Proposal for the EU CAP compliant agricultural budgeting model in Montenegro

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Abstract: After the official start of the Montenegrin accession negotiations with the EU in June 2012, it is important to plan a significant increase in the agricultural budget financing well ahead of the accession. Considering the structure and economic importance of agriculture for the generation of Montenegrin GDP, the balanced trade deficit, the reduction of poverty and the regional disparities in development and reversing the negative demographic trends, the proposed reformed agricultural budget of Montenegro in the period 2014–2018 outlines significantly higher levels of the funding both as a share of the state budget and the GDP. The proposed proportions of financing of the key measure groups in the subsequent tables utilize as a starting point the model defined in the Montenegrin National Program of Food Production and Rural Development 2009–2013. Some changes in the proportion of the measures are also proposed according to the agricultural sector needs and the institutional capacity building for the next phase of the EU accession negotiations. In order to prepare the Montenegrin agriculture to cope with the competitive pressures of the EU single market, the indisputable conclusion of this study is that the proposed future levels of agricultural funding in the agricultural budget should be at least near to those (in the relative terms) of the comparable economies of the Western Balkans countries.

Key words: agricultural budget, agriculture and rural development, EU accession negotiations

The first legal framework for the institutionalization of relation between Montenegro (the smallest Western Balkans country) and the European Union – the Stabilization and Association Agreement – entered into force in May 2010. The European Council of December 2010 granted the status of the candidate country to Montenegro. Accession negotiations with Montenegro were opened in June 2012 and the screening process is completed by June 2013 (Djurovic 2013). Chapter 25 – Science and Research and 26 – Education and Culture were opened and provisionally closed. According to the Commission evaluation, Montenegro's limited administrative capacity represents a challenge in a number of areas and needs to be strengthened to ensure an effective implementation of the EU legislation (EC 2013a). The chapters related to the rule of law (23 & 24) were opened on December 2013, following the new negotiation framework based on the evaluation of 83 clearly defined so-called interim benchmarks.

In the screening report related to the agriculture and rural development chapter, the Commission estimated the readiness of Montenegro to harmonize its legislation, institutions and policy with the European Common Agricultural Policy and the expectations in the medium term, during the accession negotiations. Overall, Montenegro has reached a low level of alignment with the acquis in the chapter 11 – Agriculture and Rural Development. Upon the Montenegro's accession to the EU, the application and enforcement of the acquis on agriculture and rural development will need to be ensured. This will in particular require that Montenegro applies the EU rules on direct payment schemes and ensures the implementation of the common market organization for various agricultural products. There is a substantial amount of work to be undertaken as regards the transposition of the legislation and the establishment of the necessary administrative and control capacities required by the acquis. As the opening benchmark for this chapter, Montenegro needs to adopt a comprehensive strategy for the agriculture and rural development sector describing its initiatives and long-term policies for aligning with the acquis. Montenegro needs to demonstrate its programming plans for its policy-related, legislative and institutional preparations. The most important immediate task for the Ministry and the Government of Montenegro remains a timely establishment of the IPARD Payment Agency and the Integrated Administrative and Control System (IACS) in order to comply with the detailed requirements of the acquis, under which all payments to farmers, the direct payments and the rural development measures, are administered. An extensive investment and institution building will be necessary well in advance of the accession (EC 2013b).

The economic importance of agriculture in Montenegro is evident, as its share in the Gross Value Added (GVA) for 2012 is significant (primary production 7.4% plus the food processing industry estimated for additional 5.5% of the GVA, Monstat 2013). According to the data from the Agricultural Census 2010, Montenegro has 48 884 farming households and approximately 100 000 people who are related directly or indirectly to agriculture and its abundant land, forest and water resources. The official number of registered employees in this sector is about 2400 (Agricultural Census 2010).

Out of the total import of Montenegro, the agricultural and food products were represented with around 25% (2012), with an ever increasing import of the beverages, meat and meat products, milk and dairy products. On the export side, the agricultural and food products represented less than 15% of the total export. The disparity of export-import was around 380 mil € in 2012 (Monstat 2013).

The most important sector in the generation of the total agricultural output in Montenegro is livestock production (meat and milk, with almost 60% of the total), while fruit, vegetables and wine account for about 30%. Other sectors (beekeeping, fishing, eggs production, etc.), generate additional 10% of the total production (MIPA 2013).

Agriculture in Montenegro is dominated by small family farms with the average size of 4.6 ha, with a low productivity, but also a low use of chemicals (fertilizers and pesticides) of more than 10 times less than the EU average, which is a good precondition for the organic (ecological) production.

The total number of households that use direct or indirect benefits from the agricultural budget is around 20 000. The agricultural budget directly subsidizes around 11 000 households (head age payments, payments per litre of milk submitted and per cultivated hectares); 1300 of them are regressed through the purchase of the vegetable crops; in addition, 5500 elderly persons living in rural areas benefit from the old-age allowances. At least 2000 more households benefited from the water management programs, the purchase of the surplus stocks, co-financing of the pension and health insurance schemes in agriculture (EC Questionnaire 2008).

Agriculture represents an important instrument in the reduction of regional disparities in the development of Montenegro. While the continental region covers more than 53% of the territory, it has less than 30% of the population. The central region covers more than one third of the country's territory and almost one half of the population (47.3%), whereas the coastal region covers 11.5% of the territory and somewhat less than 25% of the population. The coastal and central regions are more densely populated than the continental. The central and the coastal regions are the areas of immigration (Fabris and Zugic 2012). The Northern region (continental) is significantly lagging behind in the terms of the overall development, compared to the Central and Coastal region. As a result, the country is faced with a permanent emigration from the North of the country towards the more economically attractive regions. Almost 60% of the poorest segment of population lives in rural areas (mostly in the Northern regions). For them, as the most vulnerable segment of the population, agriculture often plays the role of the social, "shock absorber" (particularly for the elderly population and the "transition losers").

Montenegro's agricultural and rural development policies are only partly aligned with the EU Common Agricultural Policy (CAP) and should be further strengthened and consolidated in line with the EU relevant requirements. Consequently, the agricultural budget of Montenegro remains one of the most important tools for further reforms. Hence, this paper is focused on the creation of a proposal of the reformed agricultural budget, based on the analysis of both the current agricultural policy in Montenegro and the lessons learned from the previous accession waves (MS experiences), such as the plans and needs in the next phase of economic development.

METHODS

This paper contains (statistical and analytical) data that generally rely on official sources (the European Commission/DG Enlargement official data on the accession negotiation and progress achieved by Montenegro, the MONSTAT – Statistical Office of Montenegro, other data on the economic, financial and social indicators of the Montenegrin economy, such as those obtained from the Census of Agriculture in Montenegro 2010 (farm structure, key variables-land and livestock) and the Ministry of Agriculture and Rural Development data related to the past and current funding of agricultural policy. The Regional Development Strategy 2010–2014 was the source for the estimation of regional gaps among the Northern, Central and Southern regions of Montenegro.

Key strategic documents – The reformed agricultural budget proposal is based on key documents of the Ministry of Agriculture and Rural Development, such as the National Program for Food Production and Rural Development 2009–2013 and agricultural budgets for the period 2010–2013. The Ministry of Agriculture and Rural Development has been working intensively on the adoption of key legal documents that pave the way towards the accelerated reform of the agricultural sector; the most important being the Law on Agriculture and Rural Development (2009), the National Rural Development Program (2008), and the draft of the IPARD program for Montenegro (2011–2013), as a basis for the IPARD support (IPA Component V). The gradual adoption of the key principles of the European Common Agricultural Policy (CAP) for the Montenegrin agriculture means, among other, a gradual shift from the input and price subsidies for certain cultures towards the decoupled system of production support, irrespective of the culture that the farms cultivate (payments per cattle head, litre of milk, and hectare of cultivated land). In that sense, there are a number of key challenges ahead: especially, what level of input support to keep within the budget and how to align the municipal funding for agriculture and rural development with the support system of the Ministry of Agriculture

Current agricultural budget – The agricultural policy of Montenegro is financed from the annual state budget. Implementation of the agriculture policy is detailed in the Government's decree – Agro budget – adopted at the end of the fiscal year. In 2012, the agricultural budget amounted to € 21 million. In total, for the last 12 years (2000–2013), the Montenegrin agriculture budget had been increased only 3.3 times (from 6, 15 to 20, 31 million €). The structure of the agricultural budget shows that the only measures of the market policy (direct support) showed a steady growth, while all other groups (the rural development and the support to general services in agriculture) varied in the same period. The overall growth of the agricultural budget in the last few years can be attributed mostly to the implementation of the IBRD loan for the project titled "Montenegro Institutional Development and Agriculture Strengthening" (MIDAS 2013) and the Danish grant for "Organic Agriculture Development Projects" (DANIDA 2013). These two sources of funding created almost 30% of the total sources in the 2012 Agricultural Budget and represented the basis for the budget growth in the mentioned period (Agricultural Budget).

The most important part of the agricultural budget is the market-price policy (30%) and the rural development (27%), being strongly supported by the MIDAS project (even 18% out of the total budget in 2013). It is the reason and explanation why 12% of the budget intended for the technical and administrative support for the program implementation is almost completely covered by the MIDAS project. On the other side, the overall agricultural budget, in absolute terms, declined in the period 2010–2013, especially for the rural development (Table 1). This decrease was a result of sharp austerity measures due to the reduction of the budget spending in the

Table 1. Agricultural budget structure by measures in Montenegro

Group of measures	Agricultural budgets structure (%)				
	2010	2011	2012	2013	average
1. Market price policy	30.3	28.0	31.5	30.4	30
2. Rural development (15–20% is the IBRD loan/the MIDAS expired by 2014)	23.2	28.9	28.1	27.6	27
3. Support to general services in agriculture	10.3	5.5	5.0	5.8	7
4. Social transfers (old age allowances)	17.4	13.8	13.6	13.4	15
5. Technical and administrative support for the programs implementation (11–12% is the MIDAS loan expired by 2014)	5.22	14.6	13.5	14.1	12
6. Operational programs of the Veterinary and Phyto-sanitary Directorates (SPS measures)	12.7	8.2	7.4	7.6	9
7. Fishery	0.95	1.0	0.9	1.1	1
Total agricultural budget in mil €	**16 777.8**	**20 402.0**	**20 774.5**	**20 312.0**	**100**

period of the economic crisis, starting from 2009 (Bulatović 2013).

Social transfers to farmers through the old age allowances model have a quite high share in the Montenegrin agricultural budget (app.15%). The operational management programs of the veterinary and phyto-sanitary administration, for the SPS measures are covered by 8% of the financial resources. The support to the development of fishery is on a very modest level (1%) while the support to the general services to agriculture represents 7% of the available funding.

Loans and grants currently make up to 30% of the agricultural budget, as an indication that the international support had become a very important instrument of the development and reform of agriculture in Montenegro.

The GDP growth scenario and the development priorities are based on the Ministry of Finance documents (Guidelines of Macroeconomic and Fiscal Policy for the period 2013–2016, Directions of the Montenegrin Development 2013–2016 and the Pre-accession Economic Program of Montenegro 2013–2016). The Montenegrin development directions have been prepared by the Montenegrin government on March 2013, following the Europe 2020 Strategy. As an EU candidate country, Montenegro should establish a vision of the socio-economic development, including specific required investments and development measures for their implementation. The development directions together with specific projects and the financial structure represent the base for the program budgeting and establishment of a direct connection between the available funds and development priorities, as well as a more efficient use of the IPA funds. Agriculture and rural development is described as one of four development priorities in the medium term development strategy, together with the energy sector, industry and tourism.

Trade data and export promotion strategy and analysis. The data related to the trade in agricultural and food products of the Statistical Office and other strategic documents were also an important source for the analysis and the projection of the future agricultural reformed budget. Namely, the trade deficit in the area of food and agriculture has a tendency of a constant growth in the period 2000–2012. According to the Standard International Trade Classification of Goods (SITC), the share of food, beverages and tobacco in the total imports of Montenegro, especially in the period of the investment boom, led to the overall growth of imports. Thus, the import of these goods in the period 2007–2012 amounted to 15%, 16%, 23%, 24%, 23% and even 25%, respectively. The products which were most imported in 2012 were the fresh and processed meat, meat products, live animals (a total of 108.4 million €), dairy products and eggs (48.5 million €), cereals and cereal products (57 million €), beverages (53.4 million €). On the export side, the largest share by far goes to wine and drinks (around 23.2 million); the wine being the main export product with € 18.4 million annual exports, followed by the export of fruits and vegetables (7.4 million €), and meat and meat products (6.9 million €). Being dependent on imports for most of the agricultural products is a clear signal to the Montenegrin producers that there is a room for an increased production (Monstat 2013).

The author's calculations of a new (reformed) agricultural budget are based on a systemic approach, the historical method, and the statistical method including the trend analysis.

RESULTS AND DISCUSSION

Proposal of a new (reform) agricultural budget

It should be noted that after signing of the Stabilization and Association Agreement with the European Union (2007) and the gradual opening of agricultural market for a competition abroad (the EU and CEFTA companies) during the period 2008–2013, the Montenegrin agriculture budget was gradually wrapped up in line with the future membership demands and the EU acquis in this area. However, a variation of the basic groups of budget indicates that significant measures are still not established. Only some of them can be comparable with the measures of the EU Common Agricultural Policy, with a favourable structure which is also in accordance with the WTO requirements.

The comparison with the EU and the Western Balkans countries clearly pictures these statements. Namely, the total budgetary support to agriculture in Montenegro is at a level of 1.34% of the total budget. The average budget for agriculture in the EU is around 3.5%; the budgetary support for agriculture in Macedonia is 6.7 billion MKD, or 110 million € (28 million MARD +100 million the IPARD Agency), which is about 4.8% of the budget (€ 2.3 billion). The Croatia's state budget in 2010 is 16.58 billion € out of which. 800 million € is for agriculture (5%). The Republic of Serbia adopted the agricultural budget in

2013 of 4.25%, which paves the European parameters in this area. Currently, the Slovenian agricultural budget is 430 million € (5% of the total budget), while the European Commission annually finances 280 million € plus app. 150 million € from the national budget) (Volk 2010). Comparing the agricultural budget of the European Union and also the countries of the Western Balkans with the Montenegrin budget, the scope and structure of funding from the agricultural budget is insufficient. Most of the stakeholders, including agricultural associations and the NGOs, agree that the budget for the implementation of the agricultural policy is very small and the total amount of the agricultural budget is inadequate compared to any of the parameters indicating its importance for the economy

Montenegro is one of the few countries the agricultural budget of which is approved annually, so the budget beneficiaries do not have a clear mid-term calculation and the income-cost projection of their businesses. The specificity of agricultural production is that the long-term planning is obligatory, considering the length of the investments and the reproductive cycle, especially in certain types of production. Also, there is a discontinuity in the annual programs where every year certain types of production were excluded. For example, in a document done by a team of experts for the Serbian Government in 2008, the same tendencies were noted, quote: "financial sources are still not determined for several years ahead, but they are changing, depending on the annual state budget and the share of the agro budget. Thereby, the financial instability of the policy is increasing" (Bogdanov et al. 2008).

However, it is often overlooked that the agricultural budget is only one tool within a much larger system. In fact, several other sources of funding may be mentioned: the measures of fiscal and credit facilities of the Ministry of Finance, the commercial bank loans, the commercial loans of the international financial institutions and regional banks, the international, bilateral and multilateral donations, the EU IPA program, the funding of the Investment Development Fund of Montenegro, the Department of Public Works, the Directorate of Transport , the capital budget, the budgets of the local governments intended for agriculture and the local infrastructure. Also, agriculture significantly affects the gross national income and it is currently the only sector that provides a fast and efficient employment of the redundant workers. Its growth potential is significant, paired with the well-designed budget support to maintain the current employment rates in agriculture. However, the biggest potential for the generation of new employments, according to the recent study of the potential for new green jobs in the new EU multiannual financial perspective 2014–2020, shows that along with agriculture, the greatest employment potential lies in the renewables (Daly and Pieterse 2011).

Thereby, a financially more viable agricultural budget in the medium term (until 2018) would be a significant financial instrument for the overall development of agriculture and the rural development (compared to the current budget of around € 20 million); also the fact, that the investments in rural development from the national budget are co-financed from the EU budget in the ratio 1 : 3, or 15–85% in the less favourable areas in the Member states, should be emphasized. For every 25 € from the national budget, we might receive 75 € of the irrevocable support from the EU funds for rural development, through the EAFRD (the European Agricultural Fund for Rural Development). In addition, every 15 € in the less favourable areas receives irrevocably € 85, as the support for projects in rural development (EAFRD Regulation 2005). It emphasizes the importance for the urgent adoption of the Regulation for Less Favourable Areas in Montenegro (the so-called the LFA Regulation).

The author's calculations of a new (reformed) agricultural budget are focused on the following: the calculation of the influence of the expected GDP growth in Montenegro in the period 2013–2018 on the growth of the state budget and hence on the gradual increase of the agro budget in line with the EU accession negotiations agenda. The percentages of the key groups of the budget measures were arranged in line with the proportions defined within the National Program of Food Production and Rural Development 2009–2013.

The projected agricultural budget, tailored in line with the needs of the accession negotiations with the EU, is based on the data from the National Program for the Integration of Montenegro into the EU 2008–2012 and the National Program of Food Production and Rural Development 2009–2013, assuming the GDP growth of approximately 3–4% annually, until 2018 (PEP 2014). According to our calculation based on the European integration commitments and the development expectations, the share of the agricultural budget should reach the level of 2.55% of the state budget (from the current 1.34%) i.e. the achieved target of 1% of the GDP by 2018. The GDP growth basic scenario and the proposal of reform agricultural budget are presented in the Tables 2 and 3.

Table 2. Basic scenario: projection of the GDP growth and the gradual raising of the agricultural budget in Montenegro 2014–2018 (million €)

Year	2010	2011	2012	2013	2014*	2015*	2016*	2017*	2018*
GDP (mil €)	3.030	3.120	3.149	3.311	3.516	3.730	3.968	4.337	4.510
Montenegro state budget	1.425	1.400	1.493	1.518	1.520	1.572	1.635	1.700	1.768
Agro budget in state budget (%)	1.31	1.43	1.38	1.34	1.64	1.91	2.14	2.35	2.55
Agro budget in GDP (%)	0.62	0.64	0.65	0.61	0.71	0.80	0.88	0.92	1.00
Agro budget total (mil €)	**16.778**	**20.402**	**20.774**	**20.312**	**25.000**	**30.000**	**35.000**	**40.000**	**45.000**

*estimates

Tables 2 and 3 shows that the budgetary support for agriculture in the period 2010–2013 had a growing tendency, but it was slower than the growth of the total budget in Montenegro (Table 2). In the period 2014–2018, the state budget would reduce its structure in the GDP to 6.6 percentage points (a gradual reduction of public consumption from 45.8% to 39.2%) but the agricultural budget would raise its share in the Montenegrin GDP by 0.39 percentage points (from 0.61% to 1%).

Assuming the same measure structures, but different sources of funding (the IPA II instead of the MIDAS loan), the proposal of reform agricultural budget in Montenegro should be as follows:

Agricultural budget in the 2018 of around 45 million €, which would be almost three times higher than the current one (without loans and grants), but with the annual pre-accession support for the direct payment on the average level of 5 million € in the MFF 2014–2020.

The implications of the higher and restructured budget

As it is already clearly mentioned in the Agricultural and Rural Development Strategy, a further development of agriculture requires more budgetary support with the flexibility of the programmes structure in line with the agricultural sector needs and the accession process commitments. The presumed period of time before achieving the EU membership has to be

Table 3. Proposal of the Montenegrin reform agricultural budget by 2018 (million €)

Agro budget by measures (mil €)	2010	2011	2012	2013	Measure (%)	2014*	2015*	2016*	2017*	2014*
	16.778	20.402	20.774	20.312		25.000	30.000	35.000	40.000	45.000
Market price policy measures	5.083	5.711	6.537	6.183	30	7.500	9.000	10.500	12.000	13.500
Rural development measures incl. the MIDAS loan	3.893	5.905	5.838	5.615	27	6.750	8.100	9.450	10.800	12.150
General services in agriculture	1.720	1.116	1.048	1.174	7	1.750	2.100	2.450	2.800	3.150
Old-age allowances	2.920	2.820	2.820	2.720	15	3.750	4.500	5.250	6.000	6.750
Technical and administrative support to programmes implementation incl. the MIDAS loan	0.876	2.986	2.806	2.866	12	3.000	3.600	4.200	4.800	5.400
Operational programs of the Veterinary and Phyto-sanitary Directorates (SPS measures)	2.145	1.693	1.554	1.54	9	0.675	0.810	0.945	1.080	1.215
Fishery	0.14	0.171	0.171	0.213	1	0.068	0.081	0.095	0.108	0.122
Support to state agricultural budget	**MIDAS loan 25%, grants 5%**					**MIDAS**	**IPARD (IPA II) support cca 5 million € annually**			

*estimates

used not only for the reforms proposed (the reform of agricultural policy, harmonization of legislation with the EU acquis and the institutional capacity building), but for a faster development of the national agricultural production as well. Additionally, one of the structural characteristics is the higher share of the primary agriculture in the GVA generation than of the food processing sector. This indicates a need to increase the budget support to the primary agriculture production due to:

– a low level of finalization of agricultural products,
– a strong trade deficit in agriculture,
– a significant share of the subsistence farming,
– a big share of sales of agro-food products through the unregistered trade channels.

The gradual increase of the market price policy measures would allow for, at least, doubling-up of the direct support and, thereby, a higher level of the guaranteed income for the farms by 2018. With an amount of 17.5 million € for the rural development (including the technical and administrative support to the programmes implementation), in the same year, a complete co-financing of the IPARD program, national schemes and a functional Payment Agency should be enabled. The almost three-fold increase in the support for the general services in agriculture means a much better external control of the national payments, as well as a better connection with the farmers and the provision of a timely and expert advice. Also, funding of the producer organizations and the CMO (Common Market Organizations) should be the future standard.

Some other measures should be also restructured. The old age allowances in the amount of 6.75 million € should be redistributed onto the segment of the food safety (veterinary and phyto-sanitary administration) for their better functioning. An additional support is a precondition for the EU compliant certifications of the establishments in order to resolve the ecological problems (the treatment of waste waters and a safe removal of animal by-products).

The restructured agricultural budget in the 2018 of around 45 million € would also be in line with the determination to increase the sectoral competitiveness and to establish new institutions in agriculture by the accession time. If the proposed trend remains up to 2018, the agro budget should represent at least 3% of the total budget, or 1.22% of the Montenegro's GDP, conditioned with the nominal annual GDP growth of 3.5–4% (figures taken out from the Montenegrin Development Directions). Taking into account the effects of the ongoing economic crisis, the high level of the public debt and the limited administrative capacities for the further adoption of the EU standards and procedures in the field of the agricultural sector and policy, a more realistic scenario is the funding as proposed for the year 2017 (40 million €).

CONCLUSIONS

The paper presents the agriculture and food production as an important component in the current and future development of Montenegro on its path towards the European Union. The paper is focused on the creation of a reformed agricultural budget and its implications on the overall agricultural sector development. The discussion is focused on the agricultural budget modelling aiming to strengthen the direct support to the primary agricultural production and rural development, such as the institutional capacity building as a precondition for the dynamic European integration process and the effective using of the pre-accession assistance. The result shows that the potential implications of a higher and restructured agricultural budget are extremely positive.

Agriculture and rural development are an integral part of the overall development goals and the regional development strategy. However, Montenegro does not fully use its production potential and the available recourses for strengthening the agricultural sector. The discussion shows that there is no clear correlation between the state budget growth and the funding of agricultural sector. In spite of the planned gradual reduction of public consumption, the agricultural budget should be significantly higher and compliant with the commitments deriving from the EU accession negotiations.

What will really happen in the medium-term budget planning process, when the proposed reform of the agro budget is concerned, depends significantly on the overall economic situation and the budget constraints. However, this proposal of the reform agricultural budget for Montenegro until 2018 (with the explained comparative analysis and the arguments in favour of the agricultural budget growth and restructuring) may represent a good framework for the medium-term budget planning process. In other words, the conclusion based on the analysis also includes a gradual restructuring of the proportion of measures in favour of a stronger direct support to the primary agriculture production and rural development. The share of funding of different measures expressed in the above tabulation is the same model as used in the National Program of the Integration of Montenegro into the EU 2008–2012 (NPI). Having in mind the future dynamic of economic recovery and the raising public debt, it is possible to have a different approach and to keep the percentages for the key measures as they are represented in the agricultural budget 2012–2013.

The question is what we want as a state when a further development of agriculture and rural development is concerned (the issue of the internal prioritization located in the area of the political decision-making). The Montenegrin agriculture priorities regarding the defined strategic development sectors should focus on:
– the growth of measures which finance direct income and production support,
– a more intensive investments to increase the competitiveness, rural development and the IPA infrastructure,
– the establishment and accreditation of the Agency for Agricultural Payments,
– the introduction of new food safety standards,
– agricultural registers and data bases,
– the Farm Accounting Data Network (FADN),
– the LFA Regulation implementation,
– new employments, etc.

Using this approach, we firmly rely on the National Programme for the Integration and Strategy for Food Production and the EU Integrations (2009). The experience of the Republic of Slovenia shows that the share of the direct support measures in 2002 was 56%, while the rural development measures were financed with 24% of the total agricultural budget. The needs for the increased competitiveness and intensification of investments in the medium to long run, on the other hand, are potentially much higher in Montenegro than in Slovenia. One of the key issues is how to ''jump" from 30% of the current level of direct support to farmers in Montenegro to 40 or 50%. Secondly, additional efforts are needed in the Montenegrin budget restructuring process in order to transfer the old-age allowances where they really belong (Ministry of Labour and Social Affairs). Thereby, the necessary funds for this purpose would be released. However, achieving the EU CAP financing proportion of 75% for the direct support under the 2014–2020 financial perspective seems unreachable and unrealistic, even in the long run. On the basis of the past experiences and the current conditions, it is also reasonable to assume that the absorption capacity of agricultural producers in Montenegro is insufficient to enable the co-financing of investment in the proposed scope of 12.14 mil € in 2018. The main problem remains the mortgage guarantee and the unavailability of favourable commercial loans and the timely accreditation of the IPARD Payment Agency.

Certainly, the current level of funding of the Montenegrin agriculture is not even remotely sufficient to respond to the current and future development and the EU accession negotiations challenges. A new, stable and consistent concept of agricultural policy and an adjusted budgetary support is one of the prerequisites for the necessary changes. The practice shows that the forthcoming preparatory period has to be used for strengthening the agriculture so that after the accession, it might be able to be competitive in the much larger EU market.

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