



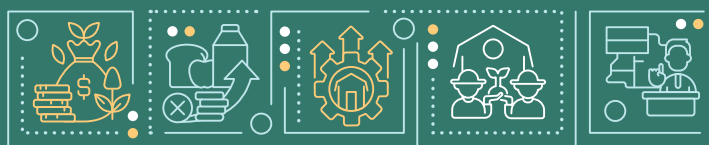
POLICY BRIEF -



AGRICULTURAL POLICY DEVELOPMENTS TOWARDS EU INTEGRATION



MONTENEGRO



1. INTRODUCTION

Agriculture in Montenegro is no longer a significant branch of the economy, as it accounts for only 3.5% of the total GDP, but it is the foundation of rural livelihoods, food security, and the management of diverse landscapes and genetic resources. The sector is predominantly organized around family farms and diversified small-scale production systems, spanning the coastal, central, and northern regions. In addition to its economic contribution, agriculture supports social cohesion in rural areas, maintains traditional products and practices, and provides important public goods such as landscape management and biodiversity.

This document reviews Montenegro's path towards EU accession in the field of agriculture and rural development, assesses the extent to which national policies are aligned with the EU Common Agricultural Policy (CAP), and identifies specific areas for improvement. The analysis draws on official documents from the Ministry of Agriculture, Forestry and Water Management, the 2024 Agricultural Census (for structural characteristics of farms, land use, and labour force), and the Government's Final Report on Chapter 11 – Agriculture and Rural Development (for alignment with the acquis, institutional set-up, and progress in implementation) and international institutions.

The scope of this summary is fourfold: to summarize key agricultural policy trends and recent developments; to assess the state of compliance with the CAP in terms of direct payments, market organization, quality programmes, and rural development; to highlight the main challenges and capacity gaps that could slow down accession-related reforms; and to propose actionable and time-bound recommendations that advance the green, competitive, and socially inclusive transition of the sector. Detailed statistical findings from the 2024 Census of Agriculture are presented in the following section to provide evidence-based policy discussions and to keep the introduction concise and forward-looking.

The trajectory of agricultural policy development in Montenegro reflects the structural reality of a predominantly family based, extensive pastoral system and the accelerating imperatives of EU accession: the 2024 Agricultural Census confirms 26,711 agricultural holdings exploiting approximately 248,279.6 hectares of Utilized Agricultural Area, with meadows and pastures accounting for the overwhelming majority of UAA (approximately 92%); the census also records 54,753 persons working on agricultural holdings, equivalent to 37,964.1 annual work units (AWU), and an average farm-holder age of 59 years—figures that together underline a sector characterized by demographic vulnerability, small average farm size, plot fragmentation, limited mechanization, and underdeveloped irrigation (MONSTAT, 2025).

2. AGRICULTURAL POLICY TRENDS

National policy has been progressively reoriented to reflect CAP-like architecture: the Agrobudget substantially increased the envelope and programming scope—strengthening both direct income support and a growing set of rural development measures—thereby institutionalizing a two-pillar logic broadly consistent with CAP objectives (Ministry of Agriculture, Forestry and Water Management, 2025).

Policy brief prepared by: Mirsad Spahić, Ministry of Agriculture, Forestry and Water Management, mirsad.spahic@mpsv.gov.me

This reorientation has been reinforced by sustained international assistance: the MIDAS programme (World Bank/ IEG review) played a decisive role in creating core institutional building blocks (LPIS, Farm register improvements, advisory strengthening, and first IPARD-like pilots) that are preconditions for IPARD accreditation and eventual CAP-style implementation (World Bank, 2022). Montenegro's IPARD experience has been strong, with near-full utilization of IPARD II resources and the operationalization of IPARD III instruments designed to support farm investment, processing, rural infrastructure, and community-led LEADER-type actions—measures that, if fully accredited and scaled, will materially raise compliance with EU veterinary, phytosanitary, and food-safety standards (IPARD III Programme; Ministry/IPARD reporting).

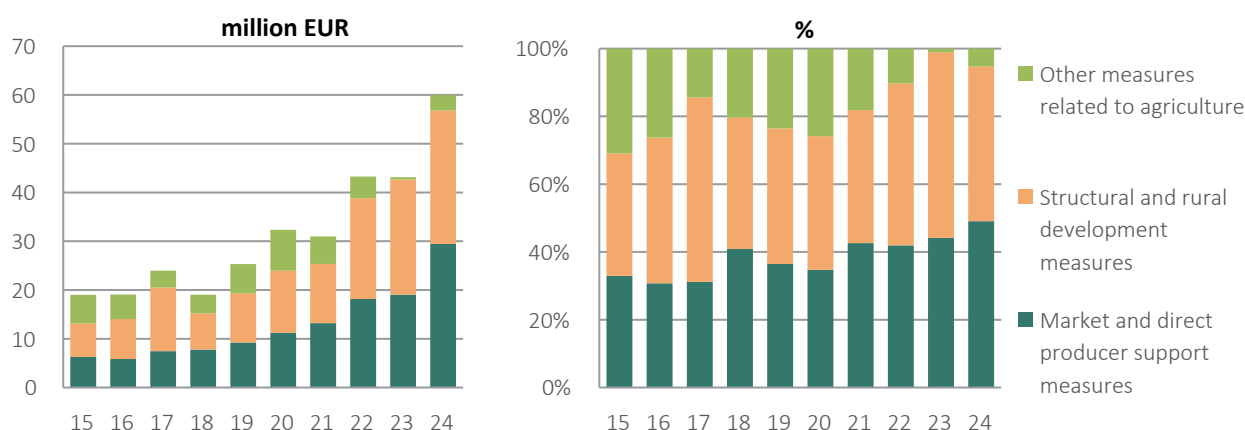
Complementary actions by the FAO and other partners have helped establish farm-level accounting (FADN/ FSDN) and strengthen monitoring capacities, thereby improving the evidence base for targeted support (FAO, 2022). Parallel rural-environment instruments, such as GORA (IFAD/Adaptation Fund), further integrate climate adaptation, agro-ecological practices, and mountain-area livelihoods into the policy mix, addressing water storage, pasture management, biodiversity, and value-chain diversification in northern Montenegro (IFAD/Adaptation Fund, 2022–2024).

Notwithstanding these gains, constraints persist: Good Agricultural and Environmental Conditions (GAEC) and Statutory Management Requirements (SMR) implementation across a highly fragmented holding structure requires a sharp scale-up of extension and advisory services, targeted training, and a fully operational Paying Agency and IACS to administer direct payments and conditional eco-schemes in line with CAP modalities; inspection, certification, and laboratory capacity remain under pressure and will require sustained staffing and financing to secure

full conformity with EU food-quality regimes (European Commission, 2024; World Bank, 2022).

Market organization is weak in the region. Producer organizations and farmer bargaining power are limited; therefore, enabling measures (capacity building for POs, aggregation facilities, public procurement linkages, and investment in cold-chain and rural roads) are essential to integrate Montenegro's wine, dairy, meat, fruits and vegetables, olive oil, and honey sectors into EU value chains. Taken together, Montenegro has assembled a coherent policy mix (Agrobudget, IPARD, MIDAS, GORA, and technical assistance) that supports modernization and gradual *acquis* alignment; the immediate task is to consolidate institutional gains, operationalize the Paying Agency/IACS, and shift budgetary emphasis toward eco-schemes, targeted rural infrastructure, and support for producer aggregation so that accession will deliver a more sustainable, competitive, and climate-resilient agricultural sector (MONSTAT, 2025; Ministry of Agriculture, 2025; European Commission, 2024). Complementing national funding, Montenegro has mobilized EU pre-accession instruments: IPARD-related programming has been actively implemented (with a strong pipeline of IPARD III measures and contracting activity to finance farm modernization, processing, and rural infrastructure), improving access to concessional co-finance and credit lines for SMEs and producer groups (European External Action Service, 2025; Montenegro reporting on IPARD uptake). On the fiscal side, the Government substantially increased the national agricultural envelope and restructured the Agrobudget to preserve core direct payments (livestock subsidies, crop-specific top-ups) while progressively expanding rural development lines for investment, advisory services, and youth measures (Ministry of Agriculture, Forestry and Water Management, 2025).

Graph 1. *Support to agriculture by source of financing in Montenegro, 2015-2014*



Source: APMC

Legislative and tax incentives have been used to stimulate private investment in agriculture. In late 2024–2025, Montenegro amended its tax code to introduce specific incentives allowing legal entities that reinvest profits into agricultural projects or invest realized profits into other agricultural businesses to receive corporate tax relief (a credit/exemption mechanism subject to application and ceilings — reported up to €300,000 over a three-year period) and broaden categories of deductible expenditures supportive of social, environmental, and innovation goals (tax amendments summarized in professional advisories; effective 2025) (KPMG, 2024; Bloomberg Tax, 2024).

3. EU INTEGRATION AND AGRICULTURAL POLICY ALIGNMENT

The process of aligning Montenegro’s agricultural sector with the *acquis* under Chapter 11 – Agriculture and Rural Development has advanced significantly, yet it remains incomplete and uneven across policy areas. Since the chapter was opened in 2016, notable progress has been made in establishing the institutional and legislative foundations required for the CAP’s gradual adoption. The adoption of the Law on the Implementation of Agricultural Policy, Rural Development, and Fisheries in 2025 and amendments to the Law on Agriculture and Rural Development provide a more comprehensive framework for policy delivery. Similarly, the establishment of the Farm Register and LPIS represent important milestones toward the creation of the Integrated Administration and Control System (IACS), which is central to managing direct payments in line with CAP rules (European Commission, 2024).

Montenegro has also invested in the establishment of the Agency for Payments, which is expected to become fully operational by 2026, thereby ensuring the institutional capacity to administer CAP-style direct payments and rural development measures (Audit Authority of Montenegro, 2024). Progress in data collection through the FADN/FSDN and the accreditation of IPARD III measures further illustrates institutional maturation (Spalević et al., 2024). Additional achievements have been recorded in quality policy, where the implementation of geographical indications, protected designations of origin, and protected geographical indications, as well as the accreditation of Monteorganica for organic certification, demonstrate concrete steps towards convergence with EU standards (FAO, 2025).

However, challenges remain substantial. GAEC and SMR across a highly fragmented farming structure require sustained investment in advisory services, farmer training,

and monitoring mechanisms (World Bank, 2023). Institutional capacity remains constrained by limited staffing and financial resources, particularly in agencies responsible for inspection, certification, and control (European Commission 2024). Market organization continues to lag as producer organizations remain weak and supply chains are fragmented, limiting bargaining power and integration into EU value chains (IFAD, 2025). Environmental sustainability is another pressing challenge, with climate resilience, biodiversity protection, and scaling up organic farming requiring deeper policy commitment and targeted funding (UNFCCC, 2023). Demographic pressures—especially outmigration and the aging of the rural population—further complicate the sector’s capacity to absorb and implement EU-compliant reforms (Government of Montenegro, 2024).

4. POLICY RECOMMENDATIONS

Montenegro must advance its agricultural policy framework through decisive alignment with the European Union’s CAP, integrate sustainability and resilience into the green transition, strengthen institutional capacity, improve rural development, and enhance market integration. Achieving this requires the coordinated use of national resources, such as the Agro-budget, IPARD III program, and donor-supported initiatives such as MIDAS, alongside strategic reforms and institutional modernization.

Montenegro’s green transition demands that agricultural policy explicitly address the environmental targets of both the CAP and the European Green Deal. This requires two integrated instruments: short-term eco-schemes to incentivize farmers to adopt practices such as crop rotation, reduced fertilizer use, and biodiversity conservation, and medium-term investments in sustainable infrastructure such as water-efficient irrigation and manure management systems (FAO, 2025).

Capacity building is the greatest constraint to effective EU alignment. The institutional framework must be reinforced through the professionalization of the IPARD Agency, development of robust payment and control systems, and enhanced auditing procedures to meet the DG AGRI requirements (Audit Authority of Montenegro, 2024). In addition, a modernized extension system is essential. A National Extension and Advisory Modernisation Programme should be established, combining regionally deployed advisory services, a digital compliance platform, and certification schemes for advisors and control officers (World Bank 2023). Twinning projects and TAIEX support should be systematically used to transfer expertise from EU member states with similar agricultural profiles to Ukraine.

Rural development policies should be redesigned to drive competitiveness and demographic renewal. Targeted measures should focus on infrastructure for collection and processing, start-up grants and guarantees for young farmers, and the establishment of cooperatives that can enhance the bargaining power and branding of Montenegrin products, such as traditional cheeses and fruit varieties (IFAD, 2025).

Montenegro should adopt a CAP Alignment Roadmap that integrates fiscal reforms, sustainability commitments, institutional strengthening, rural investment, and trade facilitation into a coherent strategy. A public monitoring dashboard with measurable indicators, such as the share of eco-scheme payments, number of certified producers, or reduction in nitrogen fertilizer intensity, would provide transparency and accountability. By acting collectively, policymakers, farmers, and rural communities can ensure that Montenegro not only meets the EU accession benchmarks but also builds a more competitive, sustainable, and resilient agricultural sector.

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