increase of prices was fairly shared amongst all value chain stakeholders with a strong and successful purchase price negotiation process that paved the way for mutually respected business linkages. 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 planned 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.

Regarding the **dairy sector**, the cluster approach has resulted in the development of two 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 provided that it reaches a MCC controlled quality level, encouraging an increasing number of smallholders to sell them their fresh milk and to improve the milking sanitary conditions.

The September 2021 supervision mission revealed that the **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 to be able to produce with a high level of risks: 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 downgraded to table potato with a far lower price combined with a lower yield. RCTP is seeking to balance the pros and cons for smallholders to invest in this high-risk production.

12. The value chain clustering **approach** is based on the activities graphically summarized below.

Rural Cluster for Transformation Project



13. The Project approach hence relies on the following features (corresponding colour from the diagram indicated between brackets):

- Improvement of the farming systems' productivity (through a technical extension demonstration set-up) [green];
- Improvement of natural resources management (water, soil and rangelands) to support potato seed production, raspberry irrigation, fodder production and animal drinking points [green, pink, white, orange];
- Rural clusters multi-stakeholders platforms meetings (MSPs, involving producers, processors, local traders) to exchange business information, marketing opportunities outlets develop and seal business deals [purple];
- Upgrading uplands economic infrastructures including rural roads to facilitate transactions and attract traders and cooperative to procure at collection points level [white, orange, brown and pink].

14. The key ambition of the clusters is to promote business development among the core economic stakeholders in value chain rural clusters, through the development and establishment of institutionalised systems (rural clusters, multi-stakeholders platforms, cooperatives, associations and value chain integration) for promotion of commercial, profitable and climate adaptive agricultural practices, with particular focus on rural poor. To reach this goals, rural clusters under RCTP have adopted an inclusive approach driven by the primary economic actors in the mapped area. The core of the approach is therefore results-driven, brokering and facilitation among primary cluster actors supported by the use of targeted investments to accelerate the removal of bottlenecks in the clusters' development.

15. **Link with the territory.** Clusters are defined as geographically concentrated association of producers of certain products, suppliers, retailers, off-takers, and other related participants, resulting in a synergistic effect and mutual coherence market. RCTP thus linked all the participants concentrated geographically for a specific value chain. Because of their isolation, mapped production areas constitute territories where social and economic transformations are led, within the framework of a stakeholders' shared development vision, by the aggregation of locally produced agricultural products traded in a key location of the territory. The rural cluster area is therefore not an administrative entity but the rural territory as a whole driven by an integrated developmental process owned by all local economic stakeholders.

16. **Social engineering.** The process of cluster development is guided solely by the members of the cluster, and not by external stakeholders²¹³. This ensures the active participation of all members of the cluster and guarantees the prioritization of issues they identify as most important. The key issues and bottlenecks to be addressed are identified through a continuous dialogue, fostered through the meetings of the Multi-Stakeholder Platforms (MSPs). MSPs also enhance communication, through the discussion of issues between all stakeholders of the value chain, through exchange of experience and knowledge, identification of current and potential opportunities, as well as a range of activities to be implemented in order to resolve the problem, remove bottlenecks and strengthen linkages between the participants of the value chain.

²¹³ There is no minimum size established for clusters, as the most important part of cluster development is recognizing stakeholders, animating them and guiding them to progressively lead the cluster's development.

EXAMPLE OF CLUSTER DEVELOPMENT: RASPBERRIES IN MOJKOVAC AND BIJELO POLJE

In 2017 and 2018, raspberry producers were protesting throughout Montenegro, due to production loss following the lack of storage capacity. Some producers started cutting down their plants out of despair. RCTP supported the increase in processing and storage capacity in Mojkovac from 2 to 5 tons a day, enabling 40 cooperants to sell their production stably.

In Bijelo Polje, the commodity was receiving support through Ministry subsidies in the Municipality, but poorer stakeholders were not benefitting, leading to further tensions. RCTP mainly implemented soft activities, supporting producers in increasing their production and decreasing their workload, with a focus on youth and female producers. The project also connected the local stakeholders with a nursery for seedlings, and a facilitated the discussion between a storage unit and producers' association, leading to an agreement for freezing and selling at a higher price (for export). Now many producers are autonomous and can access to funds from other donors (IPARD, MIDAS, TIKA) which they could not previously benefit from.

17. **The first step of rural clustering is the mapping of pre-targeted commodities.** The mapping is a pre-condition to cluster development, and entails the identification of all stakeholders connected to the value chain, confirmation of potential of the value chain, verification that the project target groups will benefit from its development (thus reducing the risk of elite capture), etc. The mapping is conducted by a specialized consultant through research and field work, including surveys of relevant stakeholders, and the exercise itself can take about two months. The mapping also helps identify and engage the stakeholders which will later compose the Multi Stakeholder Platform (MSP), notably through the discussion of the results of the mapping exercise, and presentation of RCTP project and investment criteria. These initial meetings are critical as RCTP experience showed that they act as an initial driver of stakeholder engagement.
18. **Establishment of Multi-Stakeholder Platforms.** Rural people, mostly farmers, face many economic challenges but also have the ambition to engage, both individually and together, to better produce and trade locally available agricultural products, such as live animals (cattle, sheep and goat), dairy products, raspberry, potato seeds (value chains targeted by RCTP). The local value chain stakeholders, that in some cases may already be organised in producers' organisations (cooperatives, breeders' associations and producers' unions), constitute a potential MSP once they are brought together. The meetings of the MSPs aim to regularly exchange information concerning their practices and skills and eventually to express a common stand to influence decision-making instances.
19. MSPs are initially animated by the Project Coordination Unit, and the facilitation is progressively handed over to stakeholders of the platform. A minimum of two meetings is organized every year, aiming at identifying/prioritizing bottlenecks that slow the development of the value chain, and solutions/priorities of investments to solve them. Over time, and as MSP stakeholders recognize the strength gained by acting as a group (e.g. negotiation power with local government) the PCU evolves from being the main facilitator calling the meetings, to being one stakeholder amongst others invited to take part in these meetings, while natural leaders emerge within the MSP. The participation of trusted members of the community (for example the facilitators from the Agri-Business Centres or advisory services) is also important for the success of the MSPs.
20. **Prioritization of economic infrastructures.** For each economic infrastructure, the existing context is discussed during Multi-Stakeholder Meetings along an established list of criteria to evaluate how conducive the context is to ensure the success of the investment. A grade from 1 to 3, representing a low, medium or highly conducive context, is given for each infrastructure. The prioritisation exercise provides an open local space for discussions. Each criterion generates a discussion to also assess who will be concerned and committed to manage and ensure a financially viable use of the economic infrastructure once in place.

21. MSPs are not an institution (not formalized²¹⁴) per se but a flexible set-up among stakeholders aiming at upgrading their capacities (to do better), upstreaming their understanding (to do in synergy) and upscaling their impact (to do bigger). In this capacity their meetings also represent a space of influence and decisions for those actors that are usually excluded or not represented. This is particularly relevant for women and youth. Under RCTP, MSPs have included representatives from all main sectors of the value chains: producers (including farmers as well as pastoralist and agro-pastoralists), brokers, traders/off-takers, processors, input suppliers and transporters). Across these categories, participation and representation of women and youth has been ensured, in compliance with overall quotas: 30% for women and 30% for youth.

EXAMPLE OF SUCCESSFUL COOPERATION THROUGH MSP IN ZUPA

In 2020 in Zupa, a member of the MSP invited some mechanisation suppliers to allow local stakeholders to ask questions on prices, quality of the material, advice, etc. This event was precious in providing producers with access to critical information without having to travel to the city. This kind of small changes were brought with RCTP, resulting in an increased local awareness of input suppliers and the types of services and products they can provide (before that people never had the opportunity to talk about input mechanisation suppliers inside their locality).

22. MSPs are the main interface with RCTP, Municipalities' extension services and Business Skill Facilitators. Their role is to facilitate relationships and linkages amongst their members to ensure a proper use and the sustainability of the investments. MSPs encourage and support their constitutive groups to become formally registered and proactively involved in the various value chains. Organisations can hence register as cooperatives and/or producers' unions or small enterprises (such as a limited liability company) depending on the opportunities provided by the Montenegrin law. MSPs could even register as non-profit legal entities such as NGOs. The final decision remains with the producers who shall be guided towards the best option given their needs by the project team (legal officer).

23. Support to the animation of MSPs and their evolution into clusters entails the following activities: i) establishing the multi-stakeholder platforms focusing on social mobilisation activities; ii) building rural cluster supporting economic infrastructure focusing on civil engineering activities; iii) supporting farmers skills and organisation; iv) supporting individual investment (public calls) focusing on co-financing activities; v) regional branding and geographical indication focusing on studies on products and quality assessment activities.

24. MSPs elect a steering committee constituted from representatives from the various stakeholders involved (various producers' organizations, traders, processors, youth) whose main role is to convene regular meetings and follow-up recommendations with the concerned parties. Since MSPs' recommendations are not binding, the steering committee powers reside in its influencing capacities.

25. MSPs may form committees to monitor specific activities when necessary (e.g. per product, youth mentorship, local audit of economic infrastructure management and business plans technical review) even though such groups did not really emerge under RCTP. MSPs meetings also constitute a peer accountability forum where the various project beneficiaries (through the public calls) openly share progress and achievement to encourage synergies. In addition to being an instrument to strengthen beneficiaries' business-oriented activities, MSPs also serve as an effective entry point for social capital building and awareness creation. Social capital building entails creation of trustworthy relationship between different stakeholders (bonding capital) as the building ground to create business relationships as well as to create an environment where information and awareness on thematic areas such as gender and nutrition can be discussed.

²¹⁴ Platforms cannot be institutionalized and MSPs essentially act as a tool for cluster animation. Individual members however are able to register.

26. MSPs play roles as listed below at the different stages of cluster development:

STAGE OF INTERVENTION	EXPECTED OUTPUTS	PROCESS
Stage I: social mobilisation, visioning, planning	Strategic investment plan and its supporting documents (maps, matrix)	<ul style="list-style-type: none"> - Meetings with local authorities, public meetings, formation of the multi-stakeholder platform, call for different stakeholders; - Mapping of the economic development cluster identifying production catchment areas and agricultural products flows; - Prioritisation of economic infrastructure; - Organisation of economic actors (e.g. cooperative) (in some cases); - Identification of sites for demonstration plots (in some cases).
Stage II: social mobilisation, economic infrastructure building, individual investments, technical skills	Regular recommendations to drive the development process (civil works and social engineering)	<ul style="list-style-type: none"> - Regular meetings (monthly/bimonthly) with tailored technical support; - Involvement in the Youth support (co-selection of trainees, identification of mentors, review of final action plans); - Selection of infrastructure building committee; - Local communication activities.
Stage III: economic support, individual investment, technical skills	Market led and well managed economic infrastructure	<ul style="list-style-type: none"> - Monitoring economic infrastructure management; - Facilitating business interactions between traders and producers; - Monitoring dissemination of technical innovations.
Stage IV: exit activities	Branding the area (ex Banjani cheese ²¹⁵)	<ul style="list-style-type: none"> - Registration of products within the Montenegrin legal context

27. MSPs can also further engage in exchanges and sharing of information through the organisation: of fair/festival, farmers' exchanges, of study tours in the Southern part of the country to identify markets and of cross visits to learn from each other (opportunities for women and youth groups to travel and learn).

28. **Branding.** While branding is highlighted as the exit strategy for the products supported by RCTP, most branding approaches can be challenging. Organic certification in particular is very difficult to obtain, with strict measures and a high cost of certification. Concerning Geographic Indication: not all commodities can be characterized through it, as it usually applies to transformed products (i.e. not raspberries), and the product specifications can be very heavy. Alternatives exist, for example through the creating of brands by larger companies and supermarkets. In general, branding is only successful where stakeholders have sufficient awareness, and are ready and motivated to fulfil the prescribed conditions to lead the process.

29. **Role of producers' organisations.** In the context of the MSP framework, the needs of the target groups shape the involvement of existing organizations as well as the establishment of new ones, or the formation of commercial companies. Support can also be provided to market-oriented organizational forms to enable them to benefit from economies of scale. RCTP has engaged with different types of producers' organizations at different levels (cooperatives, unions and associations) with the ambition of encouraging their further organization. At rural cluster production level, livestock and producer associations have been contracted to support farmers to increase production and productivity of livestock and crop products. Where capacity is available, the farmers' organisations can facilitate exposure to good agribusiness practices to other farmers particularly the youth. In order to perform their roles as partners, cooperatives, associations and producer unions that are actively involved in the implementation of cluster activities have been supported with capacity development activities in order to fill their skill gaps in management and business skills.

²¹⁵ Targeting a variety of markets/consumers, with possibility of exportation to EU, and sales in supermarkets/coastal area.

30. **Evolving role of clusters.** Clusters are informal platforms that effectively allowed to dynamize /increase production and discuss value chain issues amongst concerned stakeholders (from production to marketing) at local level. They however vary very much in terms of composition, focus, level of maturation, topics discussed within the cluster. While such informal platforms would continue to meet and function, their role/focus would naturally evolve according to the felt needs/issues to be solved by their members. Some of their participants (notably smallholders and processors) may feel the need to form registered association or cooperative or other juridical status of enterprise to promote and manage common subprojects/investments (for example milk collection centres, cooling stores, etc.). The initial development plan of each cluster is updated regularly and the PCU assists them in producing a simple progress report (at least every year or at the end of the cropping season) to tell a story on achievements, successes, challenges, remaining needs and the way forward. In some value chains (raspberry, dairy, meat) although the end user (processor, wholesaler/exporter) or a joint venture processor/producers is likely to act as a the puller of production and quality enhancement, the informal cluster would keep an important role for discussing and balancing the interests and point of views of all parties concerned. Regarding seed potato (which is a highly specialized production carried out by a limited number of stakeholders), the national platform could be revived through the existing clusters and establishing a national association of seed potato producers might be needed in parallel²¹⁶.

31. To conclude, every cluster is different, but their common factor of success is the degree of engagement of the stakeholders who compose the MSPs: a successful cluster relies on a lively MSP. As such, the PCU's ability to identify and guide the organic development of each MSP and corresponding cluster is critical to the success of the project. For example, large infrastructure investments made at a too early stage of cluster development may result in poor ownership, demonstrating the importance of MSP/cluster maturity for investments sustainability.

32. **Key lessons** from RCTP implementation of rural clusters include the following:

- i. **The development of clusters should not be an end in itself.** The cluster is effective: (i) when the value chain is supported at all its stages (production, transformation, distribution, etc.), (ii) when the trust between the participants in the value chain is firmly established; (iii) when the cluster and the solution it offers enable to solve collectively issues that could not be solved by isolated individuals (e.g. removing bottlenecks by linking multiple individuals).
- ii. To attract IFAD-financing support from the **rural clusters must have credible potential for inclusive growth**, meaning that significant numbers of active but initially poorer farmers as well as youth can also earn their fair share of profits alongside other farmers and agribusinesses. Selected commodities need to be **commercially viable products**. It is essential for supported products to be able to sustain long-term competitiveness and genuine self-sufficiency after the Project without subsidies. In relation with this, an important element of cluster development is the **constant monitoring of and adjustment to the market**: indeed, the cluster should be developed according to the market demand.
- iii. **Trust and honesty of the different interest groups involved is key.** Given the wide variety participants, leadership can be a challenge. It is expected that in the initial stage, the role of leaders takes over commercial intermediaries of trust. It is extremely important that they gain the confidence of all stakeholders of the value chain. Specifying common goals (such as increasing income or resilience) is critical to building trust. In the early stages of cluster development, it is useful to identify **one or more of easily feasible actions** that will contribute to meeting the needs of the stakeholders. This will provide a sense of success at an early stage, helping to further develop trust in the cluster and foster a desire for new and similar actions.

²¹⁶ Seed potato can be a promising agroindustry for Montenegro given the global need for quality seeds, but adaptation in the type of support provided might be useful as it is a risky production, as well as a challenging one in terms of legal/certification requirements.

- iv. Through **constructive dialogue and mutual understanding**, the MSPs will grow and create opportunities to meet the interests of the members of the cluster. To that end, **the Project Coordination Unit plays a critical role**, acting as trusted development brokers able to build trust and successful trading relationships between smallholders, agri-business and local authorities.
- v. Successful rural clusters cover **living territories** that have to be sustained by those involved and cannot be built according to a Project design. **Investment priorities should be driven by the economic actors**, gathered in a multi-stakeholder platform, who are the ones who have to make the investments a success and carry the risk. As a result, and thanks to the **social capital** built through them, functional clusters are flexible and responsive to the varying character, size, state of development and emerging opportunities and issues in each of the different targeted area through initial mapping or geographical expansion to neighbouring areas.
- vi. Rural clusters may cover different administrative boundaries, and all concerned local authorities have to be involved since the very beginning and buy-in the approach. The development of clusters is an excellent entry point to **engage with and mobilize the support of local and national institutions**.
- vii. Additionally, the involvement of the supporting service and input supply that are a vital part of sustaining a competitive industry alongside the primary value chains (farmers, agricultural cooperatives, agri-businesses) should be planned as early as possible.
- viii. RCTP **successfully reached its primary target groups through the clustering approach**: all stakeholders of the VC were included in the cluster, with a focus on the most vulnerable (see below section on targeting).
- ix. Finally, **the rural clustering approach enhanced the climate resilience** of RCTP beneficiaries, not only by improved their access to markets and business opportunities, but also by **developing the local social capital**.

Increased smallholder revenues through small grants and graduation mechanisms

33. Under its first component, RCTP planned support to investments that can demonstrate a clear benefit for smallholders, both private (e.g. production expansion) and “quasi-public” (e.g. trials, action research, testing labs and piloting new business models). Two Instruments have been planned for this support, respectively the Value Chain Fund, targeting private investments, and the SDF, targeting “quasi-public” investments:

- **The Value Chain Fund (VCF)** provides Matching grants for private investments promotion, offered on a competitive basis to smallholders and SMEs engaged in the clusters. The rationale for the use of grants is to stimulate investment to address identified bottlenecks, introduce innovations and/or achieve minimum critical mass in local clusters. The VCF operates two windows for its grants with the first being aimed at smallholder investments with a maximum grant of EUR 1,500 (net value), and the second window being for SME investments with a cap of EUR 13,000 (net value). For agri-business investment, where total investment is larger than EUR 40,000, RCTP directs the enterprise, cooperatives and groups will be supported to make application to IPARD or other programmes for grant support (this happened for equipment such as tractors).
- **The Sector Development Facility (SDF)** is managed directly by the PCU for investment in quasi-public goods that address specific bottlenecks to the cluster development identified by the primary actors themselves. The SDF focuses on “public good” investments only that cannot reasonably be delivered through private investment in the current context of the specific clusters.

<p>Value Chain Fund (VCF): Matching grants for private investments promotion, offered on a competitive basis to smallholders and SMEs engaged in the clusters</p>	<p><u>Window 1: Investment in primary production for a total investment cost of maximum EUR 3,000 NET</u> Maximum grant: EUR 1,500 (net value). Beneficiaries contribution: 50% of net value Targeting: Up to 60% of the grants to be allocated to the economically active farmers, whether in group or as individual, and at least 40% of the grants to be allocated to the poorer ones (i.e. without any economic activities and willing to start a small business). Focus: production increase in the targeted value chains</p> <p><u>Window 2: for SME investments in post-harvest handling, storage, processing, marketing etc. up to EUR 40,000 NET</u> Maximum grant: EUR 13,000 (net value) for RCTP support – Investments larger than EUR 40,000 are redirected to IPARD or other similar programmes. Beneficiaries' contribution: up to 67.5% of net value. Targeting: Economically and commercially viable entrepreneurs. Up to 20% of the grants to be allocated to beginners (particularly enthusiastic young entrepreneurs) based on the viability of a submitted business plan. Focus: post-harvest handling, storage, processing, marketing etc. that buy from or supply inputs and services to smallholders in the target clusters</p>
<p>Sector Development Facility investment in quasi-public goods that address specific bottlenecks to the cluster development identified by the primary actors themselves</p>	<p><u>No maximum total investment cost defined, but for SDF sub-projects of more than EUR 20,000 value, the PSC shall be responsible for making the final decision on the selection of the implementing partner and approval of the sub-project.</u> Beneficiaries contribution: 5% contribution for private beneficiaries (cash or kind) Targeting: Stakeholders of the MSPs Focus (examples): investment in physical markets, upgrading public testing labs or sanitary and Phyto-sanitary (SPS) inspection capacity at local level, strengthening trade research capabilities, supporting bilateral business negotiations, piloting novel or untested business models, initial demonstration and promotion of new technologies or production systems, actions research, market studies, industry network development and capacity building, etc.</p>

34. The **Sector Development Facility** was exploited in a limited manner under RCTP, leading to three investments: 2 milk collecting centres (for total investments of up to EUR 20,000 each) and repairs for a boarding school (total investment of EUR 10,000). The remaining funds allocated to the SDF were reallocated after the project Mid-Term Review, to provide additional grants under the VCF, support additional water ponds and pilot vermicomposting. The three investments under the SDF are a success and recognized as highly relevant, and the limited use of the Facility rather stems from the heavy procedure, as well as limited number of proposals meeting the economic viability criteria.

35. **Achievements of the VCF.** RCTP has succeeded in establishing an efficient mechanism to extend matching grants (MGs) to smallholders not accessing other grant schemes (such as IPARD) and leveraged parallel similar support from municipality funds. As of September 2021, grant recipients for both windows, (whose target increased from 500 to 800 at MTR) were 584 (73% of final target) and expected to reach 704 (88% of target) by the end of the year. These grants benefitted to 2,270 people engaged in the production of berries, meat, dairy, or seed potato (76% of target) through the 12 active economic clusters. Thanks to RCTP, as of September 2021, 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.

36. MGs to smallholders ranged to support their production activities with a specific attention to lower the workload, especially for the women farmers, in relation with the four earmarked RCTP

commodity value chains. With regards to the animal husbandry, many chose to increase their number of milking animals (cow, goat, sheep), others to purchase mechanised tools (mower machine, hay collector, ground tiller machines), milking machines or power generators; finally, some chose access to material to improve their barns or small concrete water ponds. In the berry value chain, producers applied to matching grants for seedlings plantation, dripping water system and other above mentioned mechanised tools. Finally seed potato producers applied to MGs for seeding material without mechanisation.

EXAMPLE OF CLUSTER DEVELOPMENT: MILK COLLECTING CENTRE IN BANJANE AND MOJKOVAC

RCTP supported the creation of a milk collecting centre in Mojkovac through the Sector Development Facility in 2019. The activity started with 6 to 7 cooperants and now include at least 30 (around 17 in the summer due to transhumance). RCTP also supported the improvement of 10 rural roads through public calls, and cattle increase for a number of producers in the Municipality, guaranteeing a stable volume of milk. The company collecting the milk was equipped, and the Ministry provided a car to collect the milk.

Before RCTP intervention, producers in Mojkovac were depending from another company, which was not paying them regularly, and at a lower rate than market prices. Thanks to RCTP facilitation, the producers were able to negotiate with another company (based in Danilovgrad), which publicly committed to fair prices.

In Banjane, no previous milk collection occurred, and this activity newly developed thanks to the project support. To date, this cluster is leading the way regarding branding, with the upcoming recognition of the Banjane cheese.

Livestock producers also receive support to reduce their workload and exposure to climate risks, for example with access to mowers (window 1 of VCF), enabling them mechanize the harvest of fodder, reducing the harvesting time from a week to just a day, and thus reducing the risk of production loss in case of rain.

37. **Relevance.** The rapid responses obtained to the July 2021 Public call, in spite of its late launch, confirms the effectiveness of RCTP approach (early planning, simplified process, conditions aligned on other ministry supported programmes as IPARD/MIDAS) as highlighted by key project stakeholders (beneficiaries, input suppliers, municipalities, etc.). Interviews with smallholders suggest that funded grants under window 1 generated additional production and net income along with other benefits such as reduced workload thanks to access to agricultural machinery and diversification of income (for ex selling mechanized services such as mowing).

38. **Mechanism of the VCF.** The VCF is implemented according to the following steps:

- **Step 1 – Information campaign.** The PCU organizes MSP meetings and sensitization (informative) meetings with producers, where they receive the most concrete info regarding the public call in the targeted municipalities. The MSMs are attended by representatives of the Municipality, rural entrepreneurs, professional services, producers and rural organizations, farmers. The goal is to inform the interested parties about the Project, the goal of the project itself, the criteria for the selection of users, the way of application and the method of selection.
- **Step 2 – Call for proposal and application.** Calls for proposals are published every year, and multiple times if necessary. Calls for proposals are published for at least 21 days using the following communication channels: newspapers and advertisement on the website of RCTP and MoAFWM. Based on the information from the workshops and advertisement, interested stakeholders can submit their applications by Post service to the RCTP offices in MoAFWM in Podgorica. Applications should be delivered in written form and must contain precise data as described in the Public Call, to easily serve the PCU in further steps. Applications must contain all the documentation listed in Annex of the Public call (*Check list*). In addition to the application form, Window 2 applicants are expected to submit a business plan (with the support from the PCU and BSF if needed), and applicants for both Windows 1

and 2 shall prepare a pre-invoice indicating clearly the quantity, quality and prices of goods or services applied for. For easily accessible goods or goods with standard specifications (such as milking machines or mowing machines), or for simple construction works of small values, the acquisition is made directly by beneficiaries.

A **pre-investment advisory support** is provided and serves as **first screening step**: VCS in coordination with BSFs, TA, Extension Services help potential applicants prepare an application. This first screening verifies: (i) the compliance with common and specific eligibility criteria; (ii) the correctness of application; (iii) the availability of applicant contribution for the project; and (iv) validity of the business plan.

The **application is submitted** under supervision and with support of VCS, BSF, extension services and local advisory services.

- **Step 3 – Appraisal of the proposals and selection.**

Establishment of Administrative, Field and Independent Investment Committees. The PCU, in coordination with MoAFWM forms the Administrative, Field and Independent Investment Committees. The Administrative Committee is constituted by the PCU. The Field Committee includes the PCU team and MoAFWM advisory services. The Independent Investment Committee should include both government and non-government representatives, to ensure reasonable independence and minimize fiduciary risks.

Appraisal of the proposals. The Administrative Committee screens applications (**second screening**), verifying: (i) Compliance with common and specific eligibility criteria; (ii) Selection criteria; (iii) Validity of business plan; (iv) Availability of sufficient funds for project, and parallel principal approval of loan by partner financial institutions, when involved (which did not happen over the course of RCTP implementation); (v) Formal correctness of application and compliance with procedures; (vi) Plausibility of field verification; (vii) Eligibility of expenditure items; and (viii) Availability of funds for the project. Subsequently, the Administrative Committee proposes recommendations to the Field Committee to conduct a Field control visit. Field control should verify whether the data from application is consistent with the situation in the field, and be followed by a report submitted by the Field Committee to the Administrative Committee, and based on which proposals are ranked out according to standard evaluation tables. The ranked list of approval is submitted to the Independent Investment Committee for a final approval.

- **Step 4 – Approval of the decision.** The Independent Investment Committee conducts a **third and final selection** of preselected applications. The Independent Investment Committee can inspect and exercise a veto right on any application. This last selection step results in the list of approved applications, which is sent to IFAD for **No-Objection**. The **list of approved applications (grant awardees) is published** on the RCTP/MoAFWM website only when the process is finished and funds are disbursed.

- **Step 5 – Grant release and monitoring.** After IFAD No Objection, the PCU Director, Finance and Procurement Officers proceed with grant awards. The **disbursements** are managed by the PCU. Disbursement of MGs under Window 1 can be made in 1 (total) or 2 equal tranches. Disbursement of grant under Window 2 can be disbursed in accordance with the disbursement schedule and in line with established performance milestones included in the grant award. All disbursements of the grant to the grant recipient are made through a bank account. Applicants are expected to send a standard request for payment of the approved share of RCTP support. RCTP disbursements are conditional to the confirmation of payment of applicant's participation to the selected supplier.

Monitoring. The PCU, in close cooperation with BSF, extension services and local advisory services prepares a monitoring plan to track the implementation of approved investment plans.

39. Lessons learned.

- i. 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: small grants provided under window 1 and 2 successfully contributed to increase small farmers' gross incomes. Thanks to this graduation process, they may **ultimately manage to register as producers eligible to other public supports** (IPARD, Agri-business grants in particular for youth, MIDAS, etc.) and achieve an effective social and economic mobility / graduation. The **capitalization of this graduation mechanism by Municipalities is a key sustainability factor of RCTP**.
- ii. **Way forward**. This is to be further encouraged to ensure such target group could continue to receive support when the project ends. MSPs should regularly update their plans and devise the way forward for the development of targeted value chains at local level.
- iii. Through the definition of specific criteria (additional points attributed if the beneficiary is female or youth), investments have successfully focused on **reducing the workload for women and encouraging young returnees from urban areas**.
- iv. **Many investments are seasonal** (as potato seeds, harvesting equipment) and the date of the call can have an influence of responses received, some producer preferring to wait for a subsequent call closer to their seasonal needs. Additionally, in the economically uncertain COVID-19 pandemic context, many small-scale producers refrain from investing before the winter season.
- v. **The monitoring of grants impacts could be improved** by establishing a simple technical-financial manual monitoring system, capturing incomes and expenses (limited to the activity benefitting from the grant, not aiming at capturing all income /expenses of the farms/household) that could be implemented by some grantees on a voluntary basis.
- vi. Under Gora, the SDF could be improved with **more straightforward procedures**, and a widened focus, **expanding from strict economic viability criteria to environmental, social and climate adaptive benefits** (in line with its "quasi-public" targets). However it is important to remember that these are public calls that are open to all the population and cannot be over-targeted.

Gender, Youth and minority inclusion

40. Three specific target groups were identified for RCTP: women, youth and semi-subsistence farmers. Specific targets were set at design to reach out to semi-subsistence farmers and their involvement was expected to increase during the second half of the project's lifetime. At design stage of RCTP, measures were identified for the targeting of women and youth. The project aimed to ensure that young men and women (below the age of 40) would be fully engaged in cluster development opportunities in terms of participating in business skills training, VCF grants or small-scale infrastructure. The PCU VC Experts were given specific responsibility for maximising opportunities for women and youth empowerment. Staff from PCU, MoAFWM, municipalities and service providers were sensitized on the importance of youth and gender mainstreaming and the PCU VC Experts tasked to work in close collaboration with the municipal gender focal points. Quotas were set for women and youth participation to project activities.

41. **Achievements**. RCTP reached out to its intended target groups, namely smallholder producers, but with a special focus on women, youth and semi-subsistence farmers. As of September 2021, RCTP had reached out to 20,365 people (99% of its end target of 20,600 people), out of which 7,797 were 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 delivered on its targeting strategy and its gender and youth action plan, a number of activities could not be carried out due to COVID restrictions (such as exchange visits or strengthening networks of rural women and youth).

42. **RCTP Gender Action Plan.** A full-time Gender and Youth Specialist was recruited by the project in late 2019. She has been a driving force in supporting the project to implement its targeting strategy and gender and youth action plan. She works in close collaboration with the project coordinator, heads of components and the monitoring and evaluation officer. RCTP's Gender and Youth Action Plan was finalised late 2019. The project is now consistently addressing all three of IFAD's gender policy objectives (economic empowerment, voice and decision-making, equitable workloads). It started doing so in a pilot manner and scaled up these activities to all municipalities. However, the latest available data show that 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%).

43. **Specific measures taken to enhance gender and youth inclusion.** Matching grant applications from women and youth receive additional points. Similarly, the vetting of infrastructure development proposals also takes into consideration the number of women and youth it will benefit. In addition, attention is given by the project to increase women's voice in decision- and reducing their workload. To enable women and men to have equal voice and influence in rural institutions and organizations the project has organised leadership trainings for women. Moreover, women have been encouraged to join associations and take up decision-making positions (e.g. in cluster steering committees). RCTP has also made efforts to achieve a more equitable balance in workloads and in the sharing of economic and social benefits between women and men. For example, every time a grant request is put in for a cow it has to be accompanied with the purchase of a milking machine. As women are responsible to milk the cows, this avoids to increase their workload and actually helps reducing it. Other labour technologies are also being promoted by the project. For example, RCTP has provided support for the purchase of machines for making hay. Through the construction of rural roads and water supply systems, the second component of the project is contributing to ease women's workload. In fact, the total number of potential female beneficiaries is a key criterion for deciding where to intervene. Finally, trainings have been held on the principles of the Gender Action and Learning System (GALS)²¹⁷ to encourage positive changes in household decision-making and division of labour.

44. The low percentages of women trained and those benefiting from the matching grants scheme have reportedly been influenced by the impact of the COVID-19 pandemic measures (with schools closed and women bearing the load of child care) and the fact that men are often the official recipients of the grant support (although women are involved in implementing activities). A number of activities foreseen in the Project's gender action plan were not carried out due to COVID-19 restriction measures.

45. RCTP applied a gender-sensitive dimension to the Rural Clustering approach by, amongst others, selecting clusters where women are involved, creating economic opportunities, targeting them for trainings (financial and business skills, leadership, etc.), positively discriminating them for matching grant support, ensuring their voices are heard, giving attention to reducing their workload and engaging men in discussions on the importance of gender equality. This has contributed to empowering them economically. In addition, they have been able to have their voices heard and participate more in decision-making, both at household and community level (e.g. actively participating in the cluster meetings). Men have reportedly become aware of unequal workload balances. Women who are now running successful farms or agribusinesses are an inspiration and role model for others, women and men.

46. Considering the low level of presence of women and youth within producers' organizations, the Project engaged producers' organizations (through MSPs) in a process of gender awareness and sensitisation to ensure that, being co-partners and co-implementers, they comply with IFAD principles on gender equality and women empowerment and apply a gender sensitive lens to their modus

²¹⁷ See <https://www.ifad.org/en/web/knowledge/-/how-to-do-note-integrating-the-gender-action-learning-system-in-ifad-operations>

operandi to ensure that their service equally reach out RCTP beneficiaries. The same applied for youth.

47. The Project has been successful in raising awareness on sensitive topics, such as gender-based violence, which incidence has reportedly increased during the COVID-19 pandemic. The topic has been included in workshops organised by RCTP. Following the positive experience of other IFAD-supported projects, RCTP is exploring the possibility to also address issues of gender identity and sexual orientation, and LGBT rights.

48. In this regard, the needs and possibilities of cooperation with LGBT organizations were explored, in particular with the Association *Spektra* and Queer Montenegro. Their outreach in the North and especially in rural areas is very limited. However, projects like RCTP offer the opportunity to raise awareness on LGBT rights especially amongst the frontline staff, such as extension workers and business skills facilitators.

49. **Engagement of Municipalities.** Two of the municipalities where RCTP intervenes have developed a gender action plan. As per Municipal youth action plans (see below), the project intends to support these two municipalities in their implementation and promote more attention to the needs and aspirations of rural women. As the development of Gender and Youth Action Plans at Municipality level is a legal obligation in Montenegro, RCTP and later Gora could encourage the development of Gender Action Plans in Municipalities that do not have one yet and ensure that all action plans pay due attention to the aspirations and needs of the rural population, especially women and youth.

50. **Youth.** RCTP has a strong focus on youth inclusion. While young people represent 36% of the total beneficiaries, 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. Youth involvement was 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 had little or no focus on rural youth. The Project has been liaising with the municipal youth focal points to support them in the development of their new youth action plan, to allow for the needs of rural youth to be reflected in these plans. Special attention should also go to catering to the specific needs of young women. While the validity of the Local Action Plans was planned to expire at the end of 2021, no new legislation indicating the timeline for the adoption of updated plans was adopted, postponing the expiration of current plans to the adoption of new legislation.

51. Youth participation within MSPs has contributed to generating new ideas, and increased their motivation as well as opportunities for employment and self-employment which are suitable for them. RCTP has engaged with number of selected young entrepreneurs with strong motivation to develop their business ideas first and then their business plan in the segment (production, processing, trading) of the selected value chains. For example, young men and women along the various segments of the value chains can be involved: (i) in services such as transportation, distribution and labour employed in processing centre, (ii) as producers, introducing through them a business-oriented approach to production and marketing. Within the clusters, youth are consulted, selected by the BSF and then organized in groups on the basis of their interests and different degrees of participation in the Project; i.e. as existing farmers' producers or new entrants, thus being organized accordingly and receiving targeted interventions and trainings on the basis of their aspirations and interest in engaging in agricultural activities.

52. **Disability inclusion.** IFAD is giving more attention to mainstreaming disability inclusion in its operations. In Montenegro other UN agencies, and especially UNDP, are also increasingly addressing this issue. While persons with disabilities were not a specific target group for RCTP, engagement with persons with disabilities is an area that is being explored. The project has been collaborating with Municipalities to identify households of persons with disabilities, as they are registered to receive social welfare support. These families have been specifically targeted by the project.

53. **Lessons learned.** RCTP followed a powerful arc in terms of improving and tailoring Gender and Youth inclusion. The following lessons can be drawn from the project's experience:

- i. While women and youth were clearly identified as one of RCTP's main target groups, no clear guidance was given in the project design report. Originally it was not foreseen to have a person responsible for targeting and social inclusion as part of the project management unit. This led to a very poor performance of the project on targeting and gender equality and women's empowerment during the first years of implementation. To address this situation, technical support was sought and a clear gender and youth action plan was developed. The plan identified clear activities under the various project (sub-) components, associated responsibilities, and a timeline. A full-time gender and youth inclusion officer was recruited by the project in 2019, who led on the implementation of the action plan. This is was done with the support and commitment of the whole team and implementing partners. This experience shows how important it is to have a **clear action plan** ready at design and to allocate **adequate human and financial resources** to address targeting and social inclusion issues. The commitment of the project management has also been very instrumental.
- ii. **Municipal Gender and Youth Action Plans** are a legal requirement for Montenegrin Municipalities. RCTP experience shows that not all Municipalities have developed such plans, and that when they exist, they do not reflect well the need of rural women and youth. This constitutes an important opportunity for RCTP and other projects to engage with the Municipalities, **ensuring these plans pay due attention to rural women and youth and build on the Project's lessons.**
- iii. Presence of **active youth representation in the MSPs** is a guarantee that their views and aspirations are captured during key planning processes (i.e. visioning of a shared development process) and relevant outcomes (e.g. the investment priorities) reflect the needs and innovative ideas of young farmers. The young leaders should be equally represented by young men and young women. More efforts could be made to mentor young agri-entrepreneurs and exposing them to examples of successful peers.
- iv. To ensure that the **most vulnerable households** are targeted, existing government tools can be leveraged. These include registers of people or households receiving social welfare support. RCTP has started doing so to identify persons with disabilities and their families and target them for project support.
- v. The incidence of **gender-based violence** in high is rural areas, where patriarchal views are still very much rooted. Agricultural development interventions might even exacerbate the situation. It is therefore important to address the issue, even though it can be very sensitive. It is essential to create safe spaces for awareness raising and discussion, but also bringing in or building on the work of professionals with expertise in preventing and addressing gender-based violence. RCTP managed to do so. A similar approach could be applied to addressing **LGBT rights**.

Targeting

54. **The target groups for RCTP** were defined as follows in the Project Design Report, in line with IFAD's mandate, the population profile in northern Montenegro and project objectives:

- i. Semi subsistence farmers, belonging to poorer households below the threshold for GoM and EU subventions. They have access to small areas of farm/arable land (up to 2 ha), grow some fruits/vegetables and keep some livestock. They process cheese and products for household use and informal sales. Annual income ranges from EUR 2,000 to 4,000, of which up to one third comes from agriculture. Many have higher commercial ambitions, and the RCTP objective was to help them graduate to become more commercial and economically active.
- ii. Commercial and economically active smallholders/small-scale dairy processors with potential are smallholders and/or small-scale processors who typically own 2-15 ha of arable land, 10-

15 cows, 50-100 sheep and goats, or orchards. They have sufficient labour and skills but lack affordable inputs, finance, connectivity to networks and markets, technical capacity and scale. They process a range of milk-based and meat products which are sold through formal outlets (dairies, local supermarkets, and informal networks). Annual income ranges from EUR 4,000 to 8,000, of which 40 to 80% is earned in agriculture, including government agricultural direct payment subsidies. They have the potential to provide consistent increased outputs' volumes and quality to meet safety compliance standards and market requirements.

- iii. Other strategic VC actors include larger, lead farmers and agro-enterprises who can serve as models to demonstrate the viability of new approaches to increase rural resilience and provide potential development pathways for the poor, including generating employment opportunities. They also include traders, input suppliers, private service providers, cooperatives or associations. In the cluster-based development approach, the private sector plays a crucial role in ensuring market-led enterprise growth and provide contract farming opportunities for smallholders and general market outlets.

55. RCTP beneficiaries have been categorized as follows based on the type and combination of services they receive:

- i. Primary beneficiaries: Group of households expected to benefit the most from the project. They are the key actors in the VC (producers, buyers, suppliers, etc.), who receive matching grants from the Value Chain Fund to invest in a profitable activity and who are supported to establish business and trade agreements. Within this group, the active smallholders and poorer farmers benefit the most, as they also receive capacity building support to develop their business skills. Among them, a smaller group also benefits from improved access to roads and water infrastructure. As result of RCTP interventions, the group of primary project beneficiaries are expected to increase their incomes significantly.
- ii. Secondary beneficiaries: These are all the producers, suppliers, traders or agri-businesses who do not receive a VCF grant or Business Skill training or training on resilient agricultural practices, but who participate in cluster meetings and, gradually, in cluster activities. The improved production and market conditions created by the project stimulate their motivation to join the VC activities with their own investments, ultimately resulting in improved incomes.
- iii. Tertiary beneficiaries. These are the households who benefit from the improved roads and the new water supply schemes, but who do not receive any other support from the project and do not engage in IFAD supported VC activities. They essentially benefit from improved resilience to climate change and from a more modest increase in incomes, compared with the previous two categories, thanks to the reduction of transportation costs and the reduction in water shortages resulting in better agricultural productivity.

56. RCTP has succeeded in targeting 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. MSMs organized by the project include 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). In direct meetings with other members of the value chain, RCTP team members act as facilitators, to support and protect semi-substance agricultural producers. Members of the RCTP team are always present at meetings, they help giving advice, making it clear to other participants in the VC that they are present primarily for the interest of semi-substance agricultural producers.

57. **Stakeholder engagement.** Though not encapsulated in an overall comprehensive plan²¹⁸, RCTP includes commitments to conduct target group engagement and feedback activities throughout its lifecycle, and beneficiary participation remains central to its approach. Through cluster

²¹⁸ 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.

development processes, beneficiaries are fully involved in the planning and implementation of activities. Beneficiaries' engagement is also formalized by their contribution to matching grants, corresponding to 50% of the investment cost (net of taxes) under the first window of VCF, and to 66% of investment cost (net of taxes) under the second window of VCF. RCTP stakeholders are also consulted from the very beginning in prioritizing infrastructure investments and their opinion constitutes the basis for the acceptance of the requests sent by municipalities. Farmer diaries are used as part of the Project's M&E system.

58. RCTP stakeholders' 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. A grievance redress mechanism has been developed and includes three levels: cluster, PCU 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.

59. 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.

60. **Lessons learned.** RCTP **successfully targeted semi-subsistence farmers or poorer households** below the threshold for subsidies from the Government of Montenegro and the European Union.

- i. Thanks to RCTP support and successful targeting, **semi-subsistence farmers or poorer households were able to graduate** to accessing other instruments such as IPARD and MIDAS.
- ii. Through rural clustering, RCTP has gathered a diversity of stakeholders, and enabled them to interact and collaborate, always putting **semi-subsistence farmers and poorer households' interest at the centre of the discussions**.
- iii. **MSPs are critical to building social capital**, by creating a space for engagement and dialogue, by helping to create trust and deepen networks among farmers and agri-businesses, by sharing knowledge, by addressing common issues, by identifying prospects for business opportunities between participants and also by strengthening the value chain.

Partnerships

61. **Linkages with Ministries.** Along the course of its implementation, RCTP confirmed its strong anchorage in the national context beyond the implementing ministry (MoAFWM). Strengthened by its gender and youth officer, and through the implementation of its gender and youth action plan, RCTP has developed strong 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 contributes to their design and further implementation particularly with regards to the specificities of rural youth. Synergies were built in municipalities with the Union of Municipalities of Montenegro through the local actions groups (LAG) approach to develop agritourism.

62. **Institutional capacities of the MoAFWM.** Support is ongoing to ensure adequate targeting, to upscale the robust monitoring system put in place by RCTP, helping to monitor both disbursement and physical progress, at central and municipal levels. Thanks to its recognized outcomes, RCTP is also carefully looking at the way to enhance a smooth cooperation and coordination between line ministries to avert implementation bottlenecks, notably by engaging and connecting the most relevant stakeholders for various project actions.

63. **Engagement of Municipalities.** 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 to develop their production activities and ultimately register as producers eligible to other public supports (Agro-business grants in particular for youth, IPARD, MIDAS, etc.). The seven municipalities fully contribute to their expected share in co-financing all infrastructure (26% of common infrastructure (rural roads, water infrastructures) and also covering the beneficiary share. The success of RCTP is reflected in the ownership of its approaches by the Municipalities (notably targeting and clustering), who have started to replicate them for their own activities. For example in Petnjica, the municipality adopted the RCTP approach to allocate public grants to its people, knowing that it respects all procurement required by the law and that it effectively and efficiently reaches out the targeted people.

64. Municipalities are RCTP's logistical, administrative and financial partners in both Components. Their financial partnership is well shown in rural infrastructure activities with a contribution of 25.51% of gross investment value. The project relevance highlighted by the Municipalities' agreement and obligation to take over the maintenance of delivered infrastructures. Since Municipalities are struggling with liquidity, RCTP established specific steps to ensure the contribution is mobilized: Municipalities are given Decision on Award only after the Construction companies are chosen. Additionally each Decision on Award predicts the exact amount of their contribution and deadline to pay their share as an advance to the selected construction companies, from which RCTP obtains an Advance guarantee. In this manner, Municipality liquidity presents no issue. Additionally, each Municipality is visited by RCTP members to ensure that they have budgeted funds in their local budget for RCTP participation.

65. Interactions with the Union of Municipalities of Montenegro occurred through synergies that are being developed with Local Action Groups (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. UoM 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.

66. **Economic partnerships through value-chain clustering.** RCTP built on its broad range of partnerships to adapt and maintain its activities. By 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, off-takers) are pulled out of poverty through regular incomes that sustain their livelihoods. This inclusive integration in the value chains provides immediate incomes and a possibility for small-scale producers to transform and uplift their economic status with the support of all other existing parties (ABCs, private sector companies, municipalities, other government programmes).

67. Through Value-Chain development, partnerships with private sector have been developed with very tangible outputs (such as Milk Collecting Centres). The 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, and especially the youth who tend to come back in rural mountain areas to develop sustainable livelihoods.

68. In several municipalities, RCTP developed a collaboration with the rural development corporation SWG, an intergovernmental cooperation between South-eastern European states, particularly in linking agriculture and tourism. 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.

69. 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).

70. **Co-financing**. The high domestic co-financing which characterizes RCTP, with an estimated beneficiary and SMEs contribution of 2.0 million EUR, Municipalities contribution of 2.39 million EUR, and Government contribution of 4.12 million EUR cash and 2.65 million EUR in the form of taxes, is an additional factor of ownership at national and local levels. From 2022, the MoAFWM will adopt RCTP's co-financing approach (in particular regarding public calls for small mechanization which now relies on co-financing rather than refunding which was the approach previously adopted), reflecting the influence of the project on national policies.

71. **Lessons learned**. RCTP's anchorage in the national and local context translates in the strong partnerships established by the project, which are in turn a factor of success and sustainability for its activities.

- i. RCTP engaged with various Ministries, and has established mechanisms for cooperation and coordination between line ministries to avert implementation bottlenecks.
- ii. RCTP has set the example in its intervention areas for approaches relying on transparencies and good governance, which have in turn been adopted by the Municipalities.
- iii. RCTP successfully engaged a broad range of stakeholders at local and national level, ensuring a complete ownership of the supported activities.
- iv. The high ratio of domestic co-financing to RCTP is a vector of success for the project, reflecting the engagement of all stakeholders, and ensuring the sustainability of implemented actions.

Adaptation to climate change

72. The integration of a 1.88 million USD grant from the Adaptation for Smallholder Agriculture Programme (ASAP) to RCTP has enabled to include activities dedicated to climate adaptation to the project. The aim of RCTP and of the ASAP grant was to demonstrate that climate change adaptation is possible through improved natural resource management, climate resilient infrastructure and an enhanced VC approach. The targeted key ecoregions and their natural resources through a dual approach. Firstly, aiming at improving the adaptive capacity of both rural people and institutions through the introduction of new practices and technologies to ensure climate resilience of key infrastructure. Secondly, aiming at promoting climate smart agricultural and sustainable natural resource management practices.

73. More specifically, through the ASAP grant, RCTP supported 2,626 *poor smallholder household members in coping with the effects of climate change* through access to matching grants under Component 1, facilitating access to equipment to reduce climate effects (farm material, 244 direct beneficiaries from livestock, berries, seed potatoes clusters), as well as through water schemes (public goods) construction. The project constructed 42 water infrastructures, supporting *production and processing facilities with increased water availability and efficiency*, resulting in 1224 *households supported with increased water availability or efficiency*.

74. Beyond the dedicated support provided through the ASAP grant, RCTP 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, pandemic, etc.).

75. Indeed, 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 to fight forest fires (as was observed during the summer 2021) in places where it was not feasible before, thus protecting natural habitats and productive lands. Similarly, rural roads rehabilitation for the most vulnerable people in remote areas has enabled access to land more adapted to production (e.g. in the case of seed potato), as well as enhanced access to market, thus reducing vulnerability to extreme climate shocks.

76. The approach for open calls for proposals organised under component 1 has been enhanced in line with recommendations from previous missions, to improve targeting and sensitization on climate adaptation practices, notably through the revision of the list of eligible investments. In line with the high demand for water infrastructures (particularly when the increased visiting population puts pressure on water during summer time), previous missions also recommended to increase the budget allocated to water ponds, and rural roads (which was done in 2021), and to pilot climate-smart innovations (vermicomposting pilots initiated in 2022).

77. Overall, **the rural clustering approach enhanced the climate resilience** of RCTP beneficiaries, not only by improved their access to markets and business opportunities, but also by **developing the local social capital** and creating a space for exchanges and common decision making. The rural clustering approach also effectively addressed the barriers hampering the adaptive capacity of local livelihoods: low access to information, markets, services and technology required for climate resilient livelihoods, especially for women and other vulnerable groups; as well as a poor access to financial resources, limited financial capacity and inappropriate incentives for uptake of climate resilient practices.

78. **Lessons learned.** RCTP has consistently increased the climate resilience of its beneficiaries, beyond the targeted support provided through the ASAP grant.

- i. The rural clustering approach is a key entry point to enhancing the social capital in these mountainous areas, and **enhanced social capital is in turn a pre-requisite to collective actions needed to address climate resilience at the landscape level.**
- ii. **RCTP interventions have confirmed their relevance in addressing key climate vulnerabilities**, in particular through improved water storage in a context of increasing droughts, enabling to fight forest fires in the summer. Grants under component 1 have also contributed to free producers from time constraints that made them more vulnerable to climate variability.
- iii. Beyond interventions financed by ASAP, **all RCTP activities have contributed to increasing the climate resilience of local stakeholders**, through improved land and water management, economic diversification with a territorial continuity, and rehabilitation of rural roads, critical to ensure accessibility during a longer time range.

A strong implementation team

79. The RCTP PCU has demonstrated the high professional level of both its contracted and seconded members of staff, particularly in the difficult context related to the COVID-19 pandemic and the political transition. The PCU has proven its abilities to resolve problems and guide implementation, thanks to excellent capacities resulting in an efficient implementation and exceeding results. M&E and KM are used as efficient tools for planning and decision-making.

80. **Political transition.** Relationships between the Project Coordinator and the host ministry (MoAFWM) are based on a permanent reporting and a strong involvement of the Ministry higher staff in the strategic monitoring of the project activities. In 2021 and 2022, the Project coordinator has been instrumental to ensure a perfect and smooth transition between with the out-going and in-coming administrations that followed the general election and political evolution particularly within the Ministry where the PCU is hosted with a high level of involvement of top executive in overseeing the Project progress. This ensured a continuity with RCTP partners and beneficiaries to implement Project activities in spite of the delays resulting from the late adoption of the national budget. Such a strategy

has been characterized by (i) intensified remote assistance to beneficiaries and their association with the support of ABC staff; (ii) focus on strengthening the “software” components of the project and the generation of knowledge products.

81. **COVID-19 Pandemic.** In the context of the pandemic, the team was able to continue the activities, proposing, in close collaboration with IFAD, measures to adapt the PIM, giving flexibility to the processes while respecting the implementation rules and allowing excellent achievements. Thanks to the proactivity of the PCU, the project has been able to support its beneficiaries and to work with the project partners efficiently despite the COVID-19 Pandemic.

82. **PCU reorganization.** The PCU was reorganized satisfactorily during RCTP implementation, with the recruitment of two value chain officers affected to north-western and north-eastern municipalities respectively, a law officer and a gender specialist. This working set-up proved to be very efficient. The seconded law officer continues to play a crucial role in reviewing all legal documents and processes. The recruitment of a Gender and Youth Officer in 2019, under the hierarchical responsibility of the Project Coordinator has proved very successful with a strong impact on gender and youth issues being mainstreamed in the RCTP approach.

83. **Lessons learned.** The success of RCTP is the direct result of its committed implementation team:

- i. The project team developed an in-depth know-how on the specific modalities of implementation of the project with respect to the due procurement requirements linked to public calls either for individuals or for municipalities that guarantee a public, fair and transparent access. Such public calls are well prepared in advance with focused communication with municipalities and producers for them to properly apply with the needed documentation to be rated accordingly. This communication approach is particularly important with regards to the most vulnerable and often excluded people who traditionally hardly apply if they are not visited, supported and encouraged to do so.
- ii. The network of relations with other stakeholders (projects, partners, service providers, clients, etc.) established by the PCU (see section on partnerships), and the role of facilitation endorsed by the team played a key role in the success of the rural clustering process which is at the core of RCTP.
- iii. The relevant and well-defined implementation mechanisms, are a guarantee that the project delivers on its objectives.