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**Montenegro Institutional Development and Agriculture
Strengthening (MIDAS) Project**

Environmental Assessment

Final report

Podgorica, June 2008

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Abbreviations

AIR – Animal Identification and Registration
AMIS – Agricultural Market Information System (AMIS)
BAT – Best Available Technique
BP – Bank Procedures
CGAP – Code of Good Agricultural Practices
EA – Environmental Assessment
EAR – European Agency for Reconstruction
EIA – Environmental Impact Assessment
EMP – Environmental Management Plan
EU – European Union
FADN – Farm Accounting Data Network
GEF – Global Environment Facility
GHP/ GMP - Good Hygiene/ Manufacturing Practices
HACCP - Hazard Analysis and Critical Control Points
IACS – Integrated Administration and Control System
IPARD – Instrument for Pre-accession Rural Development
IT – Information technology
MAFWM – Ministry of Agriculture, Forestry and Water Management
MBI – Marine Biology Institute
MIDAS – Montenegro Institutional Development and Strengthening
MTE – Ministry of Tourism and Environment
OP – Operation Policy
PA – Protected area
RDP – Rural Development Plan
SOP – Standard Operating Procedure
WFD – Water Framework Directive
WB – World Bank

Executive Summary

This Report contains findings of Environmental Assessment for the Montenegro Institutional Development and Agricultural Strengthening (MIDAS) Project, which has been prepared for the Ministry of Agriculture, Forestry and Water Management in line with the World Bank Operational Policy/ Bank Procedure 4.01 and relevant national legislation.

The Government of Montenegro/ Ministry of Agriculture, Forestry and Water Management (MAFWM) has requested the World Bank assistance to address challenges and constraints and to advance the EU accession process in agriculture sector. MIDAS Project is being developed as a vehicle to deliver requested assistance, with an objective to improve provision of government support for agriculture, rural development, and sustainable land management in a manner consistent with the EU pre-accession requirements. The project comprises two components:

1. Strengthening the MAFWM's rural development program, and
2. Strengthening the MAFWM's administrative and management capacity in accordance with EU pre-accession requirements.

The Project is classified as Category B project, requiring partial Environmental Analysis, but not a full-scale Environmental Assessment. The main conclusion of the conducted environmental analysis is that potential adverse environmental impacts of the project are minor, and that there are no significant, long-lasting and irreversible negative impacts associated with project implementation. In cases where negative environmental impacts have been identified, adequate mitigation measures were proposed.

Potential adverse environmental impacts have been identified for the following project activities (sub-components):

1. Disbursement of grants to support competitiveness of agricultural holdings and food processors, rural development and implementation of agri-environment measures/ measures eligible under the GEF Land Degradation window (sub-component 1.A).
2. Civil works for rehabilitation of the existing or construction of new facilities for a number of institutions (sub-components 2.1.A, 2.1.B, 2.1.C-B, 2.1.C-C and 2.2.C).
3. Disposal of animal by-products (sub-component 2.1.C-D).
4. Upgrading of facilities and infrastructure for food processing industries (sub-component 2.1.C-E).
5. Provision of equipment to Veterinary Diagnostics and Marine Biology Institute Laboratories (sub-component 2.1.C-A).

Mitigation measures have been recommended for each activity or group of activities where it was assessed that adverse environmental impacts were likely to occur.

In relation to sub-component 1.A, the need for a comprehensive system of mitigation measures to ensure that negative environmental impacts are prevented or minimized is

emphasized, especially for grants to support projects that might be located within or in the vicinity of protected and areas with high biodiversity value.

The findings of this EA will be supplemented through a number of EMPs, EIA studies and similar instruments envisaged to be carried out according to relevant national legislation and/or World Bank environmental safeguard policies in either project preparation or implementation phase. These instruments will help to better define and mitigate those environmental impacts that could not be identified sufficiently and precisely at this stage of the analysis due to lack of specific details. It is recommended that responsible authorities pass, as soon as possible, necessary legislation on veterinary wastes.

Monitoring and compliance with findings of this Report and requirements of related EMPs, including progress monitoring on EMPs implementation, will be undertaken by MAFWM at least twice per year. The environmental monitoring and supervision reports will be also prepared twice per year. Those will be submitted to the World Bank for review and endorsement.

1 Introduction

Montenegrin agriculture sector accounts for around 11% of gross domestic product; combined contribution of primary production and food processing is estimated at around one fifth of GDP. In 2006, share of employment in agriculture was 4.5%, however it is estimated that more than 60,000 households earn income from agriculture, whether as a main or additional activity.

Agricultural land covers 38% (518.067 ha) of the country's territory, with a predominant share (88% of total agricultural land) of pastures and natural meadows. Besides comparative advantages such as diversified production, maintained quality of agricultural land due to extensive production and low use of chemicals, Montenegrin agriculture exhibits a number of structural deficiencies that result with low productivity and low competitiveness. Food processing sector is working with outdated equipment and is facing increasing challenges with meeting the demanding food safety standards. Food imports have been at the level of 150 MEUR annually during the last years, and coverage of imports with exports is around 30%.

Reforms that are being implemented in the sector include: introduction of market principles; a shift in provision of agricultural support – targeting family holdings and improving conditions in rural areas; adjustments of food sector protection policies and gradual harmonization with World Trade Organization (WTO) principles; and introduction of technical innovations into agricultural production, improving human capacities and strengthening of institutional support to agricultural sector through establishment and capacity building of extension and advisory services.

An important impetus for agricultural sector reforms and at the same time a major challenge is the EU integration process. Montenegro has signed Stabilisation and Association Agreement (SAA) in October 2007, and temporary Agreement has come into force as of January 2008. The so far national efforts in the SA process and experience of other countries have shown that agriculture is a very complex and demanding chapter in the EU negotiations. The country has prepared agriculture strategy as a platform for alignment of its policies and institutional framework with European ones, and has recently adopted National Programme for Integration of Montenegro into the EU 2008 – 2012. This document is identifying steps and necessary resources to carry on with the EU accession in all the areas including agriculture and rural development, food safety, and fisheries policies.

Development of capacity in these areas is critical if Montenegro is to progress further with the accession agenda, benefit fully from pre-accession (such as IPARD support) and future EU support, and overcome pronounced agricultural constraints while ensuring sustainable development of the sector.

The Government of Montenegro (the borrower) has requested the World Bank assistance to address the challenges and constraints outlined above. Montenegro Institutional Development and Agricultural Strengthening (MIDAS) Project is being developed as a vehicle to provide the requested assistance, most notably thorough: a) provision of increased funds for agriculture and rural development and mainstreaming environmental protection into agricultural policies and practice; b) building capacities of Ministry of Agriculture, Forestry and Water Management (MAFWM) and related institutions to formulate and implement effective and EU-compliant policies, and to administer agricultural payments from national and international sources (including the World Bank and IPARD funds); c) support for

establishment of a modern food safety system; and d) modernization of agricultural information system.

This Environmental Assessment (EA) for MIDAS Project has been undertaken for the Ministry of Agriculture, Forestry and Water Management, in line with the World Bank Operational Policy/ Bank Procedure (OP/BP) 4.01 and relevant national legislation. The Project is classified as Category B project, requiring partial Environmental Analysis, but not a full-scale Environmental Assessment. The EA is being carried out as a part of the Project preparation activities with an overall objective to identify potential direct and indirect environmental impacts associated with the Project and to propose adequate mitigation measures.

The EA findings are presented in this final report. The report comprises introductory section and sections with project description, overview of legal and institutional framework for agriculture, environment and other areas of relevance for project implementation, as well as description of national and WB procedures for the assessment of environmental impacts and other permitting procedures. Furthermore, the EA report presents identified possible environmental impacts from implementation of different project activities, assesses them and recommends mitigation measures.

The draft EA report has been disclosed for public consultations on June 16, 2008. Summary record of the public discussion is presented as an integral part of this report (see section 9). Following the completion of public consultations, the Final EA Report has been submitted to the Bank by the borrower to be disclosed in accordance with the Bank's policies.

2 Project description

MIDAS Project comprises two components and several sub-components, which are structured in the following way:

Component 1: Strengthening the MAFWM's rural development program

Sub-component 1.A: Increasing rural development funds for target measures and areas

Sub-component 1.B: Strengthening extension and advisory services

Component 2: Strengthening the MAFWM's administrative and management capacity in accordance with EU pre-accession requirements

2.1: Administering EU compatible agriculture and rural development support programs

Sub-component 2.1.A: Rural Development Unit

Sub-component 2.1.B: Prototype Paying Agency

Sub-component 2.1.C: Creating a modern food safety system

2.2: Modernizing agriculture information management systems

Sub-component 2.2.A: Agricultural census

Sub-component 2.2.B: IACS-related registers

Sub-component 2.2.C: Support to the Ministry of Agriculture systematization

The overall project objective is to improve delivery of government assistance for agriculture, rural development, and sustainable land management in a manner consistent with the EU pre-accession requirements. Description of sub-components is provided below

Sub-component 1.A: Increasing rural development funds for target measures and areas

Multi-annual and EU IPARD compatible Rural Development Plan (RDP) for Montenegro is currently being developed (expected to be finalized by autumn 2008, implementation planned to start in mid-2009). Under this sub-component, implementation of RDP would be supported primarily through a) provision of grants to farmers and food processors, and b) environmental capacity building of agriculture extension and advisory services and awareness rising at beneficiary and community levels. Grants are expected to account for a predominant share of the sub-component's funding, which would come from the World Bank loan and GEF grant that has been incorporated into MIDAS Project (the latter pending the GEF approval).

Funds from the World Bank loan are expected to be used primarily for the RDP measures corresponding with the EU IPARD priority axes 1 and 3. Under axis 1, target measures are expected to include investments to improve agricultural competitiveness such as: a) investments in agricultural holdings to be restructured and upgraded to EU standards; and b) investments in processing and marketing of agriculture and fishery products to be restructured and upgraded to EU standards. Under axis 3, target measures that are likely to be supported include: a) improvement and development of rural infrastructure; and, b) diversification and development of rural economic activities.

RDP measures corresponding to the IPARD priority axis 2 – improving the environment and countryside – are expected to be funded from the GEF grant. The grant resources would primarily be used to finance specific priority activities identified by MAFWM that are also eligible under the GEF Land Degradation window, including potentially:

- Sustainable and environmentally friendly agriculture practices (e.g., nutrient management, production of organic crops and fertilizer, integrated pest management);
- Improved natural and highland pasture management and habitat biodiversity; and
- Forestry activities promoting private sector forest development, afforestation, sustainable management of resources, diversification of forest products, improved utilization of waste materials from timber processing (e.g., biomass for energy generation), and habitat protection.

Grant resources are also suggested to support the environmental capacity building in the (future) Rural Development Unit and extension and advisory services. Furthermore, support for the development of an EU LEADER¹-type approach is planned, including establishment and capacity building of 1 – 2 pilot Local Action Groups (LAGs)².

Although the use of GEF grant resources would primarily be focused on supporting axis 2-type measures, they might also be used for axes 1 and 3 measures that positively impact the environment.

Besides definition of target measures to be supported by MIDAS project, the RDP will also define the eligibility criteria for applicants and investments for each of the identified rural

¹ Links between actions for the development of rural economy.

² LAG is a community level representative body of stakeholders participating in and contributing to local area based development approach involving the private sector, community leaders and the public sector.

development measures. An Operational Manual, laying down the implementation mechanisms, will be also produced (expectedly by autumn 2008).

Sub-component 1.B: Strengthening extension and advisory services

The overall objective of this sub-component is to build capacity of the extension and advisory services under Biotechnical Institute to: a) support the EU IPARD compatible rural development program; and b) further develop the existing Market Information System (MIS) and develop an Economic Analysis/ Farm Management/ Accounting (rural business support) program. This objective is planned to be achieved through training of the services' staff in cross-compliance requirements and preparation of application packages for RDP, provision of technical assistance, improving the services' technical capacities, and farmer training. If approved by the GEF, additional capacity-building in agri-environment measures and to develop LEADER Local Action Groups would be carried out (in conjunction with activities included under sub-component 1.A). Furthermore, development and adoption of elements of a Code of Good Agricultural Practices (CGAP) could be supported under this sub-component.

Sub-component 2.1.A: Rural Development Unit

Establishment of an EU IPARD compatible Rural Development Unit (RDU) would be supported. The RDU is to be established within MAFWM and to act as a (proto) Management Authority for Montenegro's RDP. This sub-component would finance IT equipment, office equipment, national and international training programs for RDU staff members, technical assistance, and office refurbishment as required.

Sub-component 2.1.B: Prototype Paying Agency

A prototype Paying Agency is planned to be established to administer national support and World Bank grants (eventually also the IPARD funds), meeting the key EU requirements. The prototype Agency will be a nucleus for development of future IPARD Paying Agency responsible for processing aid applications and authorizing payments in line with the eligibility criteria defined within the RDP. Furthermore, the Agency will be responsible for organizing on-the-spot controls and independent audits.

Activities to be funded by the MIDAS project (in support of the Agency's establishment) include refurbishment or construction of a suitable facility; provision of IT and office equipment; technical assistance and initial training.

Sub-component 2.1.C: Creating a modern food safety system

Several interventions i.e. parts of this sub-component are planned. An overall objective is to complement the ongoing EAR funded capacity- and institution-building initiatives by contributing with hard investment in infrastructure towards an efficient and EU-compliant food safety system. The specific activities considered as eligible for financing by the project for each beneficiary and/ or subject are summarized in the Table below (for each part of the sub-component).

Part	Beneficiary or subject	Specific activities
A	Veterinary Diagnostic Laboratory, Podgorica	- Preparation of a Strategy and Business Plan - Supply of equipment
B	Marine Biology Institute, Kotor	- Civil works for rehabilitation and restoration of facilities - Supply of equipment
C	Border Inspection Post, Port of Bar	- Preparation of a Strategy and Business Plan - Rehabilitation of existing or construction of new facilities
D	Disposal of animal by-products	- Preparation of a feasibility study and an environmental impact assessment - Initial implementation of optimal technical solution
E	Upgrading of food processing industry	- Preliminary screening and provisional classification of plants - Upgrading of facilities and infrastructure, supply of equipment and introduction of procedures - Registration or approval of establishments according to EU standards and conditions

Technical assistance is planned to be provided to the Veterinary Diagnostic Laboratory, Podgorica, and to the Marine Biology Institute, Kotor, leading to development of SOPs and eventual accreditation in accordance with the ISO standards. Equipment would be procured for both institutions. In addition, civil works would be commissioned for rehabilitation or restoration of the Marine Biology Institute facilities. For the Border Inspection Post Bar, civil works for construction or rehabilitation of facilities would be commissioned and equipment supplied.

For the purpose of establishing a system for safe disposal of animal by-products (which will be regulated under the forthcoming legislation on animal and veterinary wastes in line with EU requirements), preparation of a feasibility study and an environmental impact assessment is planned to identify and evaluate various options for safe disposal of animal by-products and to assess possible adverse impacts of the recommended solution on animal and public health and on the environment. On the basis of the outcome of the feasibility study and the EIA, initial implementation of the optimal solution would be supported (which might entail construction works, procurement of equipment - e.g. incinerators, procurement of leak-proof vehicles, standing arrangements with existing industry etc.).

Support for upgrading of food processing industry to meet EU standards is planned to include assistance with screening and provisional classification of plants and other forms of technical assistance, as well as targeted and justified financial assistance, under IPARD criteria and procedures, aiming to upgrade facilities, infrastructure, equipment and procedures – particularly by introducing GHP/GMP pre-requisite programs and HACCP-based procedures – leading to provisional and, eventually, final approval according to EU standards.

Sub-component 2.2.A: Agricultural census

The objective of this sub-component is to execute an agricultural census according to EU standards to obtain reliable data on the structure and typology of agricultural holdings. The pilot census is planned to be implemented in autumn 2008 (for a limited number of holdings) and a full-scale main census would be conducted in the summer 2009. Following the census, MONSTAT will establish a statistical farm register that will form basis for surveys and the Farm Accountancy Data Network (FADN). The data will be used by MAFWM for developing policies and programs.

Activities funded by the project would comprise technical assistance, printing/ publication of various materials, training of instructors and enumerators, wages and transport costs for enumerators, IT equipment and software.

Sub-component 2.2.B: IACS-related registers

The intention of MAFWM is to establish an integrated administrative register of agricultural holdings as an umbrella register over all other registers containing information required for effective implementation of rural development and direct payment policies. In addition to data provided by agricultural statistics, FADN, AMIS etc., the integrated farm register would provide data needed for managing national (and the World Bank) and EU support schemes (IPARD and, after accession, EU support payments). The register should be supported by appropriate information technology (hardware and software), and fed by data from the relevant available and future databases and registers, such as the MAFWM's vineyards, olive tree and citrus registers and the Animal Identification and Registration (AIR) system that is currently being developed. The same unique farm identification number should be used by both the farm register and the AIR system, leading eventually to establishment of Integrated Administration and Control System (IACS).

By providing specialized technical assistance, the project would help in designing the approach for interlinking the different registers and establishing one master farm register. In addition, the project would finance a number of investments (e.g. equipment, software etc.), as well as recurrent costs, in order to advance the establishment of a farm register.

Sub-component 2.2.C: Support to the Ministry of Agriculture systematization

The new Law on Agriculture and Rural Development (currently in draft form, expected to be adopted in 2008) will define the functions of the MAFWM and will form the basis for its systematization plan. The Project would support development of legal and regulatory frameworks and implementation of the systematization plan through the provision of technical assistance, IT and office equipment, training, and refurbishment and/ or construction of appropriate space as required.

3 Overview of the policy, legal and administrative framework

Environment

Ministry of Tourism and Environment (MTE) has the key role in formulation and implementation of environmental policy in Montenegro. The Ministry performs administrative supervision over a number of institutions that are involved in environmental monitoring (Hydro-meteorological Institute, Centre for Ecotoxicological Research) and nature protection (National Parks of Montenegro). It will also perform administrative supervision over the soon to be established Environmental Protection Agency, which is expected to have executive powers in environmental management (with functions in monitoring and reporting, environmental permitting and inspection, communication). Nature Protection Institute acts as a competent authority for designation of natural objects as

protected areas (under the existing Law on Nature Protection), performs biodiversity monitoring and is under administrative supervision of Ministry of Culture, Sports and Media. MAFWM has major environmental competencies through its mandate in water management and forestry. Other ministries with major competencies that are directly or indirectly linked to environment include Ministry of Health, Labor and Social Affairs (chemicals) and Ministry of Economic Development (physical planning, construction, energy). Competences for environmental management are not always clearly delineated, which together with insufficient coordination and weak capacities hampers efficient and effective policy responses and implementation.

Major steps have been taken in Montenegro during the last few years towards alignment with the EU environmental legislation, in particular with horizontal, air quality, water quality and chemicals legislation. Efforts have been made to integrate environmental considerations in other policies. Strategic master plans on water supply, waste and wastewater have been adopted in 2004 and 2005, and the National Strategy on Sustainable Development in 2007. National Waste Management Plan has been prepared and adopted recently (2008). Formulation of strategies on biodiversity and climate change (under respective UN Conventions) is ongoing. National Programme for Integration of Montenegro into the EU 2008 – 2012 has been finalized in 2008 (chapter 3.27 is on environment).

Environmental legislation that will provide a framework for implementation of MIDAS Project and has served as a basis for this assessment is described below (with an exception of EIA legislation, which is described in more details in section 4.1).

The *Law on Environment* (Official Gazette of the RM No 12/96 and 55/00) sets the objectives and basic principles of environmental protection, defines general guidelines for environmental protection measures, instruments for environmental management and other relevant issues. The Law is not harmonized with EU standards, especially in respect to access to information and public participation. A new framework environment law is currently being drafted (to be adopted in 2008) with the aim of providing for full harmonization with relevant EU legislation. The new Law will *inter alia* regulate environmental protection measures for projects for which an EIA is not mandatory, access to information, public participation and access to justice in environmental matters, and will prescribe requirements for environmental monitoring and information system.

The *Law on Strategic Environmental Assessment (SEA)* (Official Gazette of the RM No 80/05) came into effect in 2008, prescribing full procedure – from screening to approval stage – for assessment of impacts of certain plans and programs on the environment through integration of principles of environmental protection into procedures for preparation, adoption and implementation of plans and programs that have significant impact on the environment. The Law is aligned with the EU Directive 2001/42/EC.

According to the Article 5 of the Law, an SEA is mandatory for all the plans and programs for *inter alia* agriculture, fisheries, forestry, and water management, when they are laying down framework for future development of projects that are subject to EIA, as well as for plans and programs that considering the area within which they are carried out could affect protected areas, natural habitats and wild flora and fauna. In deciding on the need to carry out strategic environmental assessment for other plans and programs, criteria pertaining to the plan or program and nature of potential impacts are considered. The decision is made by authority competent for the development of the plan/ program in question, based on a

previously obtained opinion of the competent environmental protection authority (MTE or local administration units, depending on the type of the plan/ program).

The *Law on Air Quality* (Official Gazette of the RM No 48/07) is a framework law that regulates ambient air quality management in line with the Directive 96/62/EC. The Law prescribes air quality limit values, air quality monitoring, protection measures, assessment and improvements of air quality, and other issues. It will come into force in 2010. In the forthcoming period, several bylaws will be adopted to transpose into national legislation provisions of other relevant EU directives on limit values, alert thresholds, target values etc. for different air pollutants. Limit emission values for stationary sources will be set under forthcoming bylaws and will include waste incinerators.

The *Law on Protection from Noise in the Environment* (Official Gazette of the RM No 45/06) prescribes measures to protect from and to prevent harmful effects of noise on human health. Allowed limit values are determined under the Decree on Limit Values of Noise in the Environment (Official Gazette of the RM No 75/06).

The *Waste Management Law* (Official Gazette of the RM, No. 80/05) regulates types and classification of wastes; planning of waste management; conditions for waste collection transport, treatment, storage and disposal; rights, duties and responsibilities of legal and physical persons involved in waste management; and conditions and procedures for waste management permits. It also defines principles for managing specific waste streams, regulates incineration etc. The Law comes into force in 2008 and has been harmonized with the EU Waste Framework Directive. National Waste Management Plan was adopted in the beginning of 2008 and preparation of bylaws (rulebooks) on landfills and on classification of wastes/ methods for waste examination is ongoing.

The Law does not apply to wastes from slaughter houses and animal carcasses, nor to animal by-products/ other natural and non-hazardous materials that can be used in agriculture. Article 51 of the Law calls for detailed regulations prescribing the types of veterinary wastes the processing of which is not allowed as well as the ways to manage and dispose of veterinary wastes. MAFWM/ Veterinary Directorate are working on development of an EU compatible legal framework to regulate safe removal, collection, storage, transport and disposal of animal by-products (including those containing Specified Risk Materials – SRMs).

The *Law on Nature Protection* (Official Gazette of the SRM No 36/77 and 2/89) defines measures for protection of natural areas and objects that have special qualities or represent natural rarities, prescribes procedures for placing them under protection, specifies protection measures during investment works in/ around these areas and in the process of development of spatial and other plans, etc. Categories of protected natural areas/ objects established under this Law include: natural parks and landscapes, nature reserves, monuments of nature, memorial and natural monuments, as well as individual plant and animal species. National parks are designated based on the *Law on National Parks* (Official Gazette of the RM No 47/91 and 27/94)³.

The Law on Nature Protection is outdated, and preparation of a new law is in final stages (to be adopted in 2008). The new nature protection law will transpose Habitats (92/43/EEC) and Birds (79/409/EEC) Directives and Regulation (EC) 338/97 on the protection of species of

³ The four National Parks designated and managed under provisions of this Law are: Biogradska gora, Durmitor, Skadar Lake and Lovcen national parks.

wild fauna and flora by regulating trade. The new law will introduce a different, EU compliant categorization of protected areas, prescribe procedures for designation of protected areas (including a requirement for designation of managers for each category) and will set a basis for establishment of Natura 2000 network.

Another important piece of environmental legislation that came into force in 2008 is the *Law on Integrated Prevention and Pollution Control* (IPPC) (Official Gazette of the RM No 80/05). The IPPC Law regulates environmental pollution prevention and control through integrated permits for installations and activities that may have a negative impact on human health, the environment or material resources. It lays down measures designed to prevent or to reduce emissions to air, water and soil, including measures concerning waste, efficient energy consumption, reduction of noise and vibrations, use of raw materials, prevention of accidents, and risk assessment. The integrated permitting system is based on the concept of best available technique (BAT).

Several bylaws were passed under the IPPC Law including: the Decree on types of activities and installations subject to integrated permits (Official Gazette of Montenegro No 7/08); the Decree on criteria for determining best available techniques, for application of quality standards and for determining limit emission values in the integrated permit (Official Gazette of Montenegro No 7/08); and the Decree on content of the program of measures for adjusting the existing activities or installations to prescribed conditions (Official Gazette of Montenegro No 7/08). Existing installations are required to comply with the IPPC requirements by 2015. An inventory of IPPC installations has not been completed yet.

The *Law on Chemicals* (Official Gazette of Montenegro No 11/07) has also been passed recently in an effort to start transposing the *acquis* in this area. It regulates procedures for notification and placing on the market of new and existing chemicals, evaluation and chemicals risk assessment procedures, classification, packaging and labeling of chemicals, imports and exports, and other issues important for protection of human health and the environment.

Agriculture

The key competences are with MAFWM; Ministry of Health, Labor and Social Affairs has competences in the area of food safety. Other relevant institutions for development and implementation of agricultural policies are Veterinary Administration, Phytosanitary Administration, extension and advisory services (Biotechnical Institute), and Marine Biology Institute (fisheries).

The key document for development of agriculture is Montenegrin Agriculture and the EU – Food Production and Rural Development Strategy (2006). The Strategy represents a platform for harmonization of policies, legislation and institutional framework with the EU standards and accession requirements. The main goals set by the Strategy are: a) management of resources in a long-term sustainable manner; b) ensuring stable and acceptable supply of food; c) ensuring an adequate standard of living for rural population and comprehensive rural development; and d) increase in competitiveness of food producers.

Fishery Development Strategy of Montenegro (2006) aims at developing legal and institutional basis for fisheries management and food safety, including incorporation of the relevant EU *acquis*, strengthening of institutional capacity to implement fish hygiene regulations and monitor food safety, and other measures.

The 2008 National Programme for Integration of Montenegro into the EU 2008 – 2012 provides a framework for the EU accession in the area of agriculture (Chapters 3.11, 3.12, and 3.13 deal, respectively, with agriculture and rural development, food safety and veterinary and phytosanitary policies, and fisheries).

A brief overview of agricultural laws that may have a bearing for the implementation of MIDAS project (and for recommendations of this assessment) is provided below.

The *Law on Agricultural Land* (Official Gazette of the RM 15/92, 59/92 and 27/94) defines agricultural land as an asset of general public interest. The Law regulates conditions and manners for the use, management and protection of agricultural land. Agricultural land refers to all types of land that are or can be used for agricultural production.

The Law on Food Safety (Official Gazette of Montenegro No 14/07) regulates protection of human life and health, consumers' protection, and requirements pertaining to production and marketing of safe food and animal feed. It defines competences for certain aspects of food safety (shared between MAFWM – Veterinary and Phytosanitary Administrations, and Ministry of Health, Labor and Social Affairs). It also envisages establishment of National Council for Food Safety. The Law is harmonized with the Regulation (EC) No 178/2002 laying down the general principles, requirements and procedures in matters of food safety, and has transposed general provisions of a number of relevant EU legislation.

The Law on Veterinary Services (Official Gazette of the RM No 11/2004 and 27/07) regulates prevention and eradication of contagious animal diseases, preventive veterinary measures, mandatory animal health protection, provision of animal welfare, financing of animal health, organizational forms in performing veterinary services etc. Regulations on veterinary wastes and safe disposal of animal by-products will be prepared in the forthcoming period.

The Law on Identification and Registration of Animals (Official Gazette of the RM No 48/07) prescribes ways and procedures for identification and registration of animal as well as for registration of holdings where animals are bred.

The Law on Plant Health Protection (Official Gazette of the RM No 28/06) incorporated the EU plant health protection concepts (as set out in the Council Directive 2000/29/EC) and set the basis for further harmonization of Montenegrin legislation with the EU *acquis*. The Law regulates health protection of plants and plant products from harmful organisms, and supervision of plant health in domestic trade as well as in exports, imports and transits. Establishment of plant health competent authority and of phytosanitary inspections has also been regulated under this Law, as well as introduction of plant passports, protected areas, registration of producers, processors, distributors and importers of certain plant varieties. Protection of plant species is regulated under the *Law on Protection of Plant Varieties* (Official Gazette of Montenegro No 48/07).

Legislation pertaining to seeds and seedlings is partially harmonized with the EU *acquis*. Relevant laws are the *Law on Seeds of Agricultural Species* (Official Gazette of the RM No 28/06), the *Law on Seedlings* (Official Gazette of the RM No 28/06), and the *Law on Reproductive Materials of Forest Trees* (Official Gazette of the RM No 37/07). These laws have integrated EU concepts related to production and marketing of seeds and seedlings, and the common catalogue of varieties of agricultural plant species.

The *Law on Organic Agriculture* (Official Gazette of the RM No 49/04) regulates organic agricultural production, control of organic production, processing, transport and warehousing of organic products, certification and labeling, and other related issues.

The *Law on Olive Growing* (Official Gazette of the RM No 55/03) was passed in order to protect existing olive groves, stimulate new planting and provide for their use in line with contemporary practices, as well as to regulate requirements for olives processing.

The new *Law on Vine* has been enacted in 2007 (Official Gazette of the RM 36/07) to regulate production and marketing of grapes, vine and other grapes- and vine-related products, labeling and other issues. It is partly harmonized with relevant EU legislation.

The main pieces of legislation that regulate fisheries are the *Law on Seawater Fisheries* (Official Gazette of the RM 55/03) and the *Law on Freshwater Fisheries* (Official Gazette of Montenegro 11/07). The former law is currently being revised.

In addition to already enacted legislation, two laws that are in the final stages of preparation are particularly relevant for MIDAS Project and for this assessment. The new Law on Agriculture and Rural Development is currently being developed (expected adoption in 2008). The Law will regulate the following issues: development of agriculture and of rural areas; objectives and measures of agricultural policy; state support for agriculture and conditions for its implementation; beneficiaries of state support; additional activities in agriculture; quality, labeling and trade of primary agricultural products and manufactured products; types of organizations in agriculture; public services in agriculture; establishment of agriculture paying agency; recording and information system; inspection; and other issues.

The Law on Protection of Animal Welfare (currently in the parliamentary procedure) regulates rights, duties and responsibilities of physical and legal persons for protection of animal welfare (i.e. for protection of animals from torture while they are kept or bred, killed or slaughtered, subjected to interventions, transported and experimented upon), rules of conduct towards animals and other matters.

Physical planning, construction and natural resources management

Competences for physical planning and construction are shared between national (currently Ministry of Economic Development) and local level (local self-government units).

The Law on Physical Planning and Development (Official Gazette of the RM No 28/05) prescribes types of planning documents, contents and procedures for their preparation and adoption, enforcement of plans, and other issues. Depending on the type of plan, responsibilities for preparation and enforcement lie with either national or local level administration. At the national level, the following plans are developed: national spatial plan; spatial plans for special purpose areas (prepared for public maritime domain and national parks); detailed spatial plans (prepared e.g. for infrastructure systems); and studies of locations (detailed plans for certain areas within public maritime domain). Development of national and of special purpose areas spatial plans is mandatory. Local level administration is responsible for the following plans: municipal spatial plan (covering the whole area of respective local government unit), general urban plan, detailed urban plan, urban projects and local studies of locations. Development of municipal spatial plans and of general urban plans for municipal centers is mandatory.

Enforcement of plans is linked to administrative procedures for issuing location permits for construction or reconstruction of facilities and execution of works. Location permits are issued by national level authority for all the developments in areas covered by spatial plans for special purpose areas, detailed spatial plans and studies of locations, as well as for projects in areas covered by local plans which are of national importance. Otherwise, location permits are responsibility of local self-government units.

The Law on Construction of Facilities (Official Gazette of the RM No 55/00) regulates construction and reconstruction of facilities and demolition of dilapidated or damaged facilities. It prescribes procedures that apply to construction, types and content of technical documentation, execution of works, permitting, and similar. Construction permits are issued by local governments except in cases of facilities of national importance and those that would be developed in areas for which the location permit is issued based on state (i.e. national level) planning documents. In the latter case, construction permit is issued by ministry responsible for construction (currently Ministry of Economic Development). Responsibilities for operational permits are divided in the same way. Preparation of a new law on construction is underway.

MAFWM and related state administration bodies – Forest Administration and Water Administration – have the key competencies in managing forests and waters.

The *Law on Forests* (Official Gazette of the RM No 55/00) defines forests and forest areas as natural resources and assets that are of general public interest, which can be state or privately owned. Competent state administration body (Forest Administration) is tasked with performing forest management in an integral manner. Forests can be used based on concessions or annual contracts issued by competent authority, while collected funds are earmarked for afforestation, cultivation and protection of forests, planning and similar activities. National Forestry Policy has been adopted in 2008, and the Law is undergoing a revision.

The *Water Law* (Official Gazette of the RM No 27/07) regulates status and the ways for managing all types of water, water resources and objects, as well as other matters of relevance for water resources management. The Law is based on integrated river basin management, establishment of integral water information system, sustainable development, long-term protection of water quality, economic water pricing in line with the ‘user/ polluter pays’ principle and application of BAT. Water management duties are under this Law assigned to a separate state administration body – Water Administration. Establishment of Water Council is also envisaged, as an expert and advisory body to the Government. In drafting of the Law, an effort was made to harmonize it with the EU Water Framework Directive 2000/60/EC (WFD). Preparation of a large number (around 20) of bylaws envisaged under the Water Law is underway. These bylaws will provide for the implementation of the Law and for further transposition of relevant EU Directives – ‘daughter’ directives of WFD, including Nitrates (91/676/EEC) Directive.

Procedures for issuance of water use conditions, water consents and water permits are also regulated under this Law (Articles 114 – 124). Starting point in the procedure for obtaining water permits is procurement of water use conditions. Investors are obliged to obtain water use conditions for construction or reconstruction of facilities, except in cases of small-scale commercial or residential premises that would be connected to public water supply system and would only utilize water for drinking and sanitary purposes. For food processing industries, dairies, slaughter houses and farms, as well as for irrigation/ melioration systems,

procurement of water use conditions, water consents and water permits is necessary. Water consents are integral part of documentation that has to be submitted for procurement of construction permits.

4 EIA and other permitting procedures under Montenegrin legislation

The Law on EIA and relevant bylaws

The *Law on Environmental Impact Assessment (EIA)* (Official Gazette of the RM No 80/05) prescribes procedures for carrying out an EIA for projects that may have significant impact on the environment, contents of the EIA study, participation of interested organizations and of the public, procedures for evaluating EIA studies and issuing approvals, notification of other states on projects with potential transboundary effects, and other relevant issues. Before the Law came into effect on 1 January 2008, several bylaws were passed to regulate issues not detailed by the Law and to enable its implementation. These are:

- Decree on projects subject to EIA (Official Gazette of Montenegro No 20/07);
- Rulebook on content of documentation to be submitted together with request for determination on the need for EIA (Official Gazette of Montenegro No 14/07);
- Rulebook on content of documentation to be submitted together with request for determining the EIA scope and contents of the EIA study (Official Gazette of Montenegro No 14/07);
- Rulebook on content, form and a way of keeping the public record on actions and decisions on EIA (Official Gazette of Montenegro No 14/07); and
- Rulebook on contents of the EIA study (Official Gazette of Montenegro No 14/07).

The EIA law and related secondary legislation are harmonized with the EU Directive 85/337/EEC on the assessment of the effects of certain public and private projects on the environment, as amended by 97/11/EEC and 2003/35/EC.

The Law requires that for projects likely to have a significant impact on the environment, identification and assessment of these impacts is carried out before development consent is granted. Impacts that are subject to assessment include direct and indirect impacts on: a) human life and health, flora and fauna; b) soil, water, air, climate and landscape; c) material assets and cultural heritage; and d) interactions between these elements.

The EIA is conducted for projects in the areas of industry, mining, energy, transport, tourism, agriculture, forestry, water management, municipal environmental infrastructure, etc., as well as for all the projects in nature protected areas and in the vicinity of immovable cultural monuments.

The projects for which the EIA is mandatory and those for which it may be required (depending on project characteristics and location, and characteristics of the potential impact) are, respectively, stipulated in the List I and List II of the Decree 20/07. The lists contain categories of projects (with thresholds, where applicable) and are generally consistent with Annex I and Annex II of the EIA Directive, while some of the thresholds set under Montenegrin legislation are stricter than those from the EU legislation (e.g. for agricultural production projects). Facilities for several types of food processing industries are determined

as List II projects. The Decree 20/07 also contains a provision that any change or expansion in already approved List I or List II projects may be subject to a new EIA process, should these additional interventions or changes have a potential to generate significant negative impacts on the environment.

Competent authority for conducting the EIA procedures⁴ is state administration body responsible for environmental protection (currently Ministry of Tourism and Environment) for projects for which other consents, approvals and permits are issued by other state administration bodies (i.e. national level administration). For other projects, competent authority is part of a local self-government unit responsible for environmental protection.

The EIA Law and the Rulebook 14/07 on contents of the EIA study require that for all the identified negative environmental impacts, measures to prevent, eliminate, mitigate or remedy them are included and elaborated.

Public disclosure of information on the EIA procedure is required in all the stages – namely in the screening stage (decision on the need for EIA), scoping (decision on the scope and content of the EIA) and decision making stage (approval or rejection of a project). The EIA study is subject to a mandatory public hearing, organized by the competent authority. The scoping and final decision on the EIA is made by a commission appointed in accordance with the EIA Law, comprising staff of the competent authority and other experts (a member of the commission cannot be appointed if he/ she has been involved in preparation of the EIA study or linked to those who have been preparing it).

Costs for preparation of the EIA study are borne by project proponent. Project proponent is also responsible for implementation of all the mitigation measures identified in the EIA study for which the consent has been issued. Monitoring of the implementation is responsibility of the competent authority. Operation permit for a given project can only be issued once the competent authority verifies that all the measures envisaged in the EIA study have been implemented.

Other permits

Construction or reconstruction (in case the latter entails changes in the size of the respective object) of facilities requires acquisition of three permits – location, construction and operation permits.

Procedures for procurement of **location permits** are defined by the Law on Physical Planning and Development (Official Gazette of the RM No 28/05). The location permit is an administrative document allowing the holder to obtain other permits and consents necessary for development/ execution of works at the given location. The permit is issued based on the relevant spatial/ urban plan and it specifies type and purpose of object or works to be executed. Integral parts of the permit are urban and technical conditions that include information such as: geodetic-cadastral bases; number of floors; maximum allowed capacities of an object; site plan; approximate base of a structure (horizontal and vertical outlines); type of façade and roof material, meteorological data; seismic parameters; environmental protection requirements; elements of cultural heritage, connections to infrastructure, etc.

⁴ Deciding on the need for EIA, deciding on the scope and content of the EIA study, evaluating quality of the EIA study and issuing final approval/ rejecting the project.

Construction permits are issued based on the provision of the Law on Construction of Facilities (Official Gazette of the RM No 55/00) by the responsible state administration body (currently Ministry of Economic Development) for facilities in the areas covered by state planning documents (e.g. for facilities to be located in the area of public maritime domain) and those that are of determined to be of national importance (such as large industrial installations, fuel storage tanks, all types of infrastructure, landfills and installations for treatment of solid and hazardous wastes, etc.). Commercial and residential buildings with a surface of more than 1,000 m² or more than 4 floors are classified as facilities of national importance. For other facilities, construction permits are issued by local authorities.

Documentation for procurement of construction permit includes: location permit; main project with accompanying urban consent; technical verification that the main project meets requirements of relevant regulations; proof of ownership or proofs of other types of rights over the construction land; proof that relevant fees and charges have been paid; and consents, approvals and other documentation, as determined by specific regulations (the last category includes water use consent, environmental consent i.e. an approved EIA for project subject to environmental assessment, and other consents).

Operation permits are also regulated under the Law on Construction of Facilities (Official Gazette of the RM No 55/00). These permits are issued after a technical assessment of the constructed object is performed, if shown that the object has been constructed in compliance with construction permit, main project and other conditions stipulated in relevant documentation. Technical clearance of the facility and issuance of operation permit is also subject to verification that mitigation measures envisaged in the EIA study have been implemented and that water permit has been obtained. Competences for issuance of operation permits are shared in the same way as for construction ones.

5 WB Environmental Assessment procedures and other safeguard policies

The World Bank requires that an environmental assessment (EA) of projects proposed for Bank financing is carried out to ensure they are environmentally sound and sustainable, and that the interested public has been informed and consulted. Under the Bank's regulations, the borrower is responsible for carrying out the EA in compliance with both the country's legislation and the Bank's operational policies. The Bank's EA policy and procedures are described in OP/BP 4.01.

An EA is a process whose breadth, depth, and type of analysis depends on the nature, scale, and potential environmental impact of the proposed project. An EA evaluates a project's potential environmental risks and impacts in its area of influence. Furthermore, it examines project alternatives and identifies ways of improving project selection, siting, planning, design, and implementation by preventing, minimizing, mitigating, or compensating for adverse environmental impacts and enhancing positive impacts. Finally, an EA recommends the process of mitigating and managing adverse environmental impacts throughout project implementation. The World Bank favors preventive measures over mitigation or compensatory measures, whenever feasible.

EAs take into account the following: a) natural environment (air, water, and land); b) human health and safety; c) social aspects (involuntary resettlement, indigenous peoples, and cultural property); and d) transboundary and global environmental aspects. EAs consider natural and

social aspects in an integrated way. They also take into account the following: variations in project and country conditions; findings of country environmental studies; national environmental action plans; the country's overall policy framework, national legislation, and institutional capabilities related to the environment and social aspects; and obligations of the country, pertaining to project activities, under relevant international environmental treaties and agreements. The World Bank does not finance project activities that would contravene such country obligations, as identified during the EA. EA is initiated as early as possible in project processing and is integrated closely with the economic, financial, institutional, social, and technical analyses of a proposed project.

EA Instruments

Depending on the project, a range of instruments can be used to meet the World Bank's EA requirement: environmental impact assessment (EIA), regional or sectoral EA, environmental audit, hazard or risk assessment, and environmental management plan (EMP). EA applies one or more of these instruments, or elements of them, as appropriate. When the project is likely to have sectoral or regional impacts, sectoral or regional EA is required.

Environmental Screening

The World Bank undertakes environmental screening of each proposed project to determine the appropriate extent and type of EA. The World Bank classifies the proposed project into one of four categories (A, B, C and FI), depending on the type, location, sensitivity, and scale of the project and the nature and magnitude of its potential environmental impacts. MIDAS Project has been classified by the World Bank as a Category B project

A proposed project is classified as Category B if its potential adverse environmental impacts on human populations or environmentally important areas – including wetlands, forests, grasslands, and other natural habitats – are less adverse than those of Category A projects. These impacts are site-specific; few if any of them are irreversible; and in most cases mitigation measures can be designed more readily than for Category A projects. The scope of an EA for a Category B project may vary from project to project. The EA examines the project's potential negative and positive environmental impacts and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance. The findings and results of Category B EA are described in the project documentation (Project Appraisal Document and Project Information Document).

Public Consultation

For Category B projects proposed for financing, during the EA process, the borrower consults project affected groups and local non-governmental organizations (NGOs) about the project's environmental aspects and takes their views into account. The borrower initiates such consultations as early as possible.

Disclosure

For meaningful consultations between the borrower and project-affected groups and local NGOs on all Category B projects proposed for IBRD or IDA financing, the borrower provides relevant material in a timely manner prior to consultation and in a form and language that are understandable and accessible to the groups being consulted.

Public availability in the borrowing country and official receipt by the World Bank of Category B EA report for projects proposed for funding, are prerequisites to World Bank appraisal of these projects. Once the borrower officially transmits the separate Category B EA report to the World Bank, the World Bank makes it available through its Info-Shop.

Implementation

During project implementation, the borrower reports on: a) compliance with measures agreed with the World Bank on the basis of the findings and results of the EA, including implementation of any Environmental Management Plan (EMP), as set out in the project documents; b) the status of mitigation measures; and c) the findings of monitoring programs. The World Bank bases supervision of the project's environmental aspects on the findings and recommendations of the EA, including measures set out in the legal agreements, any EMP, and other project documents.

Other WB environmental safeguard policies

The environmental assessment policy OP/BP 4.01 is considered to be an umbrella policy for the Bank's environmental 'safeguard policies' which among others include: Natural Habitats (OP 4.04), Forests (OP 4.36), Pest Management (OP 4.09), Physical Cultural Resources (OP 4.11), and Safety of Dams (OP 4.37). It is assessed that implementation of MIDAS Project might in particular trigger safeguard policies on natural habitats and forests, and they are briefly described below.

Operational Policy 4.04 on Natural Habitats seeks to ensure that World Bank-supported infrastructure and other development projects take into account the conservation of biodiversity, as well as the numerous environmental services and products which natural habitats provide to human society. The policy strictly limits the circumstances under which any Bank-supported project can damage natural habitats (land and water areas where most of the native plant and animal species are still present).

Specifically, the policy prohibits Bank support for projects which would lead to the significant loss or degradation of any Critical Natural Habitats, whose definition includes those natural habitats which are either legally protected, officially proposed for protection, or unprotected but of known high conservation value.

In other (non-critical) natural habitats, Bank supported projects can cause significant loss or degradation only when there are no feasible alternatives to achieve the project's substantial overall net benefits; and acceptable mitigation measures, such as compensatory protected areas, are included within the project.

The Bank's Operational Policy 4.36 on Forests aims to reduce deforestation, enhance the environmental contribution of forested areas, promote afforestation, reduce poverty and encourage economic development.

6 Main impacts of the project

Component 1: Strengthening the MAFWM's rural development program

1.A *Increasing rural development funds for target measures and areas*: The main type of assistance extended through this sub-component will be grants to farmers and food processing facilities. The types of measures to be supported together with eligibility criteria for applicants and investments will be defined through Rural Development Plan (RDP), which is currently being developed by MAFWM in a manner compatible with EU IPARD requirements. Operational Manual for grants is also under preparation. It is planned that the grants would be used for implementation of RDP measures corresponding with IPARD priority axis 1 and 3, i.e. for measures to upgrade agricultural holdings and processing facilities in order to increase competitiveness of the sector, and for rural development measures.

If approved by GEF, agri-environment measures (IPARD priority axis 2) and/or measures eligible under GEF Land Degradation window (e.g. sustainable agriculture practices, improved pastures and habitat management, sustainable forestry activities) would be financed from the GEF grant. GEF grant would be also used to support environmental capacity building of agricultural administration and extension services and to start developing a LEADER-type approach with Local Action Groups.

Specific details on the measures/ beneficiaries to be supported through grants, eligibility criteria and types of investments are yet to be defined, including details such as grant sizes, size and type of holdings/ processors to be supported, production capacity/ output, locations, etc. Expected coverage of the grant program is country-wide, with a possible focus on the northern region. While it is likely that the grants will have an overall positive impact on the environment by improving agricultural management on farms and in food processing facilities (introduction of procedures, increase in efficiency) or by stimulating rural development and implementing agri-environment measures, it is also possible that negative impacts will occur (if not mitigated).

Measures designed to enhance competitiveness of agricultural holdings could lead to changes in land use and intensification of agricultural practices giving rise to a number of potential negative environmental impacts such as: loss of habitat and decrease in environmental services provided; soil erosion; decreasing soil productivity; soil compaction; increased use of chemicals (fertilizers and biocides) and related pollution; soil salinization and improper drainage from irrigation schemes; overgrazing, etc. Potential negative impacts of rural development measures include habitat loss and /or degradation due to construction of rural infrastructure, erosion, increased pressure on natural resources, and similar. It is possible that some of the impacts occurring from the use of individual grants would not be significant when considered as stand-alone impacts, but that cumulative effects of the whole grant scheme would be potentially damaging to the environment.

Major adverse impacts associated with operation of food processing facilities come from water and air pollution, disposal of solid wastes, and changes in land use. For example, effluents from these facilities typically have high biological and chemical oxygen demands (BOD, COD), and contain suspended and dissolved solids. Air emissions commonly include particulate matter, sulfur dioxides, nitrous oxides, hydrocarbons, and other organic compounds.

If properly planned and implemented, agri-environment measures/ activities eligible under GEF Land Degradation window are expected to have positive environmental impacts.

There are several nature protected areas (PAs) with different designations in northern Montenegro, including national parks Durmitor and Biogradska gora and Tara Biosphere Reserve (the entire Tara river basin is designated as UNESCO's Biosphere Reserve). Under the forthcoming revision of the Law on National Parks, proclamation of a new national park Prokletije is expected. In addition, there are many pristine natural areas with high biodiversity values. The new Law on Nature Protection will set a basis for Natura 2000 network and will eventually lead to other changes in distribution and coverage of protected areas. Protected areas with valuable biodiversity (e.g. National Parks Skadar Lake and Lovcen) are also located in other regions of the country.

A range of mitigation measures is recommended to address adverse environmental impacts that could occur within this sub-component:

- 1) MFAWM will notify environmental competent authority (MTE) on the development of Rural Development Plan and seek opinion on the need to carry out an SEA; decision on carrying out the SEA will be made and possible strategic assessment prepared in accordance with the SEA Law (Official Gazette of the RM No 80/05).
- 2) Environmental concerns need to be integrated in the eligibility criteria for applicants and investments and in the Operational Manual/ procedures for evaluating grant applications; certain environmental safeguard requirements (e.g. what type of interventions would not be supported) also need to be developed and included in the Operational Manual.
- 3) Upon receipt of grant applications (for support of RDP measures – upgrade of agriculture holdings and food processors, rural development), environmental screening will be conducted. Projects will be classified into one of the following 3 categories: a) projects for which an EIA is mandatory under Montenegrin legislation (based on project characteristics, location, and/ or characteristics of the potential impact); b) projects for which adequate environmental assessment instruments (e.g. EMPs) are required in line with the World Bank procedures; and c) projects that do not necessitate detailed environmental assessment since their expected negative environmental impacts are minor to negligible. Procedures to be followed by grant administrators are described in the paragraphs 3a) to 3c), and an overview of steps to be undertaken for environmental evaluation of applications and for ensuring that environmental protection measures are implemented is provided in the Administrative Checklist included in Annex 2 of this report
 - 3a) For any project that falls into first category, including projects to be implemented in protected areas⁵, an EIA will be carried out according to the procedures set out in the EIA Law (Official Gazette of the RM No 80/05) and relevant secondary legislation. Project approval and disbursement of grant will be subject to submission of approved EIA study and environmental consent. Implementation of mitigation measures planned in the EIA study will be regularly monitored.
 - 3b) For projects not requiring an EIA yet likely to have some adverse environmental impacts, an EMP (or other appropriate EA instrument) will be required as a prerequisite for grant approval. EMPs will be developed in line with the World Bank environmental safeguard policies, and special attention will be paid if proposed

⁵ According to the Decree 20/07, EIA becomes mandatory for all the List II projects if they are located in nature protected areas or in the protected zones of immovable cultural assets.

projects are to be located within or in the vicinity of protected areas. Implementation of mitigation measures envisaged in the EMPs (or similar instruments) will be regularly monitored.

- 3c) For approved applications/ projects where screening had previously shown that EIA or EMP were not required, a brief questionnaire will be prepared to enable simple environmental management procedure and monitoring during project implementation. Template for the environmental questionnaire will be provided in the Operational Manual. Questionnaires are expected to include basic information on the project/beneficiary, potential environmental impacts (if any), environmental protection and/or mitigation measures and responsibility for their implementation and monitoring.
- 4) Grants to support agri-environment measures/ activities eligible under GEF Land Degradation window are expected to have beneficial impacts on the environment, therefore environmental assessment and mitigation procedures are not envisaged. Exceptionally, preparation of an EMP might be required for projects located within or in the vicinity of protected areas/ areas with high biodiversity values (depending on the sensitivity and conservation value of the area, and characteristics of the project).
- 5) Environmental capacity building of agricultural administration involved in grant management needs to be provided and an environmental unit established in the future RDU/ prototype Paying Agency. Farmers' training and awareness raising at beneficiary and community levels, possibly through LEADER approach and LAGs⁶, needs to be conducted. Training of agricultural administration (in particular staff of the future RDU/ Paying Agency) should focus on the topics such as integration of environmental concerns on project level, environmental impact assessments, mitigation of negative impacts of agriculture on the environment, sustainable land management, agri-environment measures, biodiversity conservation, agro-biodiversity etc. Training topics for farmers and local communities would include sustainable management of natural resources, environmentally sound/ good agricultural practices, diversification of rural economies, biodiversity conservation and similar. A full list of training topics will be developed by the end of the first year of implementation based on a survey of needs that will be conducted by Project Implementation Unit/ MAFWM.

Both national legislation and the World Bank safeguard policies require that special attention be paid to maintaining integrity of protected areas and valuable habitats. This needs to be reflected in implementation of the above mitigation measures.

EMPs and other environmental management instruments will be subject to Bank's approval.

Grants to support agri-environment measures/ activities eligible under GEF Land Degradation window will be subject to limited mitigation measures to contribute to their proper planning and implementation.

1.B *Strengthening extension and advisory services*: capacity building of the extension and advisory services under Biotechnical Institute is planned under this sub-component, mainly through training the extension services staff (e.g. in cross-compliance requirements), and provision of technical assistance and equipment; farmer training is also planned. If approved

⁶ Environmental capacity building is already included in the project design under component 1 and subcomponents 2.1.A and 2.1.B.

by the GEF, additional capacity-building and development of LEADER Local Action Groups would be included.

Given the nature of planned activities, it is assessed that this sub-component would have an indirect beneficial impact through increased capacity of different actors in agriculture sector (including increased environmental capacity).

Component 2: Strengthening the MAFWM's administrative and management capacity in accordance with EU pre-accession requirements

2.1.A Rural Development Unit: This sub-component would finance IT equipment, office equipment, national and international training programs for RDU staff members, technical assistance, and office refurbishment as required.

Potential negative environmental impacts for this component are identified for office refurbishment, depending on the scope and nature of interventions. Since construction/reconstruction works are identified for a number of activities under different sub-components and since locations for any of these interventions have not been identified (with the exception of Marine Biology Institute, sub-component 2.1.C-B), a generic assessment of possible adverse impacts is made and mitigation measures recommended for sub-component 2.1.B, applicable to all the envisaged civil works on refurbishment, restoration or construction of buildings. A sample checklist and EMP for civil works is included in Annex 3 of this report for future reference.

2.1.B Prototype Paying Agency: Activities to be funded under this sub-component in support of the establishment of prototype Paying Agency include refurbishment or construction of a suitable facility; provision of IT and office equipment; technical assistance and initial training.

Adverse environmental impacts are related to execution of civil works for refurbishment or construction of offices at a location that is currently not specified. The location is expected to be in an urban area and major impacts will be related to elevated levels of noise, dust emissions and management of construction debris.

The contracts for civil works under this subcomponent will be subject to screening for environmental impacts by the competent national environmental entity and EIA procedure will be applied if needed/required. In case the EIA is not necessary, an EMP will be prepared for each construction phase (design, construction and operation) once the location for civil works is specified and before design work begins. The EMP will be prepared in line with the Bank's environmental assessment requirements under OP 4.01, and will be subject to Bank's approval prior to beginning of any construction activity. An example of possible format and type of information to be taken into account in EMP development is provided in Annex 3. All bidding documents and contracts will include measures to minimize or mitigate environmental impacts. Good engineering practices will be applied.

2.1.C Creating a modern food safety system: A wide range of activities is planned under this component to strengthen institutions and build capacities for implementation of EU compliant food safety policies and procedures. The activities include: a) provision of technical assistance (e.g. for introduction of SOPs and accreditation of laboratories, for screening, provisional classification and introduction of/ upgrading the GHP/GMP and HACCP procedures for food processing industry); b) provision of equipment; c)

rehabilitation/ construction of facilities; d) development of project documentation and support for implementation of an optimal solution for safe disposal of animal by-products; and e) upgrading of food processing facilities and infrastructure.

Possible negative environmental impacts are identified for the following activities:

- 2.1.C-A: Supply of equipment for Veterinary Diagnostic Laboratory, Podgorica;
- 2.1.C-B: Marine Biology Institute (Kotor) facilities rehabilitation, provision of equipment;
- 2.1.C-C: Rehabilitation/ construction of Border Inspection Post, Bar;
- 2.1.C-D: Safe disposal of animal by-products; and
- 2.1.C-E: Upgrading of food processing facilities and infrastructure.

2.1.C-A: Veterinary Diagnostics Laboratory from Podgorica is National Reference Laboratory (NRL) for animal diseases, including TSEs, zoonoses and food-borne diseases, and is currently in the process of building-up its diagnostic capacity for microbiological testing of foodstuffs of animal origin. Samples of foodstuffs are submitted either directly by the industry or by the veterinary inspectors in the framework and for the purposes of official controls. In order to be able to fulfill its duties arising from the new food safety control regime the Laboratory is lacking a) equipment for developing its diagnostic capacity in the fields of microbiology and virology; b) equipment for safe disposal by incineration of potentially infective and/or hazardous materials and samples; and c) equipment and reagents for TSE testing.

Provision of laboratory equipment may result in indirect negative environmental impact through generation and disposal (incineration) of veterinary wastes. Mitigation measures to address these impacts include development of procedures for dealing with various waste types and their implementation (in compliance with existing national regulations and with EU standards the transposition of which is pending in the area of veterinary waste), and eventual certification of the Laboratory under ISO standards. The work of the Veterinary Laboratory needs to be monitored regularly.

- 2.1.C-B: Planned support to Marine Biology Institute is subject to a separate EMP (Terms of Reference are included in Annex 1 of this report); assessment of potential negative environmental impacts and recommendation of mitigation measures is therefore not included in this EA.
- 2.1.C-C: For rehabilitation/ construction works for Border Inspection Post, Bar, assessment of impacts and mitigation measures included under sub-component 2.1.B are applicable (Annex 3 of this report contains sample checklist and EMP that could be applied for all the construction/ reconstruction activities to be carried out under MIDAS project).
- 2.1.C-D: Disposal of animal by-products may cause significant adverse environmental impacts. Activities to support this particular intervention within sub-component 2.1.C-D include preparation of an EIA, which will identify and assess negative environmental impacts of an optimal solution (determined through the feasibility study) and propose mitigation measures. Implementation of these mitigation measures is a precondition for acquisition of operational permit.
- 2.1.C-E: Support for upgrading of food processing facilities and infrastructure to bring them in line with EU standards is overall going to generate environmental improvements, especially when implemented in conjunction with introduction of EU compliant food

safety procedures. However, in executing these interventions and due to possible upscaling of capacities, negative environmental impacts such as increased emissions and land take may occur. Some of the facilities in question may be on the List II of the Decree 20/07 on projects subject to EIA, for which any change or expansion in the existing capacities may require an EIA.

EIA procedures as regulated under the national legislation will be applied to all the projects that might be supported under this particular element of sub-component 2.1.C. If the projects will not require an EIA, environmental screening will be carried out in line with the World Bank OP/BP 4.01 and appropriate assessment instruments applied.

2.2.A Agricultural census: There are no identified environmental issues/ adverse impacts. This sub-component is designed to support execution of agricultural census by supporting the activities such as technical assistance, printing/ publication of various materials, training of instructors and enumerators, wages and transport costs for enumerators, IT equipment and software.

2.2.B IACS-related registers: There are no potential adverse impacts due to implementation of this sub-component, the aim of which is to help with designing and executing the approach for interlinking different agricultural databases and registers leading eventually to establishment of IACS. Technical assistance, equipment, software and recurrent costs of maintaining the register/s will be supported. It is assessed that by creating relevant databases, the activities carried out under this sub-component would contribute to environmental protection.

2.2.C Support to the Ministry of Agriculture systematization: Implementation of the forthcoming MAFWM systematization plan would be supported under this sub-component through the provision of technical assistance, IT and office equipment, training, and refurbishment/ construction of appropriate premises (as required).

Potential negative environmental impacts for this sub-component are identified in relation to possible construction/ reconstruction works. Assessment and mitigation measures elaborated for sub-component 2.1.B are applicable.

7 Environmental mitigation and monitoring plan

Sub-comp	Activities	Potential major issues	Mitigation measures	Monitoring requirements	Budget	Responsibility for mitigation	Responsibility for monitoring and supervision
1.A	Grants to support RDP measures: - Upgrade of agriculture holdings and food processors - Rural development measures	<ul style="list-style-type: none"> - Loss of habitat - Soil erosion - Decreasing soil productivity - Soil compaction - Increased used of chemicals (fertilizers and biocides) - Overgrazing - Habitat loss and /or degradation due to construction of rural infrastructure - erosion - increased pressure on natural resources - Water and air pollution - Increased generation of solid wastes - Changes in land use 	<ul style="list-style-type: none"> - Decide on the need/ carry out an SEA for the RDP (integration of environment and possibility to address cumulative impacts) - Integration of environmental concerns into eligibility criteria and procedures for evaluating grant applications (Operational Manual) - Application of national environmental legislation and/ or WB safeguard policies - Environmental screening for all projects (grant applications) - EIAs when required under national legislation - EMPs for projects likely to have adverse impacts - Environmental questionnaire developed to facilitate environmental protection/ management (for projects not likely to have major adverse impacts) - Capacity building/ awareness raising at institutional and beneficiary level 	As determined by EIA studies, EMPs, environmental questionnaires	Covered through grants budget	MAFWM/ MTE MAFWM/ extension services/ future RDU Grant beneficiaries/ existing unit in MAFWM/ future Paying Agency	MAFWM MTE

Sub-comp	Activities	Potential major issues	Mitigation measures	Monitoring requirements	Budget	Responsibility for mitigation	Responsibility for monitoring and supervision
1.A	Grants to support agri-environment measures/ activities eligible under GEF Land Degradation window	No negative environmental impacts; some measures recommended to strengthen the planning and implementation	- EMPs for projects within/ in the vicinity of PAs (when necessary) - Capacity building, raising awareness of beneficiaries - LEADER approach and LAGs capacity development (mainstreaming environment) -	As determined by grant EMPs (where applicable)	Covered through grants budget	Extension services/ future RDU/ Paying Agency	MAFWM
2.1.A	Office refurbishment for RDU	- Noise and dust from construction activities, vibrations - Construction and other non-hazardous waste - Possible hazardous waste (if found on the site during demolition or construction works) - Possible impact on cultural heritage, natural environment	- Design EMP - Comply with regulations - Apply good engineering practices - Integrate environmental measures into bidding documents - Categorize possible hazardous wastes, separate them and ensure they are safely removed/ disposed	Construction site supervisor's reports Municipal inspectorate's reports As required by EMP	Covered by construction budget	MAFWM Veterinary Administration Phytosanitary Administration Contractors	MAFWM
2.1.B	Refurbishment or construction of a suitable facility for prototype Paying Agency						
2.1.C-C	Rehabilitation of existing or construction of new facilities, Border Inspection Post Bar						
2.2.C	Refurbishment or construction of MAFWM premises						
2.1.C-A	Supply of equipment to Veterinary Diagnostics Laboratory	- Impact of laboratory waste on environment (air, water and soil); - Health and safety issues	- Development of procedures for dealing with various wastes - Compliance with regulations on waste incineration - ISO certification	Self-monitoring Periodical monitoring by MAFWM	Covered under the Laboratory budget	Veterinary Diagnostics Laboratory Veterinary Administration	MAFWM Ministry of Health, Labor and Social Affairs

Sub-comp	Activities	Potential major issues	Mitigation measures	Monitoring requirements	Budget	Responsibility for mitigation	Responsibility for monitoring and supervision
2.1.C-B	Rehabilitation and restoration of facilities, supply to equipment to MBI	A separate EMP to identify them	To be proposed under separate EMP	As determined by the EMP	Covered under project preparation	MBI in cooperation with MAFWM	MBI
2.1.C-D	Disposal of animal by-products	<ul style="list-style-type: none"> - Negative impacts on environment, air, water and soil - Health and safety issues - Issues related to hazardous waste disposal 	As identified in EIA Study	As determined by EIA	To be covered under project	MAFWM/ Veterinary Service	MTE MAFWM
2.1.C-E	Upgrading of facilities and infrastructure for food processing industry	<ul style="list-style-type: none"> - Increased emissions to air, water, soil - Land take 	- EIA (if applicable) or environmental screening/ EA	As set out in EIA Study/ EA	Beneficiary	Beneficiary MTE MAFWM/ Veterinary Service	MAFWM MTE

8 Conclusions and recommendations

This report contains findings of EA for MIDAS – Montenegro Institutional Development and Agricultural Strengthening Project. The project is classified as Category B, requiring partial Environmental Analysis, but not a full-scale Environmental Assessment.

The environmental analysis was carried out as part of the project preparation activities in accordance with Montenegrin and World Bank requirements and procedures. The purpose of the analysis was to identify potential direct and indirect environmental impacts associated with the project.

The main conclusion of the EA is that potential adverse environmental impacts of the project are minor, and that there are no significant, long-lasting and irreversible negative impacts associated with project implementation. In cases where negative environmental impacts have been identified, adequate mitigation measures are proposed.

Based on the description of project components, a number of potential environmental impacts (direct or indirect, beneficial or adverse) have been identified in relation to the following project activities/ groups of activities:

1. Disbursement of grants to support competitiveness of agricultural holdings and food processors, rural development and implementation of agri-environment measures/ measures eligible under the GEF Land Degradation window (sub-component 1.A). Potential impacts: direct, both positive and negative.
2. Civil works for rehabilitation of the existing or construction of new facilities for a number of institutions: Rural Development Unit, prototype Paying Agency, Marine Biology Institute Kotor, Border Inspection Post Bar, MAFWM (sub-components 2.1.A, 2.1.B, 2.1.C-B, 2.1.C-C and 2.2.C). Potential impacts: direct, negative but minor.
3. Disposal of animal by-products (sub-component 2.1.C-D). Potential impacts: direct, negative.
4. Upgrading of food processing industries – upgrading of facilities and infrastructure (sub-component 2.1.C-E). Potential impacts: direct, both positive and negative.
5. Provision of equipment to Veterinary Diagnostics and Marine Biology Institute Laboratories (sub-component 2.1.C-A). Potential impacts: indirect, both positive and negative.

For other project components and activities it is assessed that they would not give rise to significant environmental impacts.

Mitigation and measures to enhance positive impacts have been determined and presented in this report for each activity or group of activities where it was assessed that adverse environmental impacts were likely to occur. These measures are discussed in section 6 of the report and presented in the environmental mitigation and monitoring plan (section 7). In relation to sub-component 1.A, the need for a comprehensive system of mitigation measures to ensure that negative environmental impacts are prevented or minimized is emphasized, especially for grants to support projects that might be located within or in the vicinity of protected and areas with high biodiversity value.

The findings of this EA will be supplemented through a number of EMPs, EIA studies and similar instruments envisaged to be carried out according to relevant national legislation and/or World Bank environmental safeguard policies in either project preparation or implementation phase. These instruments will help to better define and mitigate those environmental impacts that could not be identified sufficiently and precisely at this stage of the analysis due to lack of specific details. It is recommended that responsible authorities pass, as soon as possible, necessary legislation on veterinary wastes.

Monitoring and compliance with findings of this Report and requirements of related EMPs, including progress monitoring on EMPs implementation, will be undertaken by MAFWM at least twice per year. The environmental monitoring and supervision reports will be also prepared twice per year. Those will be submitted to the World Bank for review and endorsement.

9 Summary record of public discussion

After the public disclosure of the draft EA report on 16 June 2008⁷, a consultation meeting was organized by the Ministry of Agriculture, Forestry and Water Management on 20 June. The meeting was held at the premises of Human Resources Administration of the Government of Montenegro at Jovana Tomasevica boulevard bb, Podgorica, from 10:00 – 12:00 hours.

The main objectives of the meeting were to present Montenegro Institutional Development and Agriculture Strengthening (MIDAS) project to relevant institutions, NGOs and other stakeholders while focusing on its environmental and social aspects, and to provide the interested public with an opportunity to give their comments, opinions and suggestions on the aforementioned topics. Presentations of MIDAS Environmental Assessment and Framework Resettlement Policy were the main points on the meeting's agenda and were meant to serve as a starting point for public discussion.

Representatives from national and local level administrations, relevant institutions, NGOs, industry, international organizations and media were invited for the meeting. The response was rather limited and the meeting was attended by a low number of participants. In addition to the Chair of the meeting – Mr Branko Bulatovic, Deputy Minister for Agriculture of the MAFWM, the World Bank representatives and the consultant who drafted the Environmental Assessment report, the following persons attended the consultations:

No.	Name and Organization	Contacts (phone)
1.	Slavica Karadzic, MBC television	081/210 127
2.	Nikola Spahic, Tara and Lim Project Office	067 232 444
3.	Dragan Nedeljkovic, Pobjeda newspaper	067 271 437
4.	Miras Drljevic, Hydro-meteorological Institute	069 822 579
5.	Slobodan Scekcic, Forest Administration – Kolasin Unit	067 410 152
6.	Slavka Smolovic, Mojkovac Municipality	069 467 155
7.	Radosav Rasovic, Tara and Lim Project Office	069 055 274

⁷ The Report was made available to interested public through the Ministry of Agriculture, Forestry and Water Management website.

Mr Branko Bulatovic (MAFWM) opened the meeting by welcoming the participants and briefly presenting the purpose, the main components and activities of MIDAS project. The overall goal of the project is to improve provision of state support for sustainable agriculture and rural development in line with pre-accession requirements of the EU. MIDAS project comprises two components – the first one referring to strengthening the MAFWM's rural development program and the second component aimed at strengthening the administrative capacities of the MAFWM to address the pre-accession requirements. In his opening remarks, Mr Bulatovic also reminded on the importance of the project and expressed his regret over the low interest/ number of participants in public discussion.

Ms. Marina Markovic, environmental consultant, explained the purpose and the approach used in preparing the Environmental Assessment (EA) and presented the main findings and recommendations. The assessment was prepared in line with requirements of the World Bank Safeguard Policies (in particular with requirements of the Operational Policy/ Bank Procedure 4.01 on Environmental Assessment) and relevant national legislation.

As for the EA findings, Ms. Markovic said that overall, significant negative environmental impacts of MIDAS project were not identified. Some of the activities that will be supported by the project could generate (if appropriate mitigation measures were not undertaken) negative environmental impacts and these include: upgrading of agricultural holdings and food processing industries; disposal of veterinary wastes and animal byproducts; and construction/ reconstruction of facilities. Comprehensive mitigation measures are recommended for all these activities.

In relation to sub-component 1.A (grants to support agriculture and rural development), it is particularly important to ensure that negative environmental impacts are prevented or minimized in case support is provided for projects located within or in the vicinity of protected and areas with high biodiversity value. Cumulative impacts of the whole grant scheme also need to be considered and mitigated. Another EA recommendation is that necessary regulations on veterinary wastes need to be adopted as soon as possible. As the project is developed and activities are specified in more detail, further elaboration and application of EA instruments (such as EIAs, EMPs etc.) will be necessary.

Monitoring and reporting (towards the World Bank) on the implementation of measures envisaged under the EA is mandatory.

Mr. Bulatovic presented Framework Resettlement Policy. He said that sub-components 1.A (increasing rural development funds) and 2.1 (administering EU compatible agriculture and rural development support programs) of MIDAS project include activities that could potentially require land acquisition and resettlement due to, for example, expansion of agricultural holdings, construction of rural infrastructure and construction of agricultural facilities. In cases such developments would be executed on new locations not owned by the Government, purchase of land from private owners would become necessary. Similarly, resettlement might become necessary in case some of these developments would affect currently populated areas.

At this stage of project development, however, it is not certain yet whether land acquisition and resettlement would be necessary and in what scope/ for which locations. It will be only possible to determine land acquisition and/or resettlement details once applications for rural development grants are received and sub-projects to be financed under MIDAS specified. That is why resettlement plan has not been developed yet – instead a framework for

resettlement policy has been prepared. This framework includes main principles that will guide resettlement process if/ when it will become necessary. Mr Bulatovic said that in addition to Framework Resettlement Policy, all the land acquisition and/ or resettlement activities will have to be carried out in line with relevant Montenegrin legislation. He also pointed out it was not likely that a large scale land acquisition (from private owners) would take place for the purpose of MIDAS project implementation due to a limited availability of funds.

Prior to finalizing the plans on land acquisition, compensations and resettlement, MAFWM will submit them to the World Bank for the Bank's consideration and comments; in this way it will be assured that the plans will be fully in line with the Bank's Operational Policy on involuntary resettlement.

Following the two presentations, participants did not express interest for discussion so the meeting was closed. In his closing remarks, Mr. Bulatovic reiterated that the Ministry would maintain efforts to notify and inform all the stakeholders on the project content and on its environmental and social implications.

Annex 1: Terms of Reference for Preparation of the EMP for Marine Biology Institute – Kotor

The Environmental Assessment (EA) for the Montenegro Institutional Development and Agriculture Strengthening (MIDAS) Project is being prepared by the Ministry of Agriculture, Forestry and Water Management (MAFWM). The EA Report is being prepared under the terms as described in the World Bank OP/BP 4.1 and relevant legislation.

The Project is classified as Environmental Category B, requiring partial Environmental Analysis, but not a full-scale Environmental Assessment. An EA is being carried out as a part of the Project preparation activities to identify potential direct and indirect environmental impacts associated with the Project. Preliminary findings indicate that there are no significant, long-lasting and irreversible negative impacts associated with the project.

The Draft EA is scheduled for completion by June 15, 2008 and public disclosure in Montenegro is planned by June 23. Following the incorporation of comments and completion of the public disclosure, the Final EA Report will be submitted to the Bank and disclosed in accordance to its policies. The Draft EA will present an overview of the Montenegrin agricultural sector; project description; national legislation relevant to agriculture, environment, solid waste and hazardous waste; procedures for environmental assessment and permitting procedures relevant to activities that will be undertaken by the project; assessment of possible project components and likely significance of such impacts; and recommended mitigation measures together with organizations responsible for their implementation.

A separate EMP will be prepared for the Marine Biology Institute, Kotor, which will be upgraded with funds allocated to Sub-component 2 3. – Creating a Modern Food Safety System.

In order to prepare EMP, the borrower and its EA design team will: (a) identify the set of responses to potentially adverse impacts; (b) determine requirements for ensuring that those responses are made effectively and in timely manner; and (c) describe the means for meeting those requirements. The EMP will include the following components: Mitigation; Monitoring; Capacity Development and Training; Implementation Schedule and Cost Estimate; Integration of EMP with the Project.

Mitigation – the EMP will identify feasible and cost-effective measures that could reduce potentially significant adverse environmental impacts to acceptable level. The plan will include compensatory measures if mitigation measures are not feasible, cost-effective or sufficient. The EMP will describe, with technical details, each mitigation measure and conditions under which it is required (e.g. constantly or in event of contingencies), together with equipment descriptions and operating procedures as appropriate. It will also estimate the potential environmental impact of those measures, and provide linkages with any other mitigation plans required for the Project. As a minimum, this section will encompass the facility description; site setting; environmental management structure; health and safety management structure; air quality and air emissions; raw water and wastewater; hazardous materials management; PCBs; asbestos, mineral dusts and fibers; waste management; noise, vibrations and other physical factors; contaminated land; worker's health and safety.

Monitoring – Environmental monitoring during the project implementation will provide key information about the environmental aspects of the Project, particularly the effectiveness of

the mitigation measures. Such information will enable the Borrower and the Bank to evaluate the success of mitigation as a part of the Project supervision, and will allow the corrective action to be taken if needed. The monitoring section of EMP will provide a specific description and technical details of monitoring measures, including the parameters to be measured, methods to be used, sampling locations, frequency of monitoring and definitions of threshold values that will indicate the need for corrective action. It will also include the monitoring and reporting procedures and procedures of furnishing the monitoring results and information to the Borrower, the Bank and general population where needed.

Capacity Development and Training – the EMP will, if necessary, identify and recommend the need for establishment and training of environmental unit to allow the implementation of EA recommendations. It will, specifically, provide description of the institutional arrangements and responsibilities for mitigation and monitoring measures like supervision, reporting, remedial action, financing and staff training. It will, if appropriate, address the issues of technical assistance programs, procurement of additional equipment and supplies and /or organizational changes.

Implementation Schedule and Cost Estimate – for the above aspects (mitigation, monitoring and capacity development) the EMP will provide an implementation schedule for measures that must be carried out as a part of the Project, showing phasing and coordination with the overall Project implementation plans. It will also show the capital and recurrent cost estimates and indicate the sources of funding for implementation of the EMP. These figures are to be integrated into the total project cost tables.

Integration of EMP with the Project – in order that the EMP will be executed effectively, it must be specific in its description of the individual mitigation and monitoring measures and its assignment of the institutional responsibilities. The EMP should be integrated in the Project's overall planning, design, budget, and implementation by establishing the EMP within the Project in order that the EMP will receive funding and supervision along with the other Project components.

Annex 2: Administrative Checklist

Steps in environmental assessment, evaluation and management of MIDAS grants (sub-component 1.A)

Initial step in the process:	
Environmental screening of all the applications for grants for RDP measures	
Question (what if...)	Actions by grants administrators
Application for RDP funds is for projects requiring an EIA under Montenegrin legislation (EIA Law 80/05 and Decree 20/07)	<ol style="list-style-type: none"> 1. Check if an approved EIA study and environmental consent from competent environmental authority have been submitted together with application 2. If yes → continue with evaluation procedures (approve grant on environmental grounds) 3. If not → inform beneficiary, require EIA and halt evaluation procedure until EIA process is completed; based on the EIA findings, approve or reject the project 4. When grant is approved, ensure coordination with environmental administration in monitoring project implementation and implementation of mitigation measures envisaged in the EIA
Application for RDP funds is for projects likely to have some adverse impacts but not requiring EIA under national legislation	<ol style="list-style-type: none"> 1. Require an environmental assessment be done according to the WB procedures, including development of an EMP (or other appropriate EA instrument); submission of EMP/ appropriate EA instrument is a prerequisite for grant approval 2. For approved grants, monitor implementation of mitigation measures planned in the EMP
Application for RDP funds is for projects not likely to have adverse impacts	<ol style="list-style-type: none"> 1. For approved applications and before project implementation starts, require preparation of a simple environmental questionnaire (in line with guidelines provided in the Operational Manual) to facilitate environmental management 2. Monitor implementation of environmental protection/ mitigation measures identified in the questionnaire in parallel with project implementation
Applications for agri-environment/ GEF eligible measures	<ol style="list-style-type: none"> 1. Consult with environmental administration and determine the need for an EMP for projects to be located within or in the vicinity of protected areas/ areas with high biodiversity value (based on criteria such as sensitivity of the area, nature of project and similar) 2. If EMP is needed → require EMP preparation as a prerequisite for grant approval 3. For approved grants, monitor implementation of mitigation measures planned in the EMP

Annex 3: Sample Checklist and EMP for Construction/ Reconstruction (Civil Engineering) Works

PART 1: INSTITUTIONAL & ADMINISTRATIVE				
Country				
Project title				
Scope of project and activity				
Institutional arrangements (Name and contacts)	WB (Project Team Leader)	Project Management	Local Counterpart and/or Recipient	
Implementation arrangements (Name and contacts)	Safeguard Supervision	Local Counterpart Supervision	Local Inspectorate Supervision	Contactor
SITE DESCRIPTION				
Name of site				
Describe site location	Attachment 1: Site Map []Y []N			
Who owns the land?				
Geographic description				
LEGISLATION				
Identify national & local legislation & permits that apply to project activity				
PUBLIC CONSULTATION				
Identify when / where the public consultation process took place				
INSTITUTIONAL CAPACITY BUILDING				
Will there be any capacity building?	[] N or [] Y if Yes, Attachment 2 includes the capacity building program			

PART 2: ENVIRONMENTAL /SOCIAL SCREENING			
Will the site activity include/involve any of the following:	Activity	Status	Additional references
	A. Building rehabilitation	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section B below
	B. New construction	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section B below
	C. Individual wastewater treatment system	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section C below
	D. Historic building(s) and districts	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section D below
	E. Acquisition of land ⁸	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section E below
	F. Hazardous or toxic materials ⁹	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section F below
	G. Impacts on forests and/or protected areas	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section G below
	H. Handling / management of medical waste	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section H below
	I. Traffic and Pedestrian Safety	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section I below
ACTIVITY	PARAMETER	MITIGATION MEASURES CHECKLIST	
A. General Conditions	Notification and Worker Safety	(a) The local construction and environment inspectorates and communities have been notified of upcoming activities (b) The public has been notified of the works through appropriate notification in the media and/or at publicly accessible sites (including the site of the works) (c) All legally required permits have been acquired for construction and/or rehabilitation (d) All work will be carried out in a safe and disciplined manner designed to minimize impacts on neighboring residents and environment. (e) Workers' PPE will comply with international good practice (always hardhats, as needed masks and safety glasses, harnesses and safety boots) (f) Appropriate signposting of the sites will inform workers of key rules and regulations to follow.	
B. General Rehabilitation and /or Construction Activities	Air Quality	(a) During interior demolition use debris-chutes above the first floor (b) Keep demolition debris in controlled area and spray with water mist to reduce debris dust (c) Suppress dust during pneumatic drilling/wall destruction by ongoing water spraying and/or installing dust screen enclosures at site (d) Keep surrounding environment (side walks, roads) free of debris to minimize dust (e) There will be no open burning of construction / waste material at the site (f) There will be no excessive idling of construction vehicles at sites	
	Noise	(a) Construction noise will be limited to restricted times agreed to in the permit (b) During operations the engine covers of generators, air compressors and other powered mechanical equipment should be closed, and equipment placed as far away from residential areas as possible	
	Water Quality	(a) The site will establish appropriate erosion and sediment control measures such as e.g. hay bales and / or silt fences to prevent sediment from moving off site and causing excessive turbidity in nearby streams and rivers.	

⁸ Land acquisitions includes displacement of people, change of livelihood encroachment on private property this is to land that is purchased/transferred and affects people who are living and/or squatters and/or operate a business (kiosks) on land that is being acquired.

⁹ Toxic / hazardous material includes and is not limited to asbestos, toxic paints, removal of lead paint, etc.

	Waste management	<ul style="list-style-type: none"> (a) Waste collection and disposal pathways and sites will be identified for all major waste types expected from demolition and construction activities. (b) Mineral construction and demolition wastes will be separated from general refuse, organic, liquid and chemical wastes by on-site sorting and stored in appropriate containers. (c) Construction waste will be collected and disposed properly by licensed collectors (d) The records of waste disposal will be maintained as proof for proper management as designed. (e) Whenever feasible the contractor will reuse and recycle appropriate and viable materials (except asbestos)
ACTIVITY	PARAMETER	MITIGATION MEASURES CHECKLIST
C. Individual wastewater treatment system	Water Quality	<ul style="list-style-type: none"> (a) The approach to handling sanitary wastes and wastewater from building sites (installation or reconstruction) must be approved by the local authorities (b) Before being discharged into receiving waters, effluents from individual wastewater systems must be treated in order to meet the minimal quality criteria set out by national guidelines on effluent quality and wastewater treatment (c) Monitoring of new wastewater systems (before/after) will be carried out
D. Historic building(s)	Cultural Heritage	<ul style="list-style-type: none"> (a) If the building is a designated historic structure, very close to such a structure, or located in a designated historic district, notify and obtain approval/permits from local authorities and address all construction activities in line with local and national legislation (b) Ensure that provisions are put in place so that artifacts or other possible “chance finds” encountered in excavation or construction are noted, officials contacted, and works activities delayed or modified to account for such finds.
E. Acquisition of land	Land Acquisition Plan/Framework	<ul style="list-style-type: none"> (a) If expropriation of land was not expected and is required, or if loss of access to income of legal or illegal users of land was not expected but may occur, that the bank task Team Leader is consulted. (b) The approved Land Acquisition Plan/Framework (if required by the project) will be implemented
F. Toxic Materials	Asbestos management	<ul style="list-style-type: none"> (a) If asbestos is located on the project site, mark clearly as hazardous material (b) When possible the asbestos will be appropriately contained and sealed to minimize exposure (c) The asbestos prior to removal (if removal is necessary) will be treated with a wetting agent to minimize asbestos dust (d) Asbestos will be handled and disposed by skilled & experienced professionals (e) If asbestos material is to be stored temporarily, the wastes should be securely enclosed inside closed containments and marked appropriately (f) The removed asbestos will not be reused
	Toxic / hazardous waste management	<ul style="list-style-type: none"> (a) Temporary storage on site of all hazardous or toxic substances will be in safe containers labeled with details of composition, properties and handling information (b) The containers of hazardous substances should be placed in a leak-proof container to prevent spillage and leaching (c) The wastes are transported by specially licensed carriers and disposed in a licensed facility. (d) Paints with toxic ingredients or solvents or lead-based paints will not be used
G. Affects forests and/or protected areas	Protection	<ul style="list-style-type: none"> (a) All recognized natural habitats and protected areas in the immediate vicinity of the activity will not be damaged or exploited, all staff will be strictly prohibited from hunting, foraging, logging or other damaging activities. (b) For large trees in the vicinity of the activity, mark and cordon off with a fence large trees and protect root system and avoid any damage to the trees (c) Adjacent wetlands and streams will be protected, from construction site run-off, with appropriate erosion and

		sediment control feature to include by not limited to hay bales, silt fences (d) There will be no unlicensed borrow pits, quarries or waste dumps in adjacent areas, especially not in protected areas.
ACTIVITY	PARAMETER	MITIGATION MEASURES CHECKLIST
H. Disposal of medical waste	Infrastructure for medical waste management	(a) In compliance with national regulations the contractor will insure that newly constructed and/or rehabilitated health care facilities include sufficient infrastructure for medical waste handling and disposal; this includes and not limited to: ③ Special facilities for segregated healthcare waste (including soiled instruments “sharps”, and human tissue or fluids) from other waste disposal; and ③ Appropriate storage facilities for medical waste are in place; and ③ If the activity includes facility-based treatment, appropriate disposal options are in place and operational
I Traffic and Pedestrian Safety	Direct or indirect hazards to public traffic and pedestrians by construction activities	(b) In compliance with national regulations the contractor will insure that the construction site is properly secured and construction related traffic regulated. This includes but is not limited to ③ Signposting, warning signs, barriers and traffic diversions: site will be clearly visible and the public warned of all potential hazards ③ Traffic management system and staff training, especially for site access and near-site heavy traffic. Provision of safe passages and crossings for pedestrians where construction traffic interferes. ③ Adjustment of working hours to local traffic patterns, e.g. avoiding major transport activities during rush hours or times of livestock movement ③ Active traffic management by trained and visible staff at the site, if required for safe and convenient passage for the public. ③ Ensuring safe and continuous access to office facilities, shops and residences during renovation activities, if the buildings stay open for the public.

PART 3 ENVIRONMENTAL MANAGEMENT PLAN							
Phase	What (Is the parameter to be monitored?)	Where (Is the parameter to be monitored?)	How (Is the parameter to be monitored?)	When (Define the frequency / or continuous?)	Why (Is the parameter being monitored?)	Cost (if not included in project budget)	Who (Is responsible for monitoring?)
During activity preparation							
During activity implementation							
During activity supervision							

