



**Adaptation to Climate Change and Resilience in the Montenegrin Mountain Areas (Gora Project)**

**Inception Report**

25 September 2024

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## List of Acronyms

AF	Adaptation Fund
AWPB	Annual Work Plan and Budget
EE	Executing Entity
ESMP	Environmental and Social Management Plan
FA	Financing Agreement
IFAD	International Fund for Agricultural Development
IW	Inception Workshop
KM	Knowledge Management
MAFWM	Ministry of Agriculture, Forestry and Water Management
MERT	Ministry of Tourism, Ecology, Sustainable Development and Northern Region Development
M&E	Monitoring and Evaluation
PIM	Project Implementation Manual
PPR	Project Performance Report

## **I. Introduction**

1. The Government of Montenegro, with the support of the International Fund for Agricultural Development (IFAD) as Implementing Entity, submitted the USD 10,000,000 Adaptation to Climate Change and Resilience in the Montenegrin Mountain Areas project (Gora) to the 40th Adaptation Fund (AF) Board meeting. The project was approved on 5 July 2023 and the financing agreement between IFAD and the AF was signed on 7 September 2023. As per the agreement, the Executing Entity will be the Ministry of Agriculture, Forestry and Water Management (MoAFWM). The Financing Agreement between IFAD and the MoAFWM was signed on 12 March 2024.
2. An Inception Workshop (IW) was held on 3 September 2024, officially launching the project. It was attended virtually by key project stakeholders including government, municipalities and key project staff (see list of attendees in annex 2). The event featured presentations on key subjects related to project start-up delivered by IFAD experts, including on AF procedures and requirements, Social and Environmental Safeguards requirements, targeting, gender and social inclusion, financial management, procurement, IFAD anti-corruption guidelines and the project's first annual workplan and budget (AWPB).
3. The IW was followed by targeted support and working sessions through the month of September, focusing on the finalization of the AWPB and Procurement Plan (PP), and on training in the area of Financial Management (FM). Two startup support missions are also planned in October 2024, the first (14-18 October) focusing on the finalization of the Project Implementation Manuals (PIMs) and operational readiness, and the second (21-25 October) focused on procurement capacity.

## **II. Project Overview**

4. Montenegro is a small (approximately 13,820 km<sup>2</sup>) country of the Western Balkan populated by 620,000 inhabitants. After regaining its independence in 2006, the country swiftly ratified the Kyoto Protocol and became a member of the United Nations Framework Convention on Climate Change (UNFCCC) as a non-Annex 1 Party. It has also progressively aligned with regulations from the European Union (EU) while engaging in negotiations to integrate in the Union. Montenegro relies on a dual economy with a thriving model in coastal and central parts, benefiting from a robust growth in services, tourism, construction and light manufacturing sectors. On the opposite, the northern mountainous area is increasingly disconnected from growth drivers, and suffers from reduced investments, limited competitiveness, emigration and isolation. Its geophysical features also create a contrast between Southern coastal region, Central lowlands and Northern mountainous areas. Municipalities in the higher altitude zone are more sparsely populated and face specific adaptation challenges, which the project aims to address.
5. As part of the Dinaric Arc, northern mountainous areas of Montenegro too are particularly vulnerable to climate change: while the impact of climate change is accentuated at high altitude, such regions are often on the edge of decision-making, partly due to their isolation, inaccessibility, and relative poverty. In the absence of adequate adaptation measures, key risks arising from these hazards include economic and livelihood losses, increase mortality and morbidity, decreased public safety, impaired ecosystem functioning and the loss of species, and decrease energy security through water scarcity.
6. The Gora project was designed to address these challenges. The project aims to enhance ecosystem and smallholder livelihood resilience to climate change in northern Montenegro through the adoption of environmentally sustainable and climate resilient technologies and practices. It has a total cost of USD 10 million (including project execution costs and implementing entity fees) and is structured around three components:
  - i. Component 1. Sustainable Mountain Livelihoods (USD 3.3 million)

- ii. Component 2. Integrated Landscape Management (USD 4.6 million)
- iii. Component 3. Mainstreaming mountain adaptation strategies (USD 0.4 million)

### III. Project Implementation arrangements

7. The Ministry of Finance (MoF) will represent the grant recipient (GoM), while the Gora project will be anchored to the Directorate for Rural Development Department of Ministry of Agriculture, Forestry and Water Management (Executing Entity). This Directorate has the responsibility for strategies and programmes in the area of rural development. In collaboration with other MoAFWM departments and with the assistance of other ministries and institutions, it also develops and prepares the Instrument for Pre-accession Assistance for Rural Development Programme (IPARD).<sup>1</sup> Anchoring Gora to this directorate will allow a better coordination of development assistance, including when it comes to complementing IPARD.
8. The overall responsibility for Gora's oversight, political guidance and implementation will rest with a specific Project Steering Committee (PSC), established and chaired by MoAFWM. The PSC will also include representatives from all Gora's partners and stakeholders (i.e. MoF, MoESPU, Union of Municipalities, Ministry of Economy, etc.). The PSC membership may be amended depending on project requirements, subject to prior approval of IFAD. Logistical support and secretarial services for the PSC will be provided by the PCU.
9. Day-to-day management and implementation of the project will rest with the Project Coordination Unit (PCU). The core of the PCU will be fully embedded and located in MoAFWM (in Podgorica), while the two regional coordinators and territorial specialists will be based in six of the fourteen targeted Municipalities (see below). The PCU will be vested with financial and technical autonomy. Its staffing will encompass:
  - i. In Podgorica:
    - i. Recruited staff: (i) a Project Coordinator, with expertise in managing projects in Mountainous areas; and (ii) a Gender and Youth Specialist.
    - ii. Seconded staff from the Ministry of Ecology, Spatial Planning and Urbanism: (i) an Environment and Climate Specialist; and (ii) a Rural Infrastructure Engineer.
    - iii. Seconded staff from the MoAFWM: (i) a Monitoring and Evaluation Officer; (ii) a Finance Officer; (iii) a Procurement Officer; (iv) an Administrative Assistant.
  - ii. Recruited staff in the Municipalities (6 offices): Two teams composed each of one regional coordinator and two territorial specialists (responding to the project coordinator at central level).
10. Additionally, the PCU will be supported by 28 extensionists (2 in each municipality) and will also benefit from backstopping from the archive services of the MoAFWM.
11. A partnership will be established with Municipal or Government extension services present in all targeted municipalities. Up to two extensionists (one woman and one man, preferably) will be mobilized by the project in each Municipality and will receive trainings on agroecology, business development, climate adaptation in mountainous areas, etc. They will act as key facilitators and service providers for the project's beneficiaries, and all producers in the targeted areas. Their involvement of the project will also be a guarantee of sustainability of the investments. They will receive monthly compensations for the additional work performed in support of Gora implementation.
12. Quarterly Progress Reports will be prepared by all project implementing partners (including extension services), service providers and submitted to the PCU who will

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<sup>1</sup> IPARD is an EU-funded programme that aims to develop rural areas and agri-food sectors of EU candidate countries and simultaneously promoting a gradual alignment with EU's common agricultural policy rules.

consolidate them to ensure a continuous monitoring of project activities and identify challenges to adopt necessary corrective measures in due time.

#### **IV. IW Objectives and Overview**

13. The Gora IW of 3 September 2024 officially launched the project and marked the starting point of its implementation. The objective of the workshop was to reach a clear and common understanding of the project cycle, objectives & goals; to clarify the roles and responsibilities of the entities involved in implementation, and to clarify the legal and financial conditions in the financing agreement, and the associated procedures and responsibilities. The workshop was also used as an opportunity to describe and discuss the Adaptation Fund's and IFAD's policies and procedures, as well as the related fiduciary and reporting requirements.
14. The workshop was officially opened by HE Vladimir Joković, Minister of Agriculture, Forestry and Water Management and by Philippe Rémy, IFAD Country Director for Montenegro. It was attended by key project staff (Project Coordinator, Regional Coordinators, Finance Officer, Procurement Officer, M&E Officer and Gender and Youth Specialist) as well as representatives of government and municipalities. The IW was structured into eight presentations, each followed by question and answers to enable participants to raise key issues of concern, identify challenges, discuss practical solutions and agree on priority actions to progress the project.
15. The workshop was followed by dedicated support and working sessions to assist the PCU in developing the project's Annual Work Plan and Budget (AWPB) and Procurement Plan (PP), as well as two virtual training sessions on FM procedures held on 19 and 26 September 2024. Two missions to Montenegro are also foreseen in October 2024: the first is scheduled between 14 and 18 October and will focus on the finalization of the PIM as well as on training the project on AF requirements, social and environmental safeguards, M&E and targeting/social inclusion; the second will take place between 21 and 25 October to strengthen the PCU's capacity in procurement.

#### **V. IW Presentations**

16. After opening remarks highlighting the Ministry's and IFAD's commitment to the successful implementation of the project, and an initial presentation of the project's overall approach, the workshop turned to project-specific presentations designed to provide start-up and implementation support in several key areas, as follows.
17. **Adaptation Fund Reporting Requirement and Procedures.** The presentation introduced the AF's operational procedures and reporting requirements. It included an introduction to the AF, a summary of its Environmental and Social Principles (ESP) and detailed overviews of Unidentified Sub-Projects (USPs), Annual Project Performance Report (PPR) and Material Change.
18. **Environmental, Social and Climate Risk Management.** The presentation addressed IFAD SECAP and Adaptation Fund ESP. The first part of the presentation covered applicable requirements to the project, E&S management procedures during the project cycle, and Environmental and Social Management Plan (ESMP) guidelines. The second part of the presentation looked at targeting, gender and social inclusion, as well as the Grievance Redress Mechanism (GRM)
19. **Budget and Financial Management Guidelines.** The presentation provided an overview of the Financing Agreement (FA) and Financial Management and Financial Control Arrangements Letter (FMFCL) and related obligations, and guidelines on eligible expenditures, planning and budgeting, disbursement, IIFRs, Financial Reporting, Internal Controls and Audits.
20. **Procurement Guidelines.** The presentation provided an overview of IFAD's procurement Framework and the related Procurement Principles, Prohibited Practices, IFAD Policies

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on Preventing Fraud and Corruption and on Sexual Harassment (SH) and Sexual Exploitation and Abuse (SEA), and provided detailed guidelines on the entire procurement cycle, from planning to bidding, negotiations, appeals, award, implementation and evaluation.

21. **Anti-corruption in IFAD Financed Activities.** The presentation provided an overview of the IFAD Office of Audit & Oversight's structure and mandate and of the Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations (2018). It delivered a detailed explanation of prohibited practices, of IFAD's measures to fight and prevent fraud and corruption, and of recipients' and IFAD's responsibilities.
22. **Gora's first AWPB for 2024-2025.** The event was closed by a presentation on the first AWPB for 2024 and 2025 (16 months) delivered by the Project Coordinator, which provided an opportunity to discuss the project implementation priorities and sequencing of activities for the upcoming period.

## **VI. IW Summary and Recommendations**

23. Key recommendations provided to the PCU to ensure a prompt project start-up include:
  - Read through and familiarize with all the main project documents: Design Report, Project Implementation Manual (PIM), Project Budget (COSTAB), Financing Agreement (FA), Financial Control Arrangements Letter (FMFCL).
  - Finalise and seek IFAD non-objection on the first AWPB and Procurement Plan (PP) as per IFAD requirements as soon as possible.
  - Finalise the Project Implementation Manual (PIM), including Volume 1 (Operational), Volume 2 (Financial) and Volume 3 (Procurement).
  - Submit to IFAD the list of IFAD Client Portal (ICP) users as per annex 2 of the FMFCL, submit to IFAD the information related to the designated account as per annex 3 of the FMFCL and set-up the project accounting software in line with IFAD requirements.
  - Review the SECAP-related documents and annexes produced for the project proposal (ESMP, SEP, GRM, GAP), finalize the ESMP Matrix and set up the project-level Grievance Redress Mechanism (GRM).
  - Ensure systematic screening of sub-projects for ESC risks from the start, following the guidance provided in the ESMP, and prepare sub-project specific ESMPs when required.
  - Update and adapt the Gender Action Plan and Strategy, organize information campaigns, outreach events and trainings on social inclusion, identify the most suitable approaches to benefit-empower-transform (e.g. Gender Action Learning System and support to women's entrepreneurship).
  - Develop a robust M&E system that reflects project activities.
  - Initiate the engagement of implementation partners at national and municipal levels.

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Commented [LC6R5]: Done

## **VII. Progress to date**

24. Key progress to date include:
  - Organization of inception workshop and official project launch (3 September 2024);
  - Development of a draft Project Implementation Manual (PIM), including Volume 1 (Operational), Volume 2 (Financial) and Volume 3 (M&E) – to be finalized during the October startup mission (14-18 October 2024);

- Selection of key project staff, including Project Coordinator, two Regional Coordinators, Finance Officer, Procurement Officer, M&E Officer and Gender and Youth Specialist;
- Inclusion of counterpart funds in the 2024 Agrobudget for a total amount of EUR 40,000;
- Opening of a project bank account;
- Development of and obtention of IFAD non-objection on the first draft AWPB and PP for 2024-2025 (see attachments);
- Delivery of two training sessions on FM procedures (19 and 26 September 2024) covering Interim Financial Reports (IFRs) and the IFAD Client Portal (ICP).



## **Annex 1: Inception Workshop Agenda**



### **Montenegro – Gora Project Inception Workshop Agenda Virtual, 03 September 2024**

<b>Date/time</b>	<b>Programme</b>	<b>Presenters</b>	<b>Notes</b>
8:30-8:45	Opening Remarks – GoM and IFAD	Vladimir Joković, Minister of Agriculture, Forestry and Water Management, MAFWM  Philippe Rémy, Country Director, IFAD	
8:45-9:15	Overview of project approach and activities (including Q&A)	Leonardo Cini, Programme Analyst, IFAD	
9:15-9:45	Briefing on Adaptation Fund Reporting Requirement and Procedures (including Q&A)	Wietse Michiels, Adaptation Fund Specialist, IFAD	Introduction of the AF, operational procedures, and reporting requirements
9:45-10:15	Environment, Climate and Adaptation Fund ESF and USPs (including Q&A)	Alessia Marazzi, Environment and Climate Finance Specialist, IFAD	Review of guidelines and discussion on compliance with IFAD and AF policies
10:15-10:45	Targeting, Social Inclusion and Gender Mainstreaming (including Q&A)	Valentina Franchi, Gender and Social Inclusion Specialist, IFAD	Overview of project targeting and start-up of social inclusion and gender-related activities

10:45-11:15	Budget and financial management guidelines (including Q&A)	Federico Rossetti, Regional Financial Management Officer, IFAD	Guidelines on financial management, budgeting processes, disbursement, financial reporting requirements
11:15-11:45	Procurement guidelines (including Q&A)	Nazih Azaiez, Senior Regional Procurement Officer, IFAD	Review of procurement processes, compliance with IFAD (and AF) rules, and procurement planning
11:45-12:15	Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations (including Q&A)	Priscilla Mariano, Investigation Officer, IFAD	Presentation of IFAD Anti-Corruption guidelines
12:15-12:45	Project workplan over the lifetime of the project, with focused discussion on year one	Anita Martić, Gora Project Coordinator (TBC)	
12:45-13:00	Wrap up and closing remarks of the inception workshop	Igor Nišavić, Secretary, MAFWM  Philippe Rémy, Country Director, IFAD	

**Annex 2: List of Participants to the Inception Workshop**

NAME	TITLE	INSTITUTION	EMAIL
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