

Project Fiche 3.4: Development of the administrative capacity to adopt and implement the Acquis in the agricultural sector

1. Basic Information

1.1. CRIS Number: 2008/20-311

1.2. Title: Development of the administrative capacity to adopt and implement the Acquis in the agricultural sector

1.3. ELARG Statistical Code: 3.11

1.4. Location: Skopje and additional nation wide project related locations

Implementing arrangements

1.5 Contracting Authority (EC)

European Commission, EC Delegation, on behalf of the beneficiary

1.6 Implementing Agency

European Commission, EC Delegation, on behalf of the beneficiary

1.7 Beneficiary (including details of project manager)

Ministry of Agriculture, Forestry and Water Economy (MAFWE) and the Agency for Financial Support in Agriculture and Rural Development (IPARD Agency)

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1.8 Overall costs (VAT excluded)¹: EUR 2.500.000

1.9 EU contribution: EUR 2.000.000

1.10 Final date for contracting

Two years from the date of the conclusion of the Financing Agreement

¹ The total costs of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated.

1.11 Final date for execution of contracts:

Two years from the final date for contracting.

1.12 Final date for disbursements

One year from the final date for execution of contracts.

2. Overall Objective and Project Purpose

2.1 Overall Objective:

The overall objective of the project is to contribute to the development of the agricultural sector in the country.

2.2 Project purpose

The purpose of the project is to provide technical and material assistance to the Ministry of Agriculture, Forestry and Water Economy (MAFWE) and the Agency for Financial Support in Agriculture and Rural Development (IPARD Agency) in order to strengthen the national and regional capabilities that are required to tackle the priorities for EU alignment and market-orientated reforms and development in the sector, focusing on:

- adoption and implementation of the *acquis vis-à-vis* the CAP, specifically in relation to CMO establishment
- development and implementation of agri-environment measures
- reinforcing the Agency for Financial Support in Agriculture and Rural Development (IPARD Agency)
- designing a functional Integrated Administration and Control System and establishing the associated institutional capacity

2.3 Link with AP/NPAA/EP/SAA

The programme will contribute towards the implementation of the **Stabilisation and Association Agreement** Articles 1 and 68 on approximation of legislation to that of the Community, and Article 100 (Agriculture, and the agro-industrial sector) on modernisation and restructuring of agriculture, the agro-industrial sector and rural development.

For agricultural reform and rural development, the **Accession Partnership** outlines a series of priorities to be addressed. The **Partnership** stresses the importance of speeding up the registration of agricultural land in the real estate cadastre and ensuring collection and processing of sound and reliable agricultural data. It calls for establishment of effective and financially sound paying bodies for the management and control of agricultural funds, in line with EU requirements and international auditing standards and for upgrade of the capacity of the agricultural administration. Furthermore, it calls for completing the preparations for enforcement and practical application of the management mechanisms of the common agricultural policy and specific attention draws to the integrated administration and control system (IACS) and to the land parcel identification system (LPIS).

The **National Plan for Adoption of Acquis** with regard to agricultural reform and rural development intends to further pursue legal development and harmonisation with the *Acquis*, strengthen administrative capacity building of overall administration in the field of agriculture, particularly of that of Agency for Financial Support in Agriculture and Rural Development (IPARD Agency) as well as the establishment of integrated administration and control system (IACS) and land parcel identification system (LPIS).

2.4 Link with MIPD

The **Multi-Annual Indicative Planning Document** (MIPD) indicates that further efforts to align the agriculture and rural development legislation with the *acquis* needs to be made as the country faces difficulties in implementing and effectively enforcing the legislation. It assesses

that the agriculture sector is dominated by very small and highly fragmented family farms, engaged mainly in subsistence agriculture, while only a small surplus is marketed locally and thus economies of scale are not exploited. It underlines that the agricultural sector remains relatively problematic for several reasons, such as lack of irrigation, land fragmentation and lack of proper management systems in general. It states that assistance should focus on preparing the country for the implementation of the Community's rural development policy, in particular by focusing on investments in agricultural production to restructure and upgrade the sector to Community standards and on investments to develop and diversify economic activities in rural areas. Furthermore, it calls for upgrade of the capacity of the administration to enforce the management mechanisms of the Common Agricultural Policy.

2.5 Link with National Development Plan

The Draft 2008-2013 National Development Plan in its chapter VIII - Agriculture and Rural Development, within its Goal 4. Increase of competitiveness of the Agriculture, especially refers to the activities for "improvement of the support policies in agriculture", which is related to this project proposal efforts to strengthen the IACS system and further reinforce the implementing agency for the overall support in agriculture - the Agency for Financial Support in Agriculture and Rural Development (IPARD Agency). Furthermore, a major activity within Goal 5 (Reform of the regulatory and institutional frame) of the NDP is the establishment of the Common Market Organizations, which is also foreseen within this project proposal.

2.6 Link with national/ sectoral investment plans (where applicable)

The project directly links to the following key strategies and action plans in the sector (see for a more extensive list annex 3):

- Strategic Plan 2007-2009 of the Ministry of Agriculture, Forestry and Water Economy
- National Strategy for Agricultural and Rural Development 2007-2013, 2007
- Operational programme under the EU instrument for pre-accession for rural development (IPARD) 2007-2013

3. Description of project

3.1 Background and justification

During the past few years, the sector has witnessed significant developments on the legal, policy and strategic side. A variety of laws has been adopted, harmonising with the EU Acquis, and while the National Strategy for Agriculture and Rural Development (2007 – 2013) sets out the policy objectives, the Operational Programme for IPA Component 5 identifies key measures to be undertaken to stimulate the sector.

The administrative structures in charge of the sector are at the time of writing of this fiche under development and receive assistance from different donor agencies, including the EU under the CARDS programme. It is expected that the structures will receive their accreditation during the year 2009. In order to further guide the development and implementation of the reform in the sector, a number of key priorities have been identified that will need support during 2010 and 2011, when the trust of the present programme will be operational. These priorities are:

- adoption and implementation of the acquis vis-à-vis the CAP, specifically in relation to CMO establishment
- development and implementation of agri-environment measures

- reinforcement the Agency for Financial Support in Agriculture and Rural Development (IPARD Agency);
- design of a functional Integrated Administration and Control System and establishing the associated institutional capacity.

CAP and CMO

The MAFWE has to introduce major new policies and means of supporting general and sectoral reforms and developments, and align laws, institutional and enforcement capabilities for every major sector of the Common Agricultural, Fisheries and Forestry Policies. The development of Common Market Organisations (CMO) is a new feature in the national context. In order to appropriately prepare the country for the CAP in this aspect, further support is required to different units of the administration. The Agriculture Department and Policy Analyses Department needs support in the development of CMO measures and their monitoring and impact assessment. The State Agriculture Inspectorate requires assistance in the controlling and monitoring of the implementation of the CMO measures.

The Agency for Financial Support in Agriculture and Rural Development (IPARD Agency) needs constant support for implementing the *acquis communautaire*, including introduction of new rules and tasks for the IPARD Agency with regards to direct payments and market measures (under separate CMOs), based on adequately trained staff and adequate equipment. This support will focus on the management and control of agricultural funds dedicated to direct payments and CMO measures, following all new developments in the area of single Common Market Organisations and CAP in general.

The Department for EU Integration in MAFWE needs further assistance in the preparation of new and amended legislation. The staff in the different departments needs further training on strategy development in their respective fields, implementation of agricultural economic analysis through sector studies as well as economic analysis of the CMOs. Assistance is also envisaged for support to the reorganisation of the Agriculture Department to become MAFWE Directorate capable to manage sectoral CMO's. Training of AD staff in central and regional offices will be provided as well as supply of IT and office equipment for its central and 33 regional units.

Agri-Environment

Agri-environment measures are the only obligatory elements of rural development plans following EC Regulation 1698/2005 on rural development. Regulation specifies that rural development plans shall include "provisions to ensure the effective and correct implementation of the plans, including monitoring and evaluation". In addition, the Regulation envisages that "monitoring shall be carried out by reference to specific physical and financial indicators" and that "Member States shall submit annual progress reports to the Commission". Annual progress reports must be submitted to the Commission of each year covering the previous calendar year. The IPARD Programme 2007-2013 envisages extension and introduction of pilot Agri-Environment measures in the second financial period 2010-2013. Therefore the project will concern strengthening of the capacity within the Department for Rural Development to carry out the programming and Monitoring and Evaluation of such measures as well as establishment of appropriate systems for implementation, reporting, monitoring and evaluation within the IPARD Agency . The preparation of feasibility studies, Agri-environmental Plan and appropriate legislation preparation will be carried out by forthcoming CARDS 2006 project. The Agri-Environment measure is planned to be introduced initially as pilot within the National Rural Development Programme in 2009. Training of Department of Rural Development staff in central offices will be provided as well as supply of IT and office equipment.

Integrated Administration and Control System

The establishment of an Integrated Administrative and Control System within the MAFWE according to the Acquis, including a database which is accurate, exhaustive, up-dated and secure will provide the MAFWE and the IPARD Agency with the institutional and administrative capabilities required for the harmonisation and implementation of the Common Agricultural Policies. Furthermore, the system will provide other government entities with effective data for execution of policies regarding agriculture and rural development.

Currently there is no integrated information regarding the farmers available to the MAFWE. The present Agricultural Land Registry was established in 1945 and contains information about farmers, their holding and the type of cultivation, which is maintained, hand-written, in old protocols. The farmer's registration records are not complete, as farmers are not obliged to report changes in their tenure and in their farm production. Due to this out-dated system, no collective information can be compiled, as, for example, the total number of farmers in a district, or the total area of irrigated land. These hamper administrative and control procedures whenever required.

The Integrated Administrative and Control System is linked to the Animal Identification programme that is presently ongoing and managed through the veterinary department in MAFWE. The Animal Identification system allows animal surveillance by identifying and tracking specific animals. Also, with support from the World Bank, a GIS database will be established.

Efforts have been made to establish an Integrated Farm Registry, but due to lack of know-how as well as human capacity and an insufficient integrated support system with other local government institutions, the project is still in its early stages. It needs further support to develop to its full potential.

The intention of the MAFWE is to set an integrated register of agricultural holdings as a shield register over all other registers carrying the information important for effective decision making and implementation of direct payments policies. The main purpose of the integrated farm register is to link and thus unify all registers by setting a unique farm identification number. The established network of inter-connected registers will then be a source for multidimensional data warehouse serving the analytical needs and policy planning. The register should be developed on a farm level, supported by appropriate IT technology (hardware and software), and fed by data from the relevant available and future databases and registers that operate (or will operate once will be established) with information characteristics that describe agricultural holdings in terms of farm ownership, physical production structure, uniformed on commonly defined IT platform with provided consistency through operational procedures and methodology for data flow and data management.

The initial establishment of the core Farm Register is foreseen by the end of 2008 (which is to a great extent covered by the WB project). However, the future integration and/or connection of other registers and data-bases (records for direct support and state aid), as well as the Animal Identification and Registration System, the Vineyards Register, which are under preparation, and the Land Parcel Identification System (when established) will be subject of this project.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

The expected combined impact of the four main components of this project is a significant improvement in the administrative capacities of the institutions responsible for rural development. After project completion, the key elements of the system are expected to be in place and operational. This in turn, is expected to have a positive impact on developments in the agricultural sector, stimulating growth, diversification and exports.

3.3 Results and measurable indicators²

The project consists of three components:

- 1) Adoption and implementation of the acquis vis-à-vis the CAP, specifically in relation to CMO establishment an implementation by the IPARD Agency
- 2) Development and implementation of agri-environment measures
- 3) Design of a functional Integrated Administration and Control System and establishing the associated institutional capacity

Component 1: Adoption and implementation of the acquis vis-à-vis the CAP, specifically in relation to CMO establishment

The expected results are:

- Approximated national legislation to the EU Acquis in the area of CMOs
- Agriculture Department Reorganised
- Sector economic analysis serve as a basis for policy development
- Competent administrative structures to deal with the task emerging from EU integration in the sector;
- IPARD Agency capable to manage/control agriculture funds dedicated to direct payments to Rural Development measures;
- Producer groups and producer organizations appropriately supported in the context of Pillar 1 payments.

The measurable indicators are:

- Adopted legislation
- Reorganisation implemented
- Sector studies produced
- Number of staff trained;
- IPARD Agency capable of handling records (compliance, handling speed)
- Satisfaction levels of training implemented, measured through after-training surveys

Component 2: Development and implementation of agri-environment measures

The expected results are:

- Approximated national legislation to the EU Acquis in the area of AE
- Competent administrative structures to deal with the task emerging from EU integration in the sector;
- National Agri-Environmental Programme developed
- Regulatory background developed and adopted;

² Please note that some of the indicators have not yet been quantified or been given a benchmark. This will be done during the development of the detailed Terms of Reference.

- Pilot AE measures implemented by the IPARD Agency;
- IPARD Agency capable to manage/control agriculture funds dedicated to direct payments to Rural Development measures ;
- Methodology for payment calculations and agri-environmental schemes on farm level developed by/for the IPARD Agency

The measurable indicators are:

- Adopted legislation;
- Approved National Agri-Environmental Programme;
- Implementation reports of AE measures;
- Regulations adopted;
- Number of staff trained;
- IPARD Agency capable of handling records (compliance, handling speed);
- Methodology for payment calculations and agri-environmental schemes on farm level;
- Satisfaction levels of training implemented, measured through after-training surveys.

Component 3: Design of a functional Integrated Administration and Control System and establishing the associated institutional capacity

The expected results are:

- Establishment and functioning of the LPIS to the whole territory of the country;
- Integration of various registers and databases into fully functional IACS;
- Vehicles purchased and operational;
- IACS unit established;
- Operating manuals for IACS system developed;
- Cooperation agreement between farmers/breeders and IACS unit arranged.

The measurable indicators are:

- Output data from IACS system utilised to formulate policies relating to agriculture and sustainable rural development;
- Number of staff appointed to IACS unit, budget of IACS unit;
- Number of staff trained;
- Number of staff effectively trained and prepared to use the IACS system;
- Number of vehicles;
- Number of cooperation agreement between farmers/breeders and IACS unit arranged;
- Satisfaction levels of training implemented, measured through after-training surveys.

3.4 Activities

Component 1: Adoption and implementation of the acquis vis-à-vis the CAP, specifically in relation to CMO establishment

- 1) Training needs assessment, training plan development and implementation with specific reference to:
 - a. the Agriculture Department and Policy Analyses Department in the development of CMO measures and their monitoring and impact assessment;
 - b. the State Agriculture Inspectorate in the controlling and monitoring of the implementation of the CMO measures;
 - c. the IPARD Agency in the management and control of agricultural funds dedicated to direct payments and CMO measures;

- 2) Training needs assessment, training plan development and implementation with specific reference to the IPARD Agency for:
 - a. Implementation of new public measures as proposed in the IPARD Programme (rural infrastructure and LEADER); and in relation to CMO measures
 - b. Producer group support.
- 3) Strategic, Operational and knowledge management, with specific reference to:
 - a) Reorganization of the Agriculture Department
 - b) Developing manuals and publicity materials on the basis of the legal acts and institutional arrangements with regards to the CMOs thereby providing and communicating information necessary for the effective implementation;
 - c) Elaborating of agricultural economic analysis for: policy decisions and regular agricultural report requirements on cereals, oilseeds, mild, sugar, pork, beef, poultry, eggs, vegetables, fruits, wine, potatoes and farm development;
 - d) Review of the reliability of the economic analysis the respective CMO's within MAFWE;
 - e) Elaboration recommendations for the adaptation of the sectoral strategies with respect to the requirements of the competitive markets;
 - f) Identify priority legislation to be harmonised with the EU Acquis, implement harmonisation.

Component 2: Development and implementation of agri-environment measures

- 1) Training needs assessment, training plan development and implementation with specific reference to:
 - a. EU legislation on the agricultural production methods according to the environmental and landscape conservation requirements;
 - b. Regulatory background, control and sanctions of cross compliance and cross-compliance implementation
 - c. Data recording and handling of software, quality assurance of data, cross checking of data;
 - d. Advisory Services related to Agri-Environment;
- 2) Training needs assessment, training plan development and implementation with specific reference to the IPARD Agency for agri-environmental measures
- 3) Strategic, operational and knowledge management, with specific reference to:
 - a. Development of the regulatory background, control and sanctions of Cross Compliance;
 - b. Development of National Agri-environmental Programme (AEP) and pilot AE measures, as well as introduction of Cross Compliance as a requisite for the direct payments within SPS/SAPS;
 - c. Development of Methodology for payment of payment calculations and agri-environmental schemes design on farm level;
 - d. Promote the agri-environmental schemes (focus on Regional MAFWE Inspectors and Directorates);
 - e. Development of the software system (AEMIS) for agri-environment measures compatible with IACS, FADN, Biodiversity Monitoring Programme, Information handled on GIS surface,
 - f. Cooperation and information exchange between MAFWE and MEPP.

Component 3: Design of a functional Integrated Administration and Control System and establishing the associated institutional capacity

- 1) Training needs assessment, training plan development and implementation with specific reference to:
 - a. Related to the necessary adjustment and extension of IACS/LPIS due to the introduction of the Single Payment Scheme and particularly Cross Compliance;
 - b. Data recording and handling of software;
 - c. Development of operating manuals for IACS system
- 2) Strategic, operational and knowledge management, with specific reference to:
 - a. Expansion of the LPIS on the whole territory of the country;
 - b. Purchase all-road vehicles that will enable the experts to execute on the spot controls for data recording;
 - c. Setting-up of an IACS unit within the MAFWE responsible for the implementation of the system;
 - d. Establish an effective co-operation system between the farmers/breeders and the IACS unit through: meetings; seminars; training of extension service staff; media campaigns.

Management and contracting arrangements

For each component a steering committee will be established to oversee the overall implementation of the project.

Advisory services will be provided to the beneficiary. The contracts to support the project will contain next to a team leader additional expertise to assist in key tasks, e.g. in the field of administrative capacity building, training, IT development, legal development and others. Some of these experts will address the cross-cutting issues.

The core project team – consisting of the team leader and other expertise will be placed within the respective units.

The team leader will be responsible for the overall management, representation (co-ordination with the EU and other international bodies) as well as reporting. The co-ordination of activity development in the different components of the activity is significantly important. The team leader is responsible for an appropriate management of resources. During the inception phase of the project, a detailed deployment plan will be developed under the coordination of a Steering Committee in which each co-operating national institution will be represented to ensure appropriate inclusion.

The expected contracting arrangements are:

Financed through IPA:

- 1) 1 service contract following an international restricted tender procedure will be developed for the implementation of component 1: **Adoption and implementation of the acquis vis-à-vis the CAP, specifically in relation to CMO establishment.** The contract has an expected duration of 12 – 24 months, is expected to start in 2nd quarter 2010, and has a budget of approximately 700.000 Euro.
- 2) 1 service contract following an international restricted tender procedure will be developed for the implementation of component 2: **Development and implementation of agri-environment measures.** The contract has an expected duration of 12 – 24 months, is expected to start in 2nd quarter 2010, and has a budget of approximately 700.000 Euro.

3) 1 service contract following an international restricted tender procedure will be developed for the implementation of Component 3: **Design of a functional Integrated Administration and Control System and establishing the associated institutional capacity**. The contract has an expected duration of 12 – 24 months, is expected to start at 2nd quarter 2010, and has a budget of approximately 600.000 Euro.

The ToR's for all the contracts should be developed in the course of 2009.

Financed through the national contribution:

1) 1 Supply contract is expected to be concluded to provide the IT equipment for the different components. The specifications of the IT equipment will be made through a dedicated Framework Contract financed under the Project Preparation and Support Facility. The supply contract will have a duration of 4 to 8 months for delivery and training in equipment use, a subsequent 12 months warranty period, and hence an overall duration of 16 – 20 months, and should start in 3rd quarter 2010. The total value of this supply contract is expected to be EUR 400.000. The contract should include the software necessary for the LIPS system and the Farm Registry.

2) 1 supply contract is expected to be concluded to provide the vehicles required under Component 3: Design of a functional Integrated Administration and Control System and establishing the associated institutional capacity. Approximately 6-8 vehicles are to be procured. The specifications of the vehicles will be made through a dedicated Framework Contract financed under the Project Preparation and Support Facility. The supply contract will have a duration of 4 to 8 months for delivery and training in equipment use, a subsequent 12 months warranty period, and hence an overall duration of 16 – 20 months, and should start in 3rd quarter 2010. The total value of this supply contract is expected to be 100.000 Euro.

3.5 Conditionality and sequencing

The project includes the following conditionalities:

- 1) Endorsement by all key stakeholders of the Terms of Reference, specifications for the individual contracts to be engaged;
- 2) Appointment of counterpart personnel by the beneficiaries before the launch of the tender process;
- 3) Allocation of working space and facilities by the beneficiaries for technical assistance before the launch of the tender process;
- 4) Participation by the beneficiaries in the tender process as per EU regulations;
- 5) Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars by the beneficiaries as per workplan of the project;
- 6) Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan;
- 7) Amendments to legislation to harmonise with the Common Agricultural Policy enacted;
- 8) Sufficient managerial and technical human resources allocated to the relevant Departments
- 9) EU procedures to be followed for the procurement of supplies, contracting of technical assistance and training financed from pre-accession funds.

In the event that conditionalities are not met, suspension or cancellation of projects will be considered.

3.6 Linked activities

The EU – CARDS support (1,5 mill Euro) is foreseen to become operational in June 2008 to support the IPARD Agency. This project is expected to finalise towards the end of 2009. The present project (component 3) will provide a follow-up on the Cards project.

In addition to this, the World Bank *Macedonian agriculture and EU acquis project*, and especially its first component *Strengthening MAFWE's administrative and management capacity in compliance with EU accession requirement*, among others institutional capacity building activities, will be focused on assisting MAFWE to develop the basic elements of a comprehensive Integrated Administration and Control System (IACS), including: a computerised data base of records for each agricultural holding obtained from aid applications representing a Registry of Farm Households with its progressive expansion with data from relevant databases over the life of the project; an integrated control system consist of administrative checks on the aid applications supplemented by a system of on-the-spot checks to verify eligibility for the aid; and finally an identification system for agricultural parcels (LPIS).

3.7 Lessons learned

Although impact realised through the previous assistance overall is satisfactory, a number of challenges remain:

- *Legal Reform*: Initial timelines for the adoption of legal instruments are not always honoured, leading to delays in implementation and causing difficulties in project implementation.
- *Enforcement*: In previous years, a large focus has been on establishing the legal frameworks in the country. The capacity to enforce the law, however, has received insufficient attention, leading to a situation where the legal reform is rather well advanced, but the practice – law enforcement and implementation - has not followed.
- *Conditionalities*: Often project implementation is hampered by either insufficient staff and resources allocated to (newly established) institutions or insufficient operational funds available in the government budget to allow for appropriate implementation of the mandate of the concerned department.
- *Coordination*: Further improvements of the coordination of the relevant institutions and the involvement of all relevant stakeholders - in line with the spirit of EU accession, is needed.

4. Indicative Budget (amounts in M€)

| | | | SOURCES OF FUNDING | | | | | | | | | |
|------------------------------|--------|---------|---------------------|----------------------------|-----------|---------------------------|-----------|-----------------|--------------------------|--------------|----------------------|------|
| | | | TOTAL EXP.RE | IPA COMMUNITY CONTRIBUTION | | NATIONAL CONTRIBUTION | | | | | PRIVATE CONTRIBUTION | |
| ACTIVITIES | IB (1) | INV (1) | EUR (a)=(b)+(c)+(d) | EUR (b) | %(2) | Total EUR (c)=(x)+(y)+(z) | %(2) | Central EUR (x) | Regional / Local EUR (y) | IFIs EUR (z) | EUR (d) | %(2) |
| 1 contract CMO | | | | | | | | | | | | |
| Service contract | X | - | 0.7 | 0.7 | 100 | | | | | | | - |
| 2 contract Agri-Environment | | | | | | | | | | | | |
| Service Contract | X | - | 0.7 | 0.7 | 100 | | | | | | | - |
| 3 contract IACS | | | | | | | | | | | | |
| Service contract | X | - | 0.6 | 0.6 | 100 | | | | | | | - |
| 4 contract Vehicles supplies | | X | 0.1 | | | 0.1 | 100 | 0.1 | | | | |
| 5 contract supplies | | | | | | | | | | | | |
| IT supplies | - | X | 0.4 | | | 0.4 | 100 | 0.4 | | | | - |
| TOTAL IB | | | 2.0 | 2.0 | 100 | | | | | | | |
| TOTAL INV | | | 0.5 | 0 | 0 | 0.5 | 100 | 0.5 | | | | |
| TOTAL PROJECT | | | 2.5 | 2.0 | 80 | 0.5 | 20 | 0.5 | | | | |

Amounts net of VAT

(1) In the Activity row use "X" to identify whether IB or INV

(2) Expressed in % of the **Total** Expenditure (column (a))

5. Indicative Implementation Schedule (periods broken down per quarter)

| Contracts (Financed by IPA) | Start of Tendering | Signature of contract | Project Completion |
|---|--------------------|-----------------------|--------------------|
| Contract 1 - Component 1: CMO Service Contract | Qu4 2009 | Qu2 2010 | Qu2 2012 |
| Contract 2 - Component 2: EA Service Contract | Qu4 2009 | Qu2 2010 | Qu2 2012 |
| Contract 3 - Component 3: IACS Service contract | Qu4 2009 | Qu2 2010 | Qu2 2012 |
| Contracts (financed by National Contribution) | Start of Tendering | Signature of contract | Project Completion |
| Contract 4 - Component 3: IACS Vehicles | Qu1 2010 | Qu3 2010 | Qu2 2012 |
| Contract 5 - General: IT Supplies | Qu1 2010 | Qu3 2010 | Qu2 2012 |

6. Cross cutting issues

The cross-cutting issues will be addressed throughout the project. Up to 10% of the budget of the individual service contracts for capacity building – through short term expertise - may be allocated to assist the different beneficiaries to comply with European standards and best practices, implement relevant existing Government strategies and develop internal measures to ensure each cross-cutting issue is appropriately mainstreamed.

The mainstreaming of the cross cutting issues is regarded on two different levels:

- 1) Ensuring that the internal policies, structure or operating procedures of the beneficiary IPARD Agency will conform to and promote the relevant principles outlined per section below.
- 2) Ensuring that the products, outputs produced by the beneficiaries (e.g. laws, regulations, policies, and strategies) will conform to and promote the relevant principles outlined per section below.

Throughout the project cycle, in particular when developing project ToR, state actors specifically addressing (one of) the cross cutting issues shall be consulted. Specific attention will be paid to transfer knowledge to trainees on mainstreaming the cross cutting issues into future IPA plans.

Equal opportunities and non-discrimination

The project implementation will not tolerate any discrimination based on religion, ethnicity, sex or physical disability. Equal gender opportunities will be fully respected in the composition of the Steering Committee and/or Technical Committees for projects assessment and elsewhere, where necessary. In addition to this, the internal policies, structure or operating procedures of the beneficiaries, as well as products and outputs produced by the beneficiaries (e.g. laws, regulations, policies, strategies) will conform to the relevant principles of equal opportunities and non-discrimination

Environment

The European Community has a longstanding commitment to address environmental concerns in its assistance programmes (as part as a wider commitment to sustainable development). Key references include art. 6 of the Treaty and also the Cardiff process which foresees the systematic consideration of environmental aspects into EC development cooperation and in other policies (hence very important for the *acquis*).

The second component of this project is strictly concerned with environmental issues, assisting and providing institutional support for training institutions in advisory, monitoring and control issues related to various environmental aspects.

ANNEXES

- 1 - Log Frame in Standard Format
- 2 - Amounts contracted and Distributed per Quarter over the full duration of Programme
- 3 - Description of Institutional Framework
- 4 - Reference to laws, regulations and strategic documents
 - Reference list of relevant laws and regulations
 - Reference to AP/NPAA/EP/SAA
 - Reference to MIPD
 - Reference to National Development Plan
 - Reference to national/sectoral investment plans
- 5 – Details per EU funded contract (*) where applicable:
 - *For TA contracts*: account of tasks expected from the contractor
 - *For Twinning covenants*: account of tasks expected from the team leader, resident twinning advisor and short term experts
 - *For Grant schemes*: account of components of the scheme
 - *For Investment contracts*: reference list of feasibility study as well as technical specifications and cost price schedule + section to be filled in on investment criteria
 - *For works contracts*: reference list of feasibility study for the constructing works part of the contract as well as a section on investment criteria (**); account of services to be carried out for the service part of the contract

(*) non standard aspects (in case of derogation to PRAG) also to be specified

(**) section on investment criteria (applicable to all infrastructure contracts and construction works):

- Rate of return
- Co-financing
- Compliance with state aids provisions
- Ownership of assets (current and after project completion)

ANNEX 1 - Log frame in standard format

| | | | |
|---|---|--|--|
| LOGFRAME PLANNING MATRIX FOR Agriculture and rural development | Programme name and number: Agriculture and rural development | | |
| | Contracting period expires two years from the date of the conclusion of the Financing Agreement | Execution period expires two years from the final date for contracting | Disbursement period expires one year from the final date for execution of contracts. |
| | | Total budget: EUR 2.5 million | IPA budget: EUR 2.0 million |

| Overall objective | Objectively verifiable indicators | Sources of Verification |
|---|--|--------------------------------|
| The overall objective of the project is to contribute to the development of the agricultural sector in the country. | - | - |

| Project purpose | Objectively verifiable indicators | Sources of Verification | Assumptions |
|---|--|--|---|
| <p>The purpose of the project is to provide technical and material assistance to the Ministry of Agriculture, Forestry and Water Economy (MAFWE) and the the Agency for Financial Support in Agriculture and Rural Development (IPARD Agency) in order to strengthen the national and regional capabilities that are required to tackle the priorities for EU alignment and market-orientated reforms and development in the sector, focusing on:</p> <ul style="list-style-type: none"> - adoption and implementation of the acquis vis-à-vis the CAP, specifically in relation to CMO establishment - development and implementation of agri-environment measures - reinforcing the Agency for Financial Support in Agriculture and Rural Development (IPARD Agency) | <ul style="list-style-type: none"> - Timely delivery of the programming document by the Government to the Commission - Timely implementation of the IPARD Programme - Timely implementation of the project tender processes - Timely contacting of support project <p>Availability of beneficiary agencies and staff</p> | <ul style="list-style-type: none"> - MIPD updates - Delivery dates of Operational Programmes - Contract records - Audit reports - Contracting records commission - Accreditation dossiers for PA | DIS accreditation will be implemented by the end of 2008. |

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| - designing a functional Integrated Administration and Control System and establishing the associated institutional capacity | | | |
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| Results | Objectively verifiable indicators | Sources of Verification | Assumptions |
|---|---|---|---|
| <p>Component 1: Adoption and implementation of the acquis vis-à-vis the CAP, specifically in relation to CMO establishment</p> <p>The expected results are:</p> <ul style="list-style-type: none"> - Approximated national legislation to the EU Acquis in the area of CMOs - Agriculture Department Reorganised - Sector economic analysis serve as a basis for policy development - Competent administrative structures to deal with the task emerging from EU integration in the sector; - IPARD Agency capable to manage/control agriculture funds dedicated to direct payments to rural development measures; - Producer groups and producer organizations appropriately supported in the context of Pillar 1 payments. | <p>The measurable indicators are:</p> <ul style="list-style-type: none"> - Adopted legislation - Reorganisation implemented - Sector studies produced; - Number of staff trained; - IPARD Agency capable of handling records (compliance, handling speed) - Satisfaction levels of training implemented, measured through after-training surveys | <ul style="list-style-type: none"> - Project reports - Monthly reports from different institutions - Government reports - Progress Reports (Commission) | <ul style="list-style-type: none"> - Cooperation among the stakeholders - Commitment from national authorities in the process |
| <p>Component 2: Development and implementation of agri-environment measures</p> <p>The expected results are:</p> <ul style="list-style-type: none"> - Approximated national legislation to the EU Acquis in the area of AE - Competent administrative structures to deal with the task emerging from EU integration in the sector; - National Agri-Environmental Programme developed - Regulatory background developed and adopted; | <p>The measurable indicators are:</p> <ul style="list-style-type: none"> - Adopted legislation; - Approved National Agri-Environmental Programme; - Implementation reports of AE measures; - Regulations adopted; - Number of staff trained; - IPARD Agency handling records (compliance, handling speed); - Methodology for payment calculations and agri-environmental schemes on farm level; - Satisfaction levels of training | | - |

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| <ul style="list-style-type: none"> - Pilot AE measures implemented by the IPARD Agency - IPARD Agency capable to manage/control agriculture funds dedicated to direct payments to rural development measures; - Methodology for payment calculations and agri-environmental schemes on farm level developed by/for the IPARD Agency | <p>implemented, measured through after-training surveys.</p> | | |
| <p>Component 3: design of a functional Integrated Administration and Control System and establishing the associated institutional capacity</p> <p>The expected results are:</p> <ul style="list-style-type: none"> - Establishment and functioning of the LPIS to the whole territory of the country; - Integration of various registers and databases into fully functional IACS; - Vehicles purchased and operational; - IACS unit established; - Operating manuals for IACS system developed; - Cooperation agreement between farmers/breeders and IACS unit arranged. | <p>The measurable indicators are:</p> <ul style="list-style-type: none"> - Output data from IACS system utilised to formulate policies relating to agriculture and sustainable rural development; - Number of staff appointed to IACS unit, budget of IACS unit; - Number of staff trained; - Number of staff effectively trained and prepared to use the IACS system; - Number of vehicles; - Number of cooperation agreement between farmers/breeders and IACS unit arranged - Satisfaction levels of training implemented, measured through after-training surveys. | | - |

| Activities | Means | Costs | Assumptions |
|---|-----------------------------------|---|--|
| <p>Component 1: adoption and implementation of the acquis vis-à-vis the CAP, specifically in relation to CMO establishment</p> <p>1. Training needs assessment, training plan development and implementation with specific reference to:</p> <ol style="list-style-type: none"> a. the Agriculture Department and Policy Analyses Department in the development of CMO measures and their monitoring and impact assessment; b. the State Agriculture Inspectorate in the | <p>Service Contract, supplies</p> | <p>Service contract 700.000 (IPA) Supplies combined with other components in one supply contract: EUR 400.000 (National contribution)</p> | <ul style="list-style-type: none"> - Appropriate expertise is available - Beneficiary institutions can make (qualified) staff available. |

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| <p>controlling and monitoring of the implementation of the CMO measures;</p> <p>c. the IPARD AGENCY in the management and control of agricultural funds dedicated to direct payments and CMO measures;</p> <p>2. Training needs assessment, training plan development and implementation with specific reference to the IPARD Agency for:</p> <p>a. Implementation of new public measures as proposed in the IPARD Programme (rural infrastructure and LEADER); and in relation to CMO measures</p> <p>b. Producer group support.</p> <p>3. Strategic, Operational and knowledge management, with specific reference to:</p> <p>a. Reorganization of the Agriculture Department</p> <p>b. Developing manuals and publicity materials on the basis of the legal acts and institutional arrangements with regards to the CMOs thereby providing and communicating information necessary for the effective implementation;</p> <p>c. Elaborating of agricultural economic analysis for: policy decisions and regular agricultural report requirements on cereals, oilseeds, mild, sugar, pork, beef, poultry, eggs, vegetables, fruits, wine, potatoes and farm development</p> <p>d. Review of the reliability of the economic analysis the respective CMO's within MAFWE;</p> <p>e. Elaboration recommendations for the adaptation of the sectoral strategies with respect to the requirements of the competitive markets;</p> <p>f. Identify priority legislation to be harmonised with the EU Acquis, implement harmonisation.</p> | | | |
| <p>Component 2: development and implementation of agri-environment measures</p> | <p>Service contract, supplies</p> | <p>Service contract 700.000 (IPA)</p> | |

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|---|--|---|--|
| <ol style="list-style-type: none"> 1. Training needs assessment, training plan development and implementation with specific reference to: <ol style="list-style-type: none"> a. EU legislation on the agricultural production methods according to the environmental and landscape conservation requirements; b. Regulatory background, control and sanctions of cross compliance and cross-compliance implementation c. Data recording and handling of software, quality assurance of data, cross checking of data; d. Advisory Services related to Agri-Environment; 2. Training needs assessment, training plan development and implementation with specific reference to the IPARD Agency for: agri-environmental measures 3. Strategic, operational and knowledge management, with specific reference to: <ol style="list-style-type: none"> a. Development of the regulatory background, control and sanctions of Cross Compliance; b. Development of National Agri-environmental Programme (AEP) and pilot AE measures, as well as introduction of Cross Compliance as a requisite for the direct payments within SPS/SAPS; c. Development of Methodology for payment of payment calculations and agri-environmental schemes design on farm level; d. Promote the agri-environmental schemes (focus on Regional MAFWE Inspectors and Directorates); e. Development of the software system (AEMIS) for agri-environment measures compatible with IACS, FADN, Biodiversity Monitoring Programme, Information | | <p>Supplies combined with other components in one supply contract: EUR 400.000 (national contribution)</p> | |
|---|--|---|--|

| | | | |
|--|---------------------------------------|---|--|
| <p>handled on GIS surface, f. Cooperation and information exchange between MAFWE and MEPP.</p> | | | |
| <p>Component 3: design of a functional Integrated Administration and Control System and establishing the associated institutional capacity</p> <p>1. Training needs assessment, training plan development and implementation with specific reference to:</p> <ol style="list-style-type: none"> a. Related to the necessary adjustment and extension of IACS/LPIS due to the introduction of the Single Payment Scheme and particularly Cross Compliance; b. Data recording and handling of software; c. Development of operating manuals for IACS system. <p>2. Strategic, operational and knowledge management, with specific reference to:</p> <ol style="list-style-type: none"> a. Expansion of the LPIS on the whole territory of the country; b. Purchase all-road vehicles that will enable the experts to execute on the spot controls for data recording; c. Setting-up of an IACS unit within the MAFWE responsible for the implementation of the system; d. Establish an effective co-operation system between the farmers/breeders and the IACS unit through: meetings; seminars; training of extension service staff; media campaigns. | <p>Technical Assistance, Supplies</p> | <p>Service contract 600.000 (IPA) Supplies combined with other components in one supply contract: EUR 400.000 (national contribution) Supply contract for vehicles: EUR 100.000 (national contribution)</p> | |

Pre conditions

The project includes the following conditionalities:

- Endorsement by all key stakeholders of the Terms of Reference, specifications for the individual contracts to be engaged;
- Appointment of counterpart personnel by the beneficiaries before the launch of the tender process;
- Allocation of working space and facilities by the beneficiaries for technical assistance before the launch of the tender process (if required);

- Participation by the beneficiaries in the tender process as per EU regulations;
- Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars by the beneficiaries as per workplan of the project;
- Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan;
- Amendments to legislation to harmonise with the Common Agricultural Policy enacted;
- Sufficient managerial and technical human resources allocated to the relevant Departments
- EU procedures to be followed for the procurement of supplies, contracting of technical assistance & training financed from pre-accession funds.

In the event that conditionalities are not met, suspension or cancellation of projects will be considered.

ANNEX 2 - Amounts (in million EUR) contracted and Distributed per Quarter over the full duration of Programme (only IPA funds)

| | 2010 | | | | 2011 | | | | 2012 | | | |
|------------------------------------|-----------|------------|-----------|------------|-----------|-----------|------------|-----------|-----------|------------|-----------|-----------|
| Contracted | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Component 1: CMO service contract | | 0.7 | | | | | | | | | | |
| Component 2: EA service contract | | 0.7 | | | | | | | | | | |
| Component 3: IACS Service contract | | 0.6 | | | | | | | | | | |
| Cumulated | | 2.0 | | | | | | | | | | |
| Disbursed | | | | | | | | | | | | |
| Component 1: CMO service contract | | 0.2 | | 0.2 | | | 0.2 | | | 0.1 | | |
| Component 2: EA service contract | | 0.2 | | 0.2 | | | 0.2 | | | 0.1 | | |
| Component 3: IACS Service contract | | 0.2 | | 0.2 | | | 0.1 | | | 0.1 | | |
| Cumulated | | 0.6 | | 1.2 | | | 1.7 | | | 2.0 | | |

ANNEX 3 – Description of Institutional Framework

A) MINISTRY OF AGRICULTURE, FORESTRY AND WATER ECONOMY

I. ORGANIGRAM (PRESENTED BELOW)

II. DYNAMICS OF EMPLOYMENT IN MAFWE BENEFICIARY DEPARTMENTS

| Department | 2006 | 2007 recruited from other government institutions | 2007 public announcement | Status as of 31.12.2007 | 2008 | 2009 | 2010 | Total new employees (2008-2010) | Total |
|--------------------------------|------|---|--------------------------|-------------------------|------|------|------|---------------------------------|-------|
| Policy Analyses Department | 1 | 2 | 5 | 8 | 6 | 5 | 5 | 16 | 24 |
| Agriculture Department | 5 | 1 | 3 | 9 | 9 | 7 | 6 | 22 | 31 |
| Rural Development Department | 4 | 2 | 2 | 8 | 10 | 10 | 9 | 29 | 37 |
| State Agriculture Inspectorate | 28 | 2 | 17 | 47 | 19 | 13 | 11 | 43 | 90 |
| EU Department | 1 | 0 | 3 | 4 | 2 | 2 | 2 | 6 | 10 |

III. MANDATE

The Law on Organisation and Operation of the State Administration Bodies (“Official Gazette of RM” Nos. 58/00 and 44/02) defines the competence of the Ministry of Agriculture, Forestry and Water Economy related to agriculture and rural development, forestry and water economy, utilisation of agricultural land, forests and other natural resources, hunting and fishery, protection of livestock from diseases and pests, monitoring and exploring the water conditions, maintaining and improving the waters regime and other items defined with the Law.

IV. BUDGET OF THE MAFWE

The overall budget of the MAFWE for 2008 is 3.123.929.000,00 MKD. The Project’s beneficiaries have the following budgets for 2008:

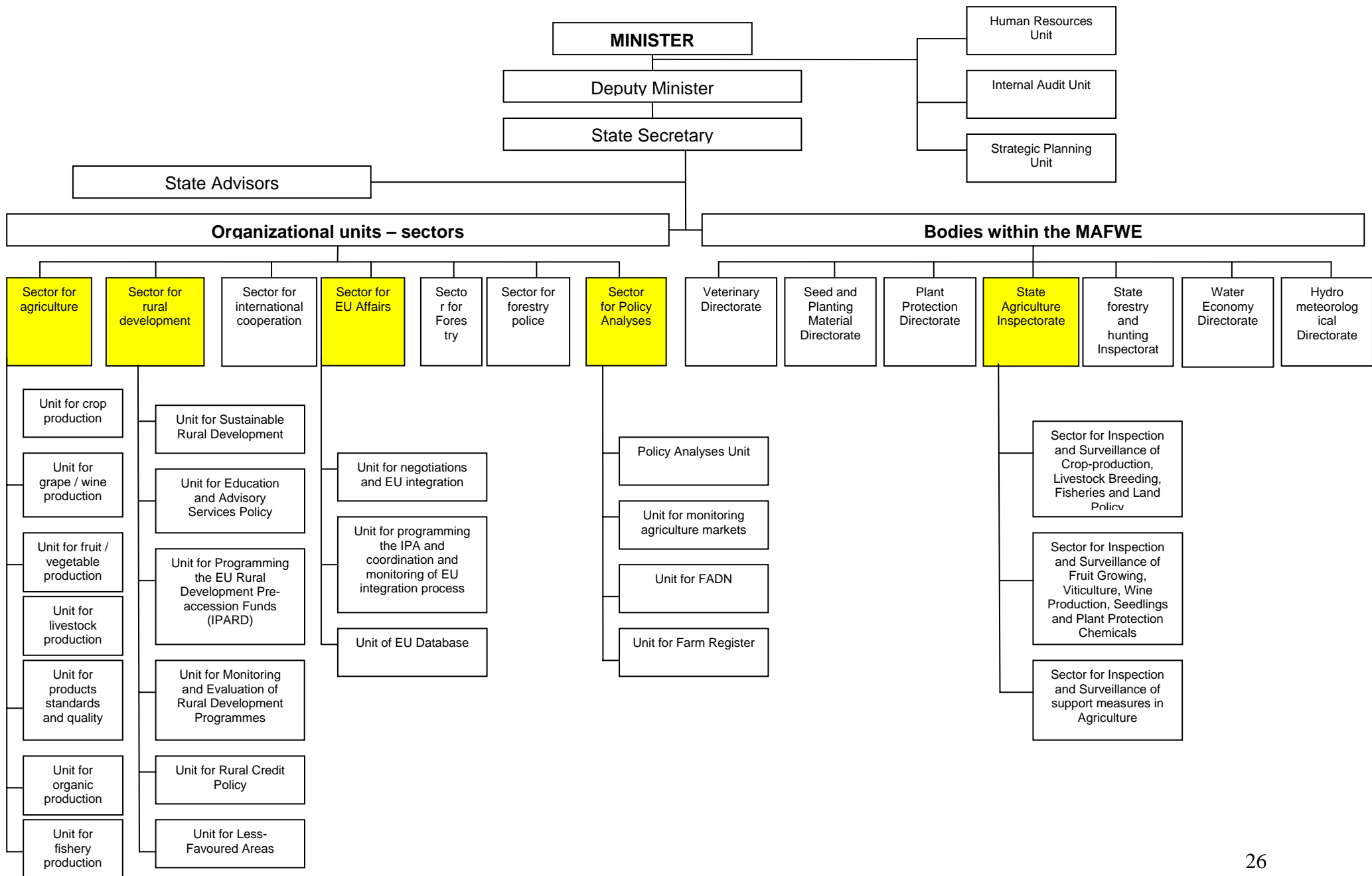
- Policy Analyses Department: 6.617.000,00 MKD
- Agriculture Department : 159.026.000,00 MKD
- Rural Development Department: 13.756.000,00 MKD
- State Agriculture Inspectorate: 40.682.000,00 MKD
- EU Department: 13.477.000,00 MKD

V. BRIEF DESCRIPTION OF THE BENEFICIARY DEPARTMENTS WITHIN THE MAFWE

- **Policy Analyses Department:** provision of appropriate flow, collection and dissemination of data related to agriculture and rural development from various sources; analyses of the data and production of policy options; monitoring the implementation and evaluation of the effects of the policy measures; and budget planning and financial management.
- **Agriculture Department:** drafting, proposing and implementation of the legislation, as well as with administrative and governing issues in the area of livestock and plant production;

monitors the overall development of the agriculture sector; and proposes measures (market and direct support measures) for development of agriculture sector through the support programmes of the MAFWE.

- **Rural Development Department:** all aspects of management, programming, monitoring and evaluation of rural development policies both national and EU funded schemes; develops and proposes rural development policies and strategies in line with national strategies; organizes and supports the work of the Rural Development Monitoring Committee and Inter-Governmental Rural Development Body; prepares multiannual plans for utilization of EU rural development pre-accession funds based on the strategic document for rural development and the Rural Development Programme.
- **State Agriculture Inspectorate:** supervision of the circulation of plants, products, means, items and other things defined by the agricultural legislation, in imports, exports and re-exports via state border; examination and control of agricultural land, agricultural crops and plantations, records on breeding and other cattle, areas of processing and finishing agricultural products, equipment used in these procedures, agricultural technique, business quarters, business books, contracts, inventory lists as well as other documentation relevant for acquiring insight in entities' activities in compliance with agricultural and other legislative; and supervision of the overall quantities of products of plant origin, encompassed with the certificate issued by authorized legal persons and institutions.
- **EU Department:** monitoring and management and coordination of all aspects of EU integration processes within the MAFWE; preparation, implementation, coordination and monitoring of the National Programme for the Adoption of the Acquis (NPAA); implementing the process of EU integration and approximation/adoption of the EU *Acquis Communautaire*; programming of the EU Instrument for Pre-Accession (IPA) , Component I; and preparation of database of all relevant data (acts, documents, reports etc) related to the EU integration process in the fields under the responsibilities of MAFWE.



B) THE AGENCY FOR FINANCIAL SUPPORT IN AGRICULTURE AND RURAL DEVELOPMENT (IPARD AGENCY)

I. ORGANIGRAM

The organigram of the Agency for Financial Support in Agriculture and Rural Development (IPARD Agency) is presented further below

II. MANDATE OF THE IPARD AGENCY

The Agency for Financial Support in Agriculture and Rural Development was given a mandate with the Law on establishing the Agency which came into force on 02.06.2007. The Government appointed the Director of the Agency on 18.08.2007.

Article 1 of this law reads: This Law shall regulate the establishment, competences, organisation and the manner of performing the work and management of the Agency for Financial Support of Agriculture and Rural Development and shall determine the sources of funding and their purpose, as well as other issues of relevance to the development of agriculture and rural areas.

III. STAFF ESTABLISHMENT IPARD AGENCY

Employment in 2006 was as follows:

- 15 employees employed through the Secretariat for European Affairs
- 4 employees employed through the General Secretariat, out of which 2 employees have resigned before transfer to the Agency for Financial Support in Agriculture and Rural Development (IPARD Agency)

Total: 17 employees

Employment in first half of 2007

- 2 employees employed through the Ministry of Agriculture, Forestry and Water Economy and transferred to the Agency for Financial Support in Agriculture and Rural Development (IPARD Agency)
- Director nominated by the Government

Total: 20 employees taken over by the Agency for Financial Support in Agriculture and Rural Development (IPARD Agency)

Employment in second half of 2007

- 3 employees

Employment on basis of Agency for Civil Servants from the second half of 2007 till 13.02.2008

- 6 employees

TOTAL: 29 employees till 14.03.2008

Employment in first half of 2008

- open call published for 25 new employees, procedure for selection – on going
- open call published for 7 new employees, procedure for testing and selection – on going

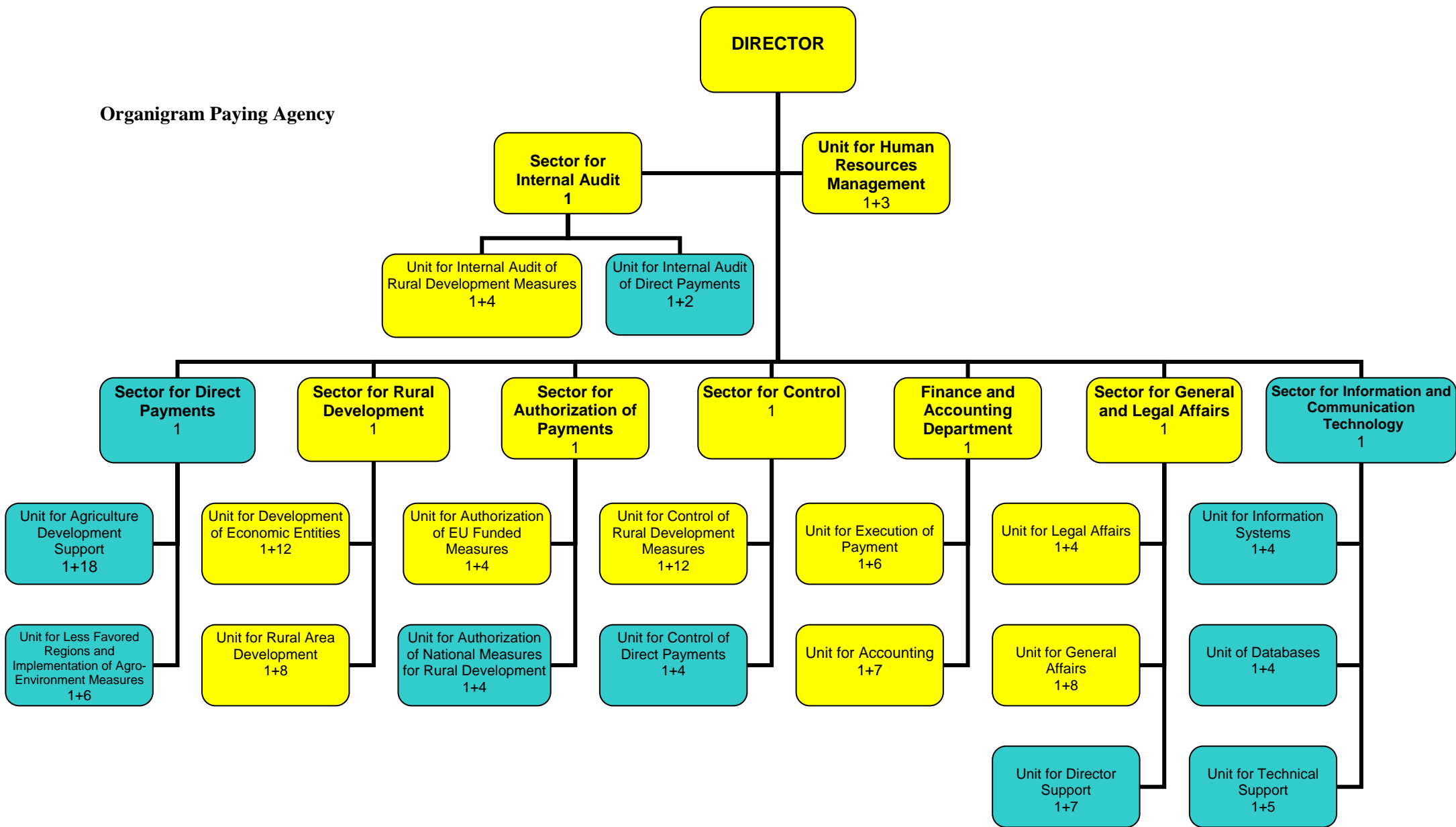
IV. BUDGET OF THE IPARD AGENCY

- 2.733.000.000 (denars, national currency)
- 45.000.000 euros (42 mil. Euro have been programmed for the National Payment Schemes from account no. 464)

V. BRIEF JOB DESCRIPTION OF THE SECTORS AND UNITS WITHIN AGENCY FOR FINANCIAL SUPPORT IN AGRICULTURE AND RURAL DEVELOPMENT (IPARD AGENCY) (in connection to the Law establishing the Agency for Financial Support in the Agriculture and Rural Development and the Organigram)

- **Sector for Approval of Projects:** main function is to receive the project applications and to evaluate the project application before approving it;
- **Sector for Authorization of Payment:** main function is to receive the claim for payment and to perform necessary control of the eligibility of the costs occurred during realization of the investment;
- **Sector for Control:** main function is to control the investment before approval according the request from the Sector for Approval of Project, to control the realization of the investment before payment and to perform ex-post control of the investment.
- **Sector for Finance and Accounting:** main function is to execute the payment and to record the payments which are executed
- **Sector for General and Legal Affairs:** main function is to give administrative and legal support to the Agency for Financial Support in Agriculture and Rural Development (IPARD Agency)
- **Sector for Internal Audit:** main function is to perform audit of the administrative and financial work of the IPARD Agency and possible delegated bodies, thus examining all operating functions of the IPARD Agency
- **Sector for Information and Communication Technology:** main function is to give ICT support to the working process of the IPARD Agency by creating secure IT system, data base and provide technical support to the ICT system. (the sector is not part of the accreditation process)
- **Unit for Human Resources: main functions are** keeping and updating the personal records of the IPARD Agency's civil servants and their personal files, carrying out employment procedure within the Agency for the purpose of occupying the available work posts, taking care of the rights and liabilities coming out of the employment contract of each of the Agency's employees, preparation and implementation of the human resources development program within the IPARD Agency, preparing the monthly allowances for the IPARD Agency employees, identifying necessary, and proposing training programs for the IPARD Agency's employees.
- **Sector for National Payments: (the sector is not part of the accreditation process)**

Organigram Paying Agency



Legend:

- Organizational units which are not subject of accreditation by the European Commission
- Organizational units which are subject of accreditation by the European Commission
- total: 149 expected employees + 1 director = 150

Annex 4- Reference to laws, regulations and strategic documents

3.a) Reference list of relevant laws and regulations

Key laws and regulations on the sector:

- Law on Establishment of Directorate for Financial Support of Agricultural and Rural Development, 2007
- Law on Agriculture and Rural Development, 2007
- Law on Wine, 2004
- Law on Livestock Breeding, 1997
- Law on Agricultural Land, 1998
- Law Amending the Law on Agricultural Land, 2004
- Law on Tobacco and Tobacco Products, 2006
- Law on Agricultural Activity, 2002
- Law on Establishing Agency for Promoting Development in Agriculture, 1998
- Law on Agricultural Inspection, 2004
- Law on Organic Agricultural Production, 2004
- Law on Pastures, 1998
- Law on Stock Exchanges of Agricultural and Food Products, 1992
- Law on Organisation and Operation of the State Administrative Bodies, 2000
- Law on Promoting Agriculture Development, 1996
- Law on Budget, 1993
- Law on State Audit, 2004
- Law on Audit, 2005
- Law on Financial Operations, 1997
- Law on Investment Funds, 2000
- Law on Banks, 2003
- Law on Indebtedness of the former Yugoslav Republic of Macedonia at the International Fund for Agricultural Development for realisation of the Project for Rural Development of the Southern and Eastern Regions, 1997
- Decision on Rising and Use of Funds from the Foreign Economic Assistance for Agricultural Development in the former Yugoslav Republic of Macedonia, 1998
- Law on Establishing National Extension Agency, 1998
- Law on Associations of Citizens and Foundations, 1998
- Law on Waters, 2000
- Law on Water Communities, 2003
- Law on Water Management Enterprises, 2003
- Law on Promotion of Economically Underdeveloped Areas, 1999
- Decision on Determining Economically Underdeveloped Areas in the Period 2003 – 2007, 2004
- Law on Forests, 2004
- Law on Hunting, 2004
- Law on Nature Protection, 2004
- Law on State Statistics, 1997
- Company Law, 2004
- Law on Surveying, Land Register and Entry of Rights to Real Estate, 1991
- Law on of Animal Identification and Registration, 2004
- Law on Plants Protection, 2000
- Law on Plant Health, 2005
- Law on Seeds and seedlings from Agricultural Plants, 2006
- Rulebooks on implementation of the rural development measures, defined in accordance with the Strategy for Agricultural and Rural Development
- Procedures on administrative and accounting procedures

- Bylaws on direct payments
 - Bylaws on intervention on the market of agricultural and food products
 - Bylaws on implementation of the measures for development of rural areas
 - Bylaws on acts concerning AIS
 - Law on establishing the Agency for Financial Support in Agriculture and Rural Development (IPARD Agency) has been approximated with the EC Regulation 1085/2006 Establishing an IPA and EC Regulation 718/2007 Setting up the rules for implementing EC Reg.1085/2006
 - The Framework Agreement has been ratified by the Parliament thus is part of national legislation
 - The Sectoral Agreement awaits signing procedure and ratification
- the Law on Agriculture and Rural Development (Official Gazette no. 134/07) was recently enacted and, as an umbrella law, it provides basis to regulate the fields of direct support and market measures in agriculture, as well as the rural development measures. In this respect, it is expected that several bylaws of this law will be enacted during 2008/2009 as it is foreseen in the National Programme for the Adoption of the Acquis (NPAA 2008). These bylaws are in the following fields and related to below mentioned EU acts:

| <i>Bylaws under the Law on agriculture and rural development</i> | <i>Related EU Legislation</i> |
|---|--|
| CMO (products of plant origin) | 31971R2706, 31975R2728, 31986L0362, 31990R0837, 31993R1722, 31993R2131, 31993R2273, 31994R1868, 31998D0292, 31998D0293, 31998D0294, 31998L0082, 32000R0824, 32000R1673, 32002L0076, 32003R1784, 32003R2236, 32006R1850 31968R0234; 31975R3279; 31997R0832; 31968R0315; 31968R0316; 31993R0404; 31994R2257; 31995R2898; 31996R2200; 31998R2717; 31999R0961; 32001R1148; 32003R1433; 32003R1432; 32003R1943; 32004R0877; 32004R0085; 32004R0086; 32000R0851; 32003R1466; 31999R2377; 31981R1292; 31997R0831; 32001R0912; 31987R1591; 32006R0634; 31999R0730; 31998R0963; 31987R1591; 32004R0214; 32001R1799; 32003R1757; 31988R1677; 31997R2288; 32002R1284; 32004R1673; 32001R2396; 32001R1543; 32001R1615; 32001R1508; 32004R1861; 31999R2561; 31999R1168; 31987R1591; 32002R0843; 31999R1455; 31999R2789; 32007R1182; 32007R1580; 32007R1234 |
| CMO (products of animal origin) | 31999R1254; 31996R2443; 31997R0226; 31999R2730; 31990R1186; 31982R0563; 31983D0471; 31991R0344; 32006R0103; 32006R1183; 32007R0700; 31977R1805; 32006R1669; 32000R0907; 32001R0026; 32001R1642; 31996R0295; 32002R2273; 32004D0761; 31984D0419; 31975R2771; 32006R1028; 32007R0557; 31975R2782; 31975R2777; 31990R1906; 31991R1538; 31990R1906; 31991R1538; 31999L0074; 32002L0004; 32007L0043; 32003R0546; 31975R2759; 31984R3220; 31985R2967; 32006R1128; 32002R2004; 31968R0391; 31975R2763; 31990R3444; 31998R2042; 31999R2713; 32002R2179; 32003R2246; 31981R1945; 31981R2180; 32006R0908; 32006R1319; 31993L0023; 32004D0760; 31989D0501; 31989D0502; 31989D0507; 31989D0503; 31989D0504; 31989D0505; 31989D0506; 31992R2137; 32001R2529; 31993R0461; 32002R0315; 31990R3446; 31990R3447; 31993L0025; 32004D0747; |
| Direct support measures | 32003R1782 |
| Rural | 31999R1257; 31999R2603; 32004R0817; 32005R1698; 32006R1974; |

| | |
|----------------------|--|
| Development measures | |
|----------------------|--|

- in addition to this, the Law on State Aid in Agriculture will be enacted by the end of 2008 / beginning of 2009 approximated with the following EU acts: (2006/C 319/01), 32006R1857, 32004R1860, 32004R0001, 32000Y0201(01).

3.b) Reference to AP/NPAA/EP/SAA

Reference to **SAA** (2001): The program will contribute towards the implementation of the SAA Articles 1 and 68 on approximation of legislation to that of the Community, and Article 100 (Agriculture, and the agro-industrial sector) on modernisation and restructuring of agriculture, the agro-industrial sector and rural development.

Reference to **Accession Partnership** (2007-2008): The program will address the following AP priorities: “Speed up the registration of agricultural land in the real estate cadastre”; “Ensure collection and processing of sound and reliable agricultural data”; “Continue preparations to establish effective and financially sound paying bodies for the management and control of agricultural funds, in line with EU requirements and international auditing standards”; “Upgrade the capacity of the agricultural administration and complete preparations for enforcement and practical application of the management mechanisms of the common agricultural policy, in particular the integrated administration and control system (IACS), and ensure a functioning land parcel identification system (LPIS)”.

Reference to the **Progress Report** (2007): The projects have reference to the Progress Report, which highlights the importance of setting up of appropriate integrated administration and control system (**IACS**), especially a land parcel identification system (**LPIS**). In terms of Agency for Financial Support of Agriculture and Rural Development (IPARD Agency), although the Law establishing the IPARD Agency was enacted, it still needs certain institutional strengthening. In addition to this, the State Agricultural Inspectorate also needs evident reinforcement.

With regards to the **common market organisations**, the Progress Report stress that limited progress is to be reported and that, overall, preparations in these areas are in the start-up phase.

Reference to **National Plan for Adoption of Acquis** (2007): The Plan has following assessment and priorities with regard to agriculture and rural development: “With regard to better realisation and management of the general measures for agricultural development, the realisation of the following activities is foreseen: Adoption of a Law on Agriculture and Rural Development; ... Establishment of advisory and expert bodies for support of the agricultural policy; Regulating the markets of certain agricultural and food products; System of direct support of the agricultural producers; Protection of geographical indications, designations of origin and traditional specialty guaranteed on agricultural and food products; Rural Development Support Policy; Support for scientific and research projects in the area of agriculture; Agricultural Information System (AIS); Adoption of bylaws to the Law on Agriculture and Rural Development; Drafting a programme for support of the introduction of certification and registration systems; Introduction of Code of Good Agricultural Practice; Adoption of bylaws to the rural development measures; Adoption of the Law on Establishing the Directorate for Financial Support of Agriculture and Rural Development and Adoption of bylaws to the Law on Establishing the Directorate for Financial Support of Agriculture and Rural Development; Drafting a strategic document for establishing integrated IT system of the Ministry of Agriculture, Forestry and Water Economy; Drafting a strategy and operational plan for development of sustainable and efficient Agricultural Information System (AIS); Adoption of a Law on Farm Accountancy. ... With regard to strengthening the administrative capacity for better realisation and management of the general measures for agricultural development, the realisation of the following activities is foreseen: Adoption of new systematisation of the Ministry of Agriculture, Forestry and Water Economy and strengthening and reorganisation of the administrative capacity; Establishing Agro-food Council for development of private and public dialogue; Setting up an inter-ministerial group for rural development; Strengthening

the administrative capacity of the Sector for Rural Development; Strengthening the administrative capacity of the The Agency for Financial Support in Agriculture and Rural Development (IPARD Agency). Further staffing of the Sector for Agricultural Policy Analysis and Agricultural Information System; Establishing a Single Farm Register; Establishing a Land Parcel Register (As a basis for establishing a complete LPIS with digitalisation of the data from the cadastre in the State Authority for Geodetic Works (SAGW), a Land Parcel Register will be established); Establishment of a Farm Accountancy Data Network (FADN); Act on Accreditation of the IPARD Agency by the European Commission ... For the purpose of successful realisation of the Law on Agriculture and Rural Development, apart from the existing staff capacity of the existing and newly established institutions, it is required to employ new suitable personnel. In addition, it is necessary to provide equipping with adequate IT technology, professional personnel upgrade, additional training and engagement of local and foreign experts. For this reason, in this period strengthening the administrative capacity on most levels is foreseen. From the aspect of realisation of the measures for support of agriculture and rural development, it is foreseen to realise the following activities: Strengthening and further staffing of the Sector for Rural Development; Further staffing of the Sector for Rural Development as an institution in charge of setting, coordinating and implementing the policy for development of rural areas; Strengthening the capacity of the newly formed IPARD Agency In accordance with the foreseen competences of the Agency for Implementing Measures of National Programmes for Support and the capacity required for the development of appropriate mechanisms for management of the EU pre-accession funds, as well as the other accompanying activities in terms of: registration of applications (regional office); approval of applications; authorisation of payments; carrying out payments; accounting and internal audit; system of checks and controls / on-site inspections, and preparing operational reports, there is series of additional medium-term measures to be implemented in relation to the IPARD Management and IPARD Agency which will be determined in details upon the adoption of the IPARD Programme. Moreover, for the requirements for managing an agricultural policy and regulating the market for agricultural and food products, it is necessary to strengthen the capacity in terms of interventions on the market, storing and keeping goods, selling goods in cases laid down by law etc. To that end, taking into consideration the foreseen scope of medium-term activities of the Agency, as upgrading of the short-term priorities, it will be necessary to provide additional technical and safe working conditions. To realise these objectives, and in terms of establishment of the required administrative capacity for management and realisation of the measures and activities in the field of agriculture and rural development, the following activities have been foreseen: Establishing a Agricultural Market Information System (AMIS); Further staffing of the Sector for Agricultural Policy Analysis and Agricultural Information System; Land Parcel Identification System (LPIS) (Establishing a Land Parcel Identification System (LPIS) pursuant to Regulations 32003R1782 and 32004R0796 for the purpose of recording the use of land parcels); Integrated Administrative and Control System (IACS) (Establishing an Integrated Administrative Control System (IACS) in accordance with Regulations 32003R1782 and 32004R0795 for the purpose of efficient implementation of the measures for support of the agriculture sector. A computer database, as a single farm register, will be established for the purpose of data modelling, defining standards and forms of exchange, control procedures for data quality and an overall strategy for application of information and communication (including an alphanumeric identification of agricultural parcels in accordance with the land parcel register and a System of Identification and Registration of Animals). IACS will also include the following systems as part of the activities for financial support of agricultural producers: System for Identification and Registration of Payment Orders, Applications for Financial Support, Integrated Control System, and a single system of recording the identity of every farmer submitting an application for support); Establishing a Farm Accountancy Data Network (FADN) (Introduction of a network for collection of accounting data on the income and business operations of the agricultural holdings in the country pursuant to Regulation 31965R0079, due to the necessity of support for the agricultural policy in the process of adjustment to the EU Common Agricultural Policy”.

3.d) Reference to MIPD

Multi-Annual Indicative Planning Document (2008-2010) refers to: “Further efforts to align with the *acquis* have to be made. The country needs to intensify its efforts in particular as regards agriculture. ... The country faces difficulties in implementing and effectively enforcing the legislation”; “The

agriculture sector is dominated by very small and highly fragmented family farms, engaged mainly in subsistence agriculture, while only a small surplus is marketed locally. Economies of scale are thus not exploited. The agricultural sector remains relatively problematic for several reasons, such as lack of irrigation, land fragmentation and lack of proper management systems in general”; “Assistance will focus on ... preparing the country for the implementation of the Community’s rural development policy, in particular by focusing on investments in agricultural production to restructure and upgrade the sector to Community standards and on investments to develop and diversify economic activities in rural areas”; “Strategic choice is concentrated around three areas of intervention, which are included in the priorities identified in the Accession Partnership: (i) implementation of sectoral reforms; (ii) adoption and implementation of the acquis and (iii) support to the preparation for decentralised management of EU funds”; “As regards the adoption and implementation of the acquis, and with a view to helping the country complying with the Copenhagen criteria, priority will be given to areas, where the harmonisation of the legislation is an obligation linked to the implementation of the Stabilisation and Association Agreement and where the volume of legislation to be harmonised is particularly large and where harmonisation requires costly investments that must be spread over many years”; “In the field of agriculture and rural development the capacity of the administration to enforce the management mechanisms of the Common Agricultural Policy needs to be further upgraded”.

3.e) Reference to National Development Plan

The proposed project has reference in following assessments of the **National Development Plan** (2007): The Draft 2008-2013 National Development Plan in its chapter VIII - Agriculture and Rural Development, within its Goal 4. Increase of competitiveness of the Agriculture, especially refers to the activities for “improvement of the support policies in agriculture”, which is related to this project proposal efforts to strengthen the IACS system and further reinforce the implementing agency for the overall support in agriculture - the Agency for Financial Support in Agriculture and Rural Development (IPARD Agency). Furthermore, a major activity within Goal 5 (Reform of the regulatory and institutional frame) of the NDP is the establishment of the Common Market Organizations, which is also foreseen within this project proposal.

3.f) Reference to national / sectoral investment plans

The project directly links to the following strategies and action plans in the sector:

- Strategic Plan 2007-2009 of the Ministry of Agriculture, Forestry and Water Economy
- Working Programme 2006-2010 of the Government
- National Strategy for Agricultural and Rural Development 2007-2013, 2007
- Action Plan for Agricultural Development, 2007
- Action Plan for Rural development, 2007
- Sector analyses, 2007
- Operational programme under the EU instrument for pre-accession for rural development (IPARD) 2007-2013
- Strategy for establishing integrated IT system of the Ministry of Agriculture, Forestry and Water Economy
- Strategy and operational plan for development of sustainable and efficient Agricultural Information System (AIS)

ANNEX 5- Details per EU funded contract

Management and contracting arrangements

For each component a steering group will be established to oversee the overall implementation of the project.

Advisory services will be provided to the beneficiary. The contracts to support the project will contain next to a team leader additional expertise to assist in key tasks, e.g. in the field of administrative capacity building, training, IT development, legal development and others. Some of these experts will address the cross-cutting issues.

The core project team – consisting of the team leader and other expertise will be placed within the respective units.

The team leader will be responsible for the overall management, representation (co-ordination with the EU and other international bodies) as well as reporting. The co-ordination of activity development in the different components of the activity is significantly important. The team leader is responsible for an appropriate management of resources. During the inception phase of the project, a detailed deployment plan will be developed under the coordination of a Steering Committee in which each co-operating national institution will be represented to ensure appropriate inclusion.

The expected contracting arrangements are:

Financed through IPA:

1) 1 service contract following an international restricted tender procedure will be developed for the implementation of component 1: **Adoption and implementation of the acquis vis-à-vis the CAP, specifically in relation to CMO establishment.** The contract has an expected duration of 12 – 24 months, is expected to start in 2nd quarter 2010, and has a budget of approximately 700.000 Euro.

2) 1 service contract following an international restricted tender procedure will be developed for the implementation of component 2: **Development and implementation of agri-environment measures.** The contract has an expected duration of 12 – 24 months, is expected to start in 2nd quarter 2010, and has a budget of approximately 700.000 Euro.

3) 1 service contract following an international restricted tender procedure will be developed for the implementation of Component 3: **Design of a functional Integrated Administration and Control System and establishing the associated institutional capacity.** The contract has an expected duration of 12 – 24 months, is expected to start at 2nd quarter 2010, and has a budget of approximately 600.000 Euro.

The ToR's for all the contracts should be developed in the course of 2009.

Financed through the national contribution:

1) 1 Supply contract is expected to be concluded to provide the IT equipment for the different components. The specifications of the IT equipment will be made through a dedicated Framework Contract financed under the Project Preparation and Support Facility. The supply contract will have a duration of 4 to 8 months for delivery and training in equipment use, a subsequent 12 months warranty period, and hence an overall duration of 16 – 20 months, and should start in 3rd quarter 2010. The total value of this supply contract is expected to be EUR

400.000. The contract should include the software necessary for the LIPS system and the Farm Registry.

2) 1 supply contract is expected to be concluded to provide the vehicles required under Component 3: Design of a functional Integrated Administration and Control System and establishing the associated institutional capacity. Approximately 6-8 vehicles are to be procured. The specifications of the vehicles will be made through a dedicated Framework Contract financed under the Project Preparation and Support Facility. The supply contract will have a duration of 4 to 8 months for delivery and training in equipment use, a subsequent 12 months warranty period, and hence an overall duration of 16 – 20 months, and should start in 3rd quarter 2010. The total value of this supply contract is expected to be 100.000 Euro.