

***IPARD III ASSISTANCE  
FOR AGRICULTURE AND RURAL DEVELOPMENT UNDER  
THE INSTRUMENT FOR PRE-ACCESSION ASSISTANCE IPA III***

**FINANCING AGREEMENT 2021-2027**

*BETWEEN*

**THE GOVERNMENT OF MONTENEGRO**

*AND*

**THE EUROPEAN COMMISSION**

# **FINANCING AGREEMENT 2021-2027**

The European Commission, hereinafter referred to as “the Commission”, acting for and on behalf of the European Union,

on the one part, and

The Government of Montenegro, acting for and on behalf of Montenegro, hereinafter referred to as “Montenegro”,

on the other part,

and together jointly referred to as “the Parties”,

Whereas:

1. Regulation (EU) 2021/1529 of the European Parliament and of the Council<sup>1</sup> establishing the Instrument for Pre-Accession assistance (“IPA III”), constitutes a legal basis for the provision of financial assistance to the beneficiaries listed in Annex I to that Regulation, to support them in adopting and implementing reforms in different sectors, including the agricultural sector, required in order to comply with the Union's values and to progressively align to the Union's rules, standards, policies and practices, with a view to Union membership.
2. According to Annex I to Regulation (EU) 2021/1529, Montenegro is eligible to be a beneficiary under the IPA III rural development programmes.
3. In accordance with Article 20(1) of Commission Implementing Regulation 2021/2236<sup>2</sup>, rural development assistance is subject to a multi-annual programme, which is a multi-annual action plan in accordance with Articles 23 and 24 of Regulation (EU) 2021/947 of the European Parliament and of the Council<sup>3</sup>, to be drawn-up at central level, prepared by the relevant authorities designated by the IPA III beneficiary and submitted to the Commission after consulting the appropriate stakeholders.
4. Rural development programmes are to be implemented by the IPA III beneficiaries on the basis of indirect management in accordance with Article 62(1), point (c)(i), of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council<sup>4</sup> (“the Financial Regulation”) and they have to indicate the actions to be financed with IPA III assistance. The selected types of actions have to be of a nature similar to those provided for under the European Agricultural Fund for Rural Development.
5. In order to ensure the implementation of the IPA III rural development programme (“the IPARD III programme”) of Montenegro for the years 2021-2027, it was necessary to adopt a multi-annual financing decision which constitutes the multi-annual action plan for 2021-2027.
6. Montenegro has submitted the IPARD III programme, a multi-annual programme for rural development, for the period 2021-2027 under IPA III to the Commission for approval on 28 March 2023. The Commission adopted the IPARD III programme on 29 June 2022 by Commission Implementing Decision C(2022) 4726.

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<sup>1</sup> Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing an Instrument for Pre-accession Assistance (IPA III) (OJ L 330, 20.9.2021, p. 1).

<sup>2</sup> Commission Implementing Regulation (EU) 2021/2236 of 15 December 2021 on the specific rules for implementing Regulation (EU) 2021/1529 of the European Parliament and of the Council establishing an Instrument for Pre-accession Assistance (IPA III) (OJ L 450, 16.12.2021, p. 10).

<sup>3</sup> Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU and repealing Regulation (EU) 2017/1601 and Council Regulation (EC, Euratom) No 480/2009 (OJ L 209, 14.6.2021, p. 1).

<sup>4</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

7. For the implementation of the IPA III assistance, Article 5 of the IPA III Implementing Regulation provides for the conclusion of financial framework partnership agreements, sectoral agreements and financing agreements between the Commission and the IPA III beneficiaries.
8. The financial framework partnership agreement (“FFPA”), adopted by Commission Decision C(2022) 1857 of 31 March 2022 and concluded between the Commission and Montenegro on 2 November 2022, sets out specific arrangements for the management, control, supervision, monitoring, evaluation, reporting and audit of IPA III assistance committing Montenegro to transpose into its legal order the relevant Union regulatory requirements.
9. The sectoral agreement, adopted by Commission Decision C(2022) 5232 of 27 July 2022 and concluded between the Commission and Montenegro on 23 January 2023 (“the sectoral agreement”), complements the FFPA and covers specific provisions for the management and implementation of Union financial assistance to Montenegro under the IPARD III programme.
10. The financing agreement between the Commission and Montenegro should provide the terms on which the IPA III assistance is to be granted, including the applicable methods of implementation of IPA III assistance and the implementation deadlines.
11. The multi-annual legal commitments under IPA III for the years 2021-2027 are set out in Article 2 of the Commission Implementing Decision C(2022) 4726 of 29 June 2022 and therefore should be set out in the Annex to this Agreement.
12. In accordance with Article 29 of the sectoral agreement, the following measures can be supported under the IPARD III programme:
  1. investments in physical assets of agricultural holdings;
  2. support for the setting up of producer groups;
  3. investments in physical assets concerning processing and marketing of agricultural and fishery products;
  4. agri-environment-climate and organic farming measure;
  5. implementation of local development strategies - LEADER approach;
  6. investments in rural public infrastructure;
  7. farm diversification and business development;
  8. improvement of skills and competences;
  9. technical assistance;
  10. advisory services;
  11. establishment and protection of forests;
  12. financial instruments;
  13. promotion of cooperation for innovation and knowledge transfer.
13. Pursuant to Article 31 of the FFPA, detailed provisions on rules on the eligibility of expenditure are set out in the sectoral agreement, concluded between the Commission and Montenegro on 23 January 2023, and the IPARD programme adopted by Implementing Decision C(2022) 4726 of 29 June 2022.
14. In accordance with Article 62(1), point (c)(i), of the Financial Regulation, the Commission is to implement the budget indirectly by entrusting budget implementation tasks to the IPA III beneficiaries.

15. In accordance with Article 158 of the Financial Regulation, the entrustment of Montenegro with budget implementation tasks is to be carried out by concluding a financing agreement.
16. Article 12 of the FFPA sets out the conditions for entrusting budget implementation tasks to Montenegro. In particular, Montenegro, when managing IPARD III funds, respects the principles of sound financial management, transparency, non-discrimination and is to ensure the visibility of IPA III assistance. Montenegro is to guarantee a level of protection of the financial interests of the Union equivalent to that required under the Financial Regulation. The Commission is to review the financing agreements concluded with Montenegro in order to ensure continued fulfilment of the requirements set out in Article 12(3) of the FFPA.
17. In accordance with Article 6 of the sectoral agreement, Montenegro has established the structures and authorities responsible for indirect management of IPARD III assistance: the National IPA Coordinator (NIPAC), the National Authorising Officer (NAO), the NAO Support Office, the Accounting Body, the IPARD Managing Authority/IPARD Agency and the Audit Authority.
18. Pursuant to Article 13(1) and (2) of the FFPA, the National Authorising Officer (“NAO”), on behalf of Montenegro, is responsible for submitting to the Commission a request for being entrusted with budget implementation tasks under the IPARD III programme. Before submitting the request, the NAO is to ensure that the requirements of Article 12(3) of the FFPA and Annex B thereto are fulfilled. In doing so, the NAO may rely on results of an *ex-ante* assessment carried out with regard to an entrustment pursuant to Regulation (EU) No 231/2014 of the European Parliament and of the Council<sup>5</sup> (“IPA II Regulation”) or an earlier financing agreement.
19. Article 13(3) of the FFPA provides that before the Commission entrusts budget implementation tasks of IPA III assistance, it is to review the request submitted by the NAO and is to, for the purposes of the *ex-ante* assessment pursuant to Article 154(4) of the Financial Regulation, obtain evidence that the requirements set out in Article 12(3) of the FFPA and Annex B thereto are fulfilled. This review may include on-the-spot verifications by the Commission. For entrusting budget implementation tasks to Montenegro, the Commission may rely on results of an *ex-ante* assessment carried out with regard to an entrustment pursuant to the IPA II Regulation or an earlier financing agreement. Upon request of the Commission, Montenegro is to provide additional evidence in case those assessments do not address all the requirements.
20. Detailed conditions for entrustment are further specified in Section II, Title 3, of the sectoral agreement.
21. Montenegro has appointed the State Secretary within the Ministry of European Affairs to carry out the functions allocated to the NIPAC. The NIPAC's own confirmation of its readiness is included in the request for entrusting budget implementation tasks.

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<sup>5</sup> Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II) (OJ L 77, 15.3.2014, p. 11).

22. Montenegro has appointed the Directorate for Management Structure within the Ministry of Finance to carry out the functions and responsibilities allocated to the NAO as set out in Article 7 of the sectoral agreement. The NAO's own confirmation of its readiness is included in the request for entrusting budget implementation tasks. The NAO has established a Management Structure composed of the NAO Support Office and the Accounting Body.
23. As IPARD Managing Authority and IPARD Agency, as referred to in Article 10(9) of the FFPA, Montenegro has appointed:
- (a) the Directorate for Rural Development within the Ministry of Agriculture, Forestry and Water Management, to act as the IPARD Managing Authority, which is to execute the functions and responsibilities as defined in Article 8 of the sectoral agreement; and
  - (b) the Directorate for Payments within the Ministry of Agriculture, Forestry and Water Management, to act as the IPA III Rural Development (IPARD) Agency, which is to execute the functions and responsibilities as defined in Article 9 of the sectoral agreement.
24. Montenegro has appointed the Audit Authority to act as the Audit Authority for audit the Instrument for Pre-Accession assistance. The Audit Authority's own confirmation of its readiness is included in the request for entrusting budget implementation tasks.
25. In accordance with Article 27 of the sectoral agreement, the NAO on 31 March 2023 submitted to the Commission the official request<sup>6</sup> for being entrusted with budget implementation tasks under the following measures of the IPARD III programme:
- 1. investments in physical assets of agricultural holdings;
  - 3. investments in physical assets concerning processing and marketing of agricultural and fishery products; and
  - 7. farm diversification and business development.
26. With the request for being entrusted with budget implementation tasks, the NAO notified the Commission of its decisions to rely on the results of an *ex-ante* assessment carried out with regard to an entrustment pursuant to Regulation (EU) No 231/2014 or an earlier financing agreement and in accordance with the letter of 25 October 2017 for the measures 1 and 3<sup>7</sup> and the letters of 6 August 2020 and 22 March 2023 for the measure 7<sup>8</sup> by the Directorate-General for Agriculture and Rural Development entrusting budget implementation tasks to Montenegro. The request included all the documentation required in accordance with Annex 3 to the sectoral agreement.
27. In accordance with Article 13(3) of the FFPA, the Commission has reviewed the request for entrustment with budget implementation tasks and the established structures and authorities. For the purposes of the *ex ante* assessment pursuant to Article 154(4) of the Financial Regulation, the Commission has obtained evidence

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<sup>6</sup> Letter N°: 01/4 430/23-2470/1 dated 27 March 2023 (EC ref.: Ares(2023)2346519 – 31/03/2023).

<sup>7</sup> Ares(2017)5220251.

<sup>8</sup> Ares(2020)4146723 and Ares(2023)2064568, respectively.

that the requirements set out in Article 12(3) of the FFPA and Annex B thereto are fulfilled.

28. It is therefore appropriate to grant the entrustment for budget implementation tasks, waiving the right of the Commission referred to in Article 50(1), second subparagraph, point (a), of the FFPA.
29. It is therefore necessary to set out in this financing agreement: (a) the Union's financial commitments for the execution of the IPARD III programme for Montenegro for the period 2021-2027 and to state the period of validity of these commitments pursuant to Article 114 of the Financial Regulation; and (b) the provisions for entrusting Montenegro with budget implementation tasks, including methods of implementation of IPA III assistance, implementation deadlines, as well as rules on the eligibility of expenditure.
30. All services, supplies, works, grants and twinning contracts are to be awarded and implemented in accordance with the Union legal framework and Commission standards for the implementation of external actions, in force at the time of the launch of the procedure in question. By way of derogation from Article 18(2) of the FFPA, grant agreements should be awarded and implemented in accordance with the IPARD procedures in force at the time of the launch of the call for application, submitted to and accepted by the Commission in accordance with Article 5 and Article 12(1) of the FFPA and Article 27 of the sectoral agreement,

HAVE AGREED AS FOLLOWS:

## **PART I**

### **Introductory provisions**

#### *Article 1*

##### *Scope*

This financing agreement sets out:

- (a) the Union financial commitments for the IPARD III programme for Montenegro for the years 2021–2027 and the validity of those commitments;
- (b) the provisions for the entrustment of budget implementation tasks to Montenegro.

#### *Article 2*

##### *Agreements and interpretation*

This financing agreement supplements the provisions of the sectoral agreement and of the FFPA. In case of conflict between this financing agreement and the provisions of the sectoral agreement and the FFPA, the sectoral agreement and the FFPA shall take precedence.

Subject to any express provision to the contrary in this financing agreement, the terms used in this financing agreement shall bear the same meaning as attributed to them in the sectoral agreement, the FFPA, the IPA III Regulation, the IPA III Implementing Regulation, Regulation (EU) 2021/947 and the Financial Regulation.

*Article 3*  
*Financial assistance*

1. In accordance with Article 62(1), point (c)(i), of the Financial Regulation, the IPARD III programme for Montenegro shall be implemented under indirect management as provided for in Commission Implementing Decision C(2022) 4726 of 29 June 2022.
2. The IPARD assistance shall be implemented under indirect management without *ex-ante* verification of tendering and contracting by the Commission or the Union Delegation.
3. Pursuant to Article 33 of the sectoral agreement, the IPARD III programme shall be co-financed by both the Union and Montenegro. The breakdown of the respective financial contributions is set out in the IPARD III programme as adopted by Commission Implementing Decision C(2022) 4726 of 29 June 2022.
4. The Union contribution shall co-finance public expenditure actually paid to the recipients. Pursuant to Article 34 of the sectoral agreement, aid intensities and the rate of Union contribution shall be in accordance with the rates and ceilings laid down in Annex 4 to the sectoral agreement.
5. Contracts, unlike all service, supplies, works, grants and twinning contracts, shall be awarded and implemented in accordance with the IPARD procedures, in force at the time of the launch of the call for application, submitted to and accepted by the Commission, in accordance with Article 5 and Article 12(1) of the FFPA and Article 27 of the sectoral agreement.
6. Union financing shall be subject to the fulfilment of Montenegro's obligations laid down in the FFPA and the sectoral agreement and in this financing agreement.

**PART II**

**Financial implementation**

*Article 4*  
*Commitments*

1. The financial contribution of the Union for each of the years 2021–2027 is limited to the amounts per year provided for in Commission Implementing Decision C(2022) 4726 of 29 June 2022 and in the Annex to this agreement. These commitments are valid only for the execution of the IPARD III programme, in conformity with the FFPA and the sectoral agreement.
2. The Union's budget commitments shall be made in annual instalments. The budget commitment for the first instalment shall follow the adoption of the IPARD III programme by the Commission.
3. In accordance with Article 2 of Commission Implementing Decision C(2022) 4726 of 29 June 2022, the budget commitments are subject to the availability of the budget appropriations following the adoption of the general budget of the Union for the respective years 2022-2027.



4. The Commission shall inform in writing Montenegro about the adoption or any amendment of each yearly indicative budget commitment set out in the Annex to this agreement.

*Article 5*  
*Period of de-commitment*

In accordance with Article 36 of the sectoral agreement, the Commission shall automatically de-commit any portion of a budgetary commitment set out in the Annex to this agreement for the IPARD III programme that, by 31 December of the third year following that of the budgetary commitment ("n+3" rule), has not been used:

- (a) for the purpose of pre-financing in accordance with Article 40 of the sectoral agreement; or
- (b) making interim payments in accordance with Article 39 of the sectoral agreement; or
- (c) for which the NAO entrusted with budget implementation tasks has not presented a payment request, including a certified statement of expenditure in accordance with Article 35(1) of the FFPA and Article 39(1) of the sectoral agreement.

In duly justified circumstances, accepted by the Commission, the period of 3 years referred to in the first paragraph can be extended to up to 5 years in accordance with Article 36(2) of the sectoral agreement.

The current deadlines for de-commitment are set out in the Annex to this agreement.

**PART III**

**Entrustment of budget implementation tasks**

*Article 6*  
*Entrustment of budget implementation tasks*

1. The Commission entrusts budget implementation tasks to Montenegro for the following measures of the IPARD III programme:
  1. investments in physical assets of agricultural holdings;
  3. investments in physical assets concerning processing and marketing of agricultural and fishery products; and
  7. farm diversification and business development.
2. The budget implementation tasks laid down in paragraph 1 shall be entrusted and applied on the basis of the following structures and authorities designated by Montenegro:
  - (a) the National IPA Coordinator (NIPAC);
  - (b) the National Authorising Officer (NAO);
  - (c) the NAO Support Office (NAO SO);
  - (d) the Accounting Body;
  - (e) the IPARD Managing Authority and the IPARD Agency;

- (f) the Audit Authority.

*Article 7  
Conditions*

1. Without prejudice to any other conditions stated in the FFPA, the sectoral agreement and the IPARD III programme, the entrustment of budget implementation tasks specified in Article 6 shall be subject to the following condition:  
payments to the recipients for IPARD III should not be carried out until the IPARD Agency has implemented the recommendations related to the major non-compliances arising from DG AGRI audit with reference ITR/2021/006/ME. The NAO is requested to report on a quarterly basis on the state of play of implementation, as of 15.10.2023.
2. Without prejudice to specific provisions in the sectoral agreement and the FFPA, no payment shall be made in favour of a recipient or to their assignee(s) for whom it is established that they artificially created the conditions required for obtaining such payments with a view to obtaining an advantage contrary to the objectives of the support.
3. For the purpose of reporting requirements set out in Article 59 of the FFPA, the NAO shall use the forms provided for in Annexes 6 and 9 of the sectoral agreement as specified in Article 47 of the sectoral agreement.

*Article 8  
Eligibility of expenditure*

1. The rules on eligibility of expenditure are set out in Article 35 of the sectoral agreement.
2. The final date of eligibility of expenditure under the IPARD III programme shall be 31 December 2030.

*Article 9  
Suspension or termination of parts of the financing agreement*

This agreement shall be without prejudice to any decision that the Commission may take under the FFPA and the sectoral agreement, including, without limitations, interruption and suspension of payments and financial corrections.

*Article 10  
EU restrictive measures*

Article 91 of the FFPA on compliance with EU restrictive measures shall apply *mutatis mutandis* to this agreement.

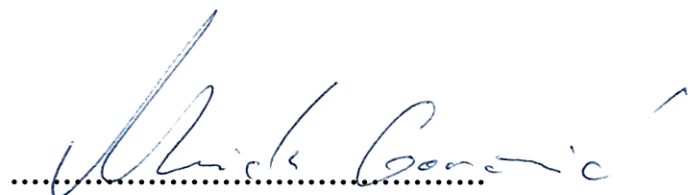
*Article 11*  
*Entry into force*

This agreement shall enter into force on the date on which the last of the Parties informs the other one in writing of its approval, in accordance with the existing internal legislation or procedure of the Party.

*Article 12*  
*Signature*

This agreement is drawn-up in duplicate in the English language.

*Signed, for and on behalf of the Government of Montenegro, in Podgorica, on 24/01/2024*



.....  
**Ms Maida GORČEVIĆ**  
**Minister of European Affairs**

*Signed, for the European Commission on behalf of the European Union, in Brussels, on 2/2/24*



.....  
**Mr Wolfgang BURTSCHER**  
**Director General for Agriculture and Rural Development**  
**Delegated Authorising Officer**

## ANNEX

The indicative maximum European Union contribution for the implementation of the IPARD III programme of Montenegro for the years 2021-2027 is set at EUR 63 000 000, split per year as follows, and shall be financed from appropriations entered in the budget line 15 02 02 02 of the general budget of the Union.

### Annual contribution for the IPARD III programme (in EUR)

Year	2021	2022	2023	2024 indicative amount	2025 indicative amount	2026 indicative amount	2027 indicative amount
<b>Total IPARD III</b>	<b>5 000 000</b>	<b>6 000 000</b>	<b>8 000 000</b>	<b>9 000 000</b>	<b>10 000 000</b>	<b>12 000 000</b>	<b>13 000 000</b>

The total indicative cost for the execution of the IPARD III programme in Montenegro, including the Union, national and private contributions, for the period 2021-2027 is EUR 128 313 724.

The indicative Union contribution is EUR 63 000 000.

The current deadlines for de-commitment are set out as follows:

Budgetary commitment 2021 must be spent by 31 December 2025<sup>9</sup>.  
Budgetary commitment 2022 must be spent by 31 December 2025.  
Budgetary commitment 2023 must be spent by 31 December 2026.  
Budgetary commitment 2024 must be spent by 31 December 2027.  
Budgetary commitment 2025 must be spent by 31 December 2028.  
Budgetary commitment 2026 must be spent by 31 December 2029.  
Budgetary commitment 2027 must be spent by 31 December 2030.

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<sup>9</sup> Budgetary commitment 2021 carried over into 2022 in accordance with Article 30 of Regulation (EU) 2021/947.