

**INTEGRATED SAFEGUARDS DATASHEET  
APPRAISAL STAGE**

**I. Basic Information**

Date prepared/updated: 03/23/2009

Report No.: 47915

**1. Basic Project Data**

Country: Montenegro	Project ID: P107473	
Project Name: Montenegro Institutional Development and Agriculture Strengthening (MIDAS)		
Task Team Leader: William R. Sutton		
GEF Focal Area: L-Land degradation	Global Supplemental ID: P110602	
Estimated Appraisal Date: October 20, 2008	Estimated Board Date: April 21, 2009	
Managing Unit: ECSSD	Lending Instrument: Specific Investment Loan	
Sector: General agriculture, fishing and forestry sector (80%);Agricultural extension and research (20%)		
Theme: Rural policies and institutions (P)		
IBRD Amount (US\$m.):	15.70	
IDA Amount (US\$m.):	0.00	
GEF Amount (US\$m.):	4.00	
PCF Amount (US\$m.):	0.00	
Other financing amounts by source:		
<u>BORROWER/RECIPIENT</u>		4.22
		4.22
Environmental Category: B - Partial Assessment		
Simplified Processing	Simple <input type="checkbox"/>	Repeater <input type="checkbox"/>
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

**2. Project Objectives**

The Project Development Objective is to improve delivery of government assistance for sustainable agriculture and rural development in a manner consistent with the EU's pre-accession requirements. Key outcome indicators are: (i) MAFWM capacity to disburse and track the use of rural development funds and to evaluate their impact; (ii) EU IPARD compatible rural development measures fully integrated in MAFWM support programs; and (iii) a food safety system upgraded in an EU compliant manner.

The Global Environment Objective is to mainstream sustainable land use and natural resource management into MAFWM's policies, programs and investments. These efforts will be particularly critical for the north of Montenegro, where there are sensitive mountain ecosystems of global importance, and where poor rural residents are largely dependent on the natural resource base for their livelihoods. Key outcome indicators are: (i) agri-environmental measures integrated into MAFWM's rural development program;

and (ii) improved capacity of extension and advisory services to introduce agri-environment measures.

### **3. Project Description**

The project will have two main components, with a number of sub-components, plus a small third component to support project management.

Component 1: Strengthening MAFWM's rural development program

Sub-component 1.1. Increasing rural development funds for target measures and areas:

This sub-component would finance on a cost-sharing basis rural development sub-projects through the provision of grants to private farmers, processors, other rural enterprises, farmer organizations, and community groups to support targeted rural development measures that are compatible with the three priority Axes of the EU IPARD program. In particular, the project would support investments in agricultural holdings and the processing and marketing of agriculture and fishery products to strengthen the overall competitiveness of commercially-oriented producers and processors in Montenegro (EU IPARD priority Axis 1). In addition, the project would support the development of the rural economy in Montenegro by financing investments in income diversification activities in rural areas (EU IPARD priority Axis 3). Furthermore, GEF grant resources would be fully blended in the rural development grants program and be used to finance sub-projects, on a cost-sharing basis, through the provision of grants to support agri-environmental measures that are compatible with priority Axis 2, as well as the GEF Land Degradation window. These include: (i) on-farm investments to protect water resources, prevent soil erosion, and regenerate pasture; and (ii) community-based agri-environment initiatives. Private individual farmers and rural enterprises, as well as producer organizations, NGOs, tourist associations, and community groups, would be eligible to apply for GEF-financed grants under Sub-component 1.1 to support environmental investments.

Sub-component 1.2. Strengthening extension and advisory services:

This sub-component would strengthen the extension and advisory services' ability to: (i) provide potential beneficiaries of rural development grants with support and guidance on meeting cross-compliance requirements and EU standards, developing business plans, and preparing grant applications; and (ii) obtain information required for the further development of the existing Market Information System (MIS) involving collection and dissemination of price information, and development of a Farm Management and Record-Keeping Program. The project would finance technical assistance, training, study tours, Information Technology (IT) and office equipment for the staff of the 12 regional centers and headquarters, refurbishment of facilities, and logistical support for the extension and advisory services as well as workshops and training for potential grant beneficiaries. In addition, GEF grant resources would be used to strengthen the extension and advisory services' capacity in relation to agri-environment, to build the capacity of farmers in agri-environment, and to develop and implement a Code of Good Agricultural Practices

(CGAP) that will mainstream sustainability into agricultural practices. GEF resources would also finance technical assistance, training and study tours for extension and advisory officers as well as workshops and training for farmers and rural communities on the CGAP.

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

Sub-component 2.1: Administering EU compatible agriculture and rural development support programs:

This sub-component would support the establishment of an EU IPARD-compatible Rural Development Unit/Management Authority responsible for planning, programming, and organizing the rural development program within MAFWM, as well as evaluating the results. It would also support the establishment of a financially independent and EU IPARD-compatible agriculture and rural development payment system to manage the grant funds provided by the project and GEF as well as by national support programs. This system, consisting of the Rural Development Unit and the Proto-Paying Agency, would administer support for agriculture and rural development measures and gradually move towards EU IPARD compliance. Furthermore, this sub-component would support the development and implementation of MAFWM's broader Systematization Plan. The project activities would complement EU support under IPA 2008 for the establishment of an EU IPARD programming and implementation system. The project would finance renovation or construction of appropriate facilities; IT and office equipment; office refurbishment; logistical support; technical assistance and training; and workshops and other information activities to inform stakeholders about MAFWM's rural development programs. In addition, GEF grant resources would finance technical assistance and training in agri-environment for the Rural Development Unit.

Sub-component 2.2: Modernizing agriculture information management systems:

This sub-component would support the preparation and implementation of the main Agricultural Census and the publication of the results. This is necessary in order to accurately identify the number and size of agricultural households, farm types, assets and production levels, and is a fundamental requirement for the preparation of rural development policies and for designing effective rural development support programs. In addition, it would help build key elements of an Integrated Administrative and Control System (IACS) through: (i) the development of an integrated Farm Register on the basis of a unique farm code; and (ii) the preparation of associated cadastre maps for vineyards, and olive and/or fruit orchards. The existing Animal Identification and Registration System for bovines would be fully integrated into the Farm Register. The project would finance technical assistance, training, operational, and publication costs for the preparation and implementation of the main Agricultural Census; farm register software development; IT and office equipment; office refurbishment; workshops for local stakeholders; and logistical support.

### Sub-component 2.3: Creating a modern food safety system:

This sub-component would support a series of investments in food safety infrastructure in Montenegro. It would help upgrade National Reference Laboratories (NRLs) in the area of veterinary and seafood diagnostic testing in accordance with international standards. In addition, it would help upgrade the phytosanitary and veterinary Border Inspection Posts (BIPs) in the Port of Bar and establish a system for the safe disposal of animal by-products. The project would finance technical assistance for the preparation of feasibility studies and business plans; laboratory equipment; IT and office equipment; logistical support; and civil works. The project would also support a preliminary screening of private food processing establishments in Montenegro. Investments would generally aim to improve food processing facilities, infrastructure, equipment and procedures – particularly by introducing GHP/GMP pre-requisite programs and Hazard Analysis and Critical Control Point (HACCP)-based procedures.

### Component 3: Project Management, Administration and Monitoring:

This component would build capacity within MAFWM to manage the day-to-day implementation of the project as well as monitor and evaluate its impact. It would support the establishment of a minimal Project Management Team (PMT) under the direction of the Deputy Minister of MAFWM and comprising a Project Manager, a Monitoring & Evaluation (M&E) Specialist, and a part-time Environment Specialist.

#### **4. Project Location and salient physical characteristics relevant to the safeguard analysis**

The project would operate country-wide, but most of the beneficiaries would likely be in the mountainous north. 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.

#### **5. Environmental and Social Safeguards Specialists**

Mr Nikola Ille (ECSSD)

Mr Martin Henry Lenihan (ECSSD)

<b>6. Safeguard Policies Triggered</b>	<b>Yes</b>	<b>No</b>
<b>Environmental Assessment (OP/BP 4.01)</b>	<b>X</b>	
<b>Natural Habitats (OP/BP 4.04)</b>	<b>X</b>	
<b>Forests (OP/BP 4.36)</b>	<b>X</b>	
<b>Pest Management (OP 4.09)</b>	<b>X</b>	
<b>Physical Cultural Resources (OP/BP 4.11)</b>	<b>X</b>	
<b>Indigenous Peoples (OP/BP 4.10)</b>		<b>X</b>
<b>Involuntary Resettlement (OP/BP 4.12)</b>	<b>X</b>	
<b>Safety of Dams (OP/BP 4.37)</b>		<b>X</b>
<b>Projects on International Waterways (OP/BP 7.50)</b>	<b>X</b>	
<b>Projects in Disputed Areas (OP/BP 7.60)</b>		<b>X</b>

## **II. Key Safeguard Policy Issues and Their Management**

### ***A. Summary of Key Safeguard Issues***

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts: 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 eligible under the GEF Land Degradation window (Sub-component 1.1); (2) Civil works for the rehabilitation of the existing or construction of new facilities for a number of institutions (Sub-components 2.1. and 2.2.); (3) Disposal of animal by-products (Sub-component 2.3.); (4) Upgrading of facilities and infrastructure for food processing industries (Sub-component 1.1 and 2.1.); and (5) Provision of equipment to Veterinary Diagnostics and Marine Biology Institute Laboratories (Sub-component 2.3.).

The project is classified as Environmental Category B. In accordance with the Bank's Operational Policy 4.01 an Environmental Assessment (EA) Report has been prepared for the Project as part of the project preparation activities to identify potential direct and indirect environmental issues associated with the project. Several other environmental Operational Policies were also triggered based on issues identified in the EA, particularly relating to agricultural, rural development and income diversification activities to be financed under sub-component 1.1: OP 4.04 (Natural Habitats) and OP 4.36 (Forests) because of the potential for loss or degradation of natural forest and other natural habits, and OP 4.09 (Pest Management) because support for increasing agricultural production could lead to increased use of pesticides by some farmers. OP 4.11 (Physical Cultural Resources) was triggered because the Marine Biology Laboratory at Kotor (to be rehabilitated under sub-component 2.3) is a protected building.

Operational Policy OP 4.12 (Involuntary Resettlement) is triggered due to the possibility that land will be acquired for construction of a building for the Paying Agency (possibly shared with other MAFWM departments) under Component 2. Currently the necessity of constructing a building for the Paying Agency has not yet been confirmed. Thus, a Resettlement Policy framework (RPF) instead of a Resettlement Plan (RP) has been

prepared and disclosed since: a) it is not clear if land will be taken; and b) in case there will be any land acquisition, the size and the location are not known at this point nor those who will be affected. This framework describes the legal basis for resettlement, the principles to be applied, land acquisition plans and procedures, implementation, monitoring and evaluation, valuation of land and non-land assets, as well as an entitlement matrix and eligibility of effected persons. For Sub-Component 1.1, an RPF will not be required. Instead, a screening process will be put in place to ensure that only sub-projects that do not trigger application of OP 4.12 are eligible for funding.

Most of Montenegro lies within either the Tara River Basin (Danube catchment) or the catchment for the Adriatic Sea, both of which are international water bodies. OP 7.50 is therefore triggered. However, an exemption from notification based on Para 7(a) of the policy was approved by the ECA VP on 9/24/2008, based on the assessment that water requirements for water-related infrastructure to be rehabilitated under the project will not adversely affect the quantity or quality of water flow to other riparians, and will not be adversely affected by the other riparians' possible water use. In addition, the Loan and Grant Agreements specify that "the Borrower shall ensure that no Loan proceeds are used to finance: (a) any new irrigation systems or extension of existing irrigation systems; or (b) any agri-processing or other activities which could result in increased contamination of international water bodies."

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

There are no known potential negative indirect or long-term impacts due to anticipated future activities in the project area.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The project Loan and Grant Agreements specify that the Borrower shall ensure that no Loan/Grant proceeds are used to finance the purchase of pesticides. At the same time, the TA/training aspects of the project include education/promotion on integrated pest management, and matching grants could be considered for supporting adoption of integrated pest management approaches.

For Component 1.1, a screening process will be put in place to ensure that only sub-projects that do not trigger application of OP 4.12 (Involuntary Resettlement) are eligible for funding. Eligibility criteria for the selection, approval and implementation of sub-projects include the following condition, namely that no sub-project shall be approved for implementation on land that is formally or informally occupied or used by third parties, where implementation of the sub-project would result in their displacement (as defined in the World Bank's Operational Policy 4.12). Screening will also be used to ensure that subprojects which would support economic activities within protected areas or zones are consistent with the relevant PA management plans and regulations and are consistent with the areas' conservation and management objectives. Any enterprises involving exploitation of non-domestic flora or fauna will have to demonstrate that the materials will be obtained from a sustainably managed source. The screening is reflected in the

client's OM, and will be reflected in the Grants Operational Manual to be prepared during implementation as well.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described. Because specific investments and investment sites are not yet known due to the demand-driven nature of the project (investments will be based on successful applications submitted by beneficiaries for IPARD-compatible measures), an Environmental Assessment (EA) and a Resettlement Policy Framework (RPF) have been prepared. The EA presents an overview of the Montenegrin agricultural sector; project description; overview of the national policy, legal and administrative framework in agriculture, environment and physical planning, construction and natural resources; national EIA and other permitting procedures relevant to activities that will be financed by the project; the Bank's environmental procedures and other safeguard policies; assessment of possible project components, main impacts and likely significance of such impacts. The Report lists potential negative environmental impacts for each type of project activity and provides a list of recommended mitigation measures in the form of an EMP. A separate EMP was prepared for the Marine Biology Institute, Kotor, which will be upgraded with funds allocated to Sub-component 2.3.

The RPF describes the legal basis for resettlement, the principles to be applied, land acquisition plans and procedures, implementation, monitoring and evaluation, valuation of land and non-land assets, as well as an entitlement matrix and eligibility of affected persons.

The environmental and social mitigation and monitoring measures have been incorporated in the client's OM. In relation to Sub-component 1.1, they will also be incorporated into the Grants Operational Manual to be prepared during implementation. Given the unfamiliarity of the implementing agency with World Bank safeguards procedures, the EA puts particular emphasis on specifying the institutional mechanisms, responsibilities, existing capacities and capacity-building measures for environmental screening and for preparation, evaluation/approval and monitoring of sub-project/investment-specific EAs and EMPs. According to the RPF, specific resettlement (land acquisition) plans for relevant activities will be prepared by the client if required and submitted to the Bank for prior approval.

With respect to Sub-components 2.1. and 2.2., adverse environmental impacts are related to execution of civil works for refurbishment or construction of offices at locations that are currently not specified. The locations are 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 these Sub-components will be subject to screening for environmental impacts by the competent national environmental entity and the EIA procedure will be applied if needed/required. In case an EIA is not necessary, an EMP will be prepared for each construction phase (design, construction and operation) once the locations for civil works are specified and before design work begins. The EMPs will be prepared in line with the Bank's

environmental assessment requirements under OP 4.01, and will be subject to the Bank's approval prior to beginning any construction activity. An example of the possible format and type of information to be taken into account in EMP development is provided in the EA report. All bidding documents and contracts will include measures to minimize or mitigate environmental impacts. Good engineering practices will be applied.

With respect to Sub-component 2.3., disposal of animal by-products may cause significant adverse environmental impacts. Activities to support this particular intervention within sub-component 2.3. (d) will include the preparation of a separate EIA, which will identify and assess negative environmental impacts of an optimal solution that will be determined through the separate feasibility study, and propose mitigation measures. The EIA will be prepared in line with the national EIA and the Bank's environmental assessment requirements (OP 4.01), and will be subject to both national and Bank approval prior to the beginning of any construction activity. Implementation of the prescribed mitigation measures will be a precondition for acquisition of an operational permit.

Support for upgrading of food processing facilities and infrastructure under Sub-component 1.1. and 2.1 to bring them in line with EU standards is 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 scaling up of capacities, negative environmental impacts such as increased emissions could occur. Some of the facilities in question may be on a national list of facilities for which any change or expansion in the existing capacities requires a separate EIA. EIA procedures as regulated under the national legislation will be applied to all investments that will be supported under Sub-component 1.1. In case the investment will not require a separate EIA, environmental screening will be carried out in line with World Bank OP 4.01 and appropriate assessment instruments applied.

The provision of equipment to Veterinary Diagnostics and Marine Biology Institute Laboratories under Sub-component 2.3., including equipment for microbiology, biochemistry and virology, and equipment for safe disposal by incineration of potentially infective or hazardous materials and samples, may result in indirect negative environmental impact through the 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 eventual certification of laboratories under ISO standards. Mitigation measures for this type of activity are presented in the EMP, which forms part of the EA Report. There is a separate, site-specific EMP that has been prepared for activities that will be executed using project funds at the Marine Biology Institute in Kotor. The future work of laboratories needs to be monitored regularly.

Project funds will be used to hire a part-time Environment Specialist in the Project Management Team specifically to ensure the monitoring and reporting of safeguards compliance of project activities.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. The draft EA, TOR for the EMP for the Marine Biology Institute in Kotor, and RPF were disclosed on the MAFWM website on June 17, 2008, prior to Appraisal. Civil society, including NGOs operating in Montenegro, particularly in the mountain areas, were invited to a consultation workshop that was organized by MAFWM on June 20, 2008 to discuss the safeguard policy issues and measures taken to address them. No objections to the project were raised by the participants. After receiving clearance from the client, the draft EA and RPF were disclosed at the Bank InfoShop on 07/30/2008. Following the incorporation of comments received after public discussion, the final EA Report was submitted to the Bank in October 2008 and disclosed in accordance with its policies, and the final RPF was submitted to the Bank in November 2008 and disclosed in accordance with its policies.

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***B. Disclosure Requirements Date***

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**Environmental Assessment/Audit/Management Plan/Other:**

Was the document disclosed <b>prior to appraisal?</b>	Yes
Date of receipt by the Bank	06/16/2008
Date of "in-country" disclosure	06/17/2008
Date of submission to InfoShop	07/30/2008
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	

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**Resettlement Action Plan/Framework/Policy Process:**

Was the document disclosed <b>prior to appraisal?</b>	Yes
Date of receipt by the Bank	06/16/2008
Date of "in-country" disclosure	06/17/2008
Date of submission to InfoShop	07/30/2008

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**Indigenous Peoples Plan/Planning Framework:**

Was the document disclosed <b>prior to appraisal?</b>	
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	

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**Pest Management Plan:**

Was the document disclosed <b>prior to appraisal?</b>	N/A	
Date of receipt by the Bank		N/A
Date of "in-country" disclosure		N/A
Date of submission to InfoShop		N/A

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**\* If the project triggers the Pest Management and/or Physical Cultural Resources, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.**

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**If in-country disclosure of any of the above documents is not expected, please explain why:**

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*C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)*

<b>OP/BP/GP 4.01 - Environment Assessment</b>	
Does the project require a stand-alone EA (including EMP) report?	Yes
If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report?	Yes
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes
<b>OP/BP 4.04 - Natural Habitats</b>	
Would the project result in any significant conversion or degradation of critical natural habitats?	No
If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?	N/A
<b>OP 4.09 - Pest Management</b>	
Does the EA adequately address the pest management issues?	Yes
Is a separate PMP required?	No
If yes, has the PMP been reviewed and approved by a safeguards specialist or SM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?	N/A
<b>OP/BP 4.11 - Physical Cultural Resources</b>	
Does the EA include adequate measures related to cultural property?	Yes
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	Yes
<b>OP/BP 4.12 - Involuntary Resettlement</b>	
Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes
If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan?	Yes
<b>OP/BP 4.36 - Forests</b>	
Has the sector-wide analysis of policy and institutional issues and constraints been carried out?	N/A
Does the project design include satisfactory measures to overcome these constraints?	N/A
Does the project finance commercial harvesting, and if so, does it include provisions for certification system?	No
<b>OP 7.50 - Projects on International Waterways</b>	
Have the other riparians been notified of the project?	No
If the project falls under one of the exceptions to the notification requirement, has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?	Yes
Has the RVP approved such an exception?	Yes
<b>The World Bank Policy on Disclosure of Information</b>	
Have relevant safeguard policies documents been sent to the World Bank's	Yes

Infoshop?

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs? Yes

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**All Safeguard Policies**

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? Yes

Have costs related to safeguard policy measures been included in the project cost? Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents? Yes

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***D. Approvals***

<b><i>Signed and submitted by:</i></b>	<b><i>Name</i></b>	<b><i>Date</i></b>
Task Team Leader:	Mr William R. Sutton	02/24/2009
Environmental Specialist:	Mr Nikola Ille	02/24/2009
Social Development Specialist Additional Environmental and/or Social Development Specialist(s):	Mr Martin Henry Lenihan	02/24/2009
<b><i>Approved by:</i></b>		
Regional Safeguards Coordinator: Comments:	Ms Agnes I. Kiss	02/25/2009
Sector Manager: Comments:	Ms Dina Umali-Deininger	02/25/2009