

Sector fiche – IPA National programmes / Component I

1. IDENTIFICATION

Title	Agriculture and Rural Development
MIPD Sector Code	8. Agriculture and Rural Development
Sequence no.	9
ELARG Statistical code	Measure 1: 03-40 Measure 2: 03-11 Measure 3: 03-11 Measure 4: 03-11 Measure 5: 03-11
DAC Sector code	31110
Total cost	2012: EUR 2,490,000 2013: EUR 3,284,837 TOTAL: EUR 5,774,837
EU contribution	2012: EUR 2,241,000 2013: EUR 2,766,128 TOTAL: EUR 5,007,128
Management mode	Decentralised
Responsible Unit or National Authority/Implementing Agency(ies)	The Central Financing and Contracting Department (CFCD) will be the implementing agency and will be responsible for all procedural aspects of the tendering process, contracting matters and financial management including payment of project activities. The Head of CFCD will act as the Programme Authorising Officer (PAO) of the project. <u>Contact:</u> Mrs. Radica Koceva (PAO) Central Finance and Contracts Department Ministry of Finance Tel: +389 2 3231 219 Fax: +389 2 3106 612 E-mail: radica.koceva@finance.gov.mk
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Implementing modality	Projects
Zone benefiting from the action(s)	Nationwide activities

2 RATIONALE

2.1 LINKS WITH NATIONAL SECTOR OBJECTIVE(S) AND MIPD SECTOR OBJECTIVE(S)

The main goal of the Agriculture and Rural Development Sector is to reinforce its ability to compete in the integrated regional markets of the European Union and South-Eastern Europe, through measures for increasing the efficiency of agricultural production, processing and marketing; contribute to the gradual alignment to the EU standards and acquis; and to build

viable rural communities through sustainable rural development, which are also prepared to adapt to the effects of climate change. In particular, the objective of the sector is to increase the ability of Ministry of Agriculture, Forestry and Water Economy (MAFWE) to provide adequate support to the national agricultural sector in compliance with EU standards.

According to the Multi-Annual Indicative Planning Document 2011-2013 (MIPD) the overall objective is to contribute to the sustainable development of the agricultural sector as well as the implementation of EU standards and *acquis* concerning the Common Agricultural Policy (CAP) and related policy areas like food safety, veterinary and phyto-sanitary issues, including adapting to climate change. Moreover, through IPA support the EU is helping the beneficiary country to get ready for the effective use of the European Agriculture Rural Development Fund (EAFRD) upon accession, as well as to contribute to the sustainable development of the economy in the rural areas. The IPARD Programme also envisages the possibility to introduce other areas of intervention such as support to producer groups, preparatory actions for the implementation of agri-environmental measures and development of local rural development strategies with LEADER approach.

The project directly links to the following key national strategic documents and action plans in the sector and envisages support contained in the national strategic documents and action plans:

- National Strategy for the Development of Agriculture and Rural Development for the period 2014-2020;
- Operational programme under the EU Instrument for Pre-accession for Rural Development (IPARD) 2014-2020.

The National Strategy for the Development of Agriculture and Rural Development 2014-2020 (NARDS 2014-2020) enacted by the Government is the main national long-term strategic related to the agriculture and rural development. The key area of intervention toward achieving of the strategic goal of increasing the agricultural competitiveness and sustainable rural development is the restructuring of agricultural sector. It is recognized in the Strategy that the horizontal integration of agri-food entities (farmer's cooperatives and producers groups) will contribute to enhance farmers' position on the market as well as to the transformation from dominant and inefficient self-sufficiency farming to market-oriented production, thus sustaining the development of the rural economy.

The overall objective of the IPARD programme to contribute to the sustainable development of the agricultural sector as well as the implementation of EU standards and *acquis* concerning the Common Agricultural Policy and related policy areas like food safety, veterinary and phyto-sanitary. Moreover with support under the pre-accession assistance the EU, through IPARD, is helping the beneficiary country to get ready for effective implementation of Structural funds under EARDF upon accession, as well as to contribute to the sustainable development of the economy in the rural areas. Measure 6 (review and simplification of IPARD procedures and setting up of a help desk for applicants) will directly impact on the effectiveness, efficiency and impact of the programme.

The principles, priorities and conditions contained in the Accession Partnership with the country, are observed in the sector fiche, following key short-term and medium-term priorities, to upgrade the capacity of the agricultural administration and complete preparations for enforcement and practical application of the management mechanisms of the common agricultural policy.

The activities foreseen in the project are closely related to the National Programme for the Adoption of the Acquis (NPAA 2011). Explicitly under Chapter 11 - Agriculture and Rural Development of the NPAA, project activities are directly linked with all 5 areas under the chapter 11.

This Sector Fiche contributes to the following Europe2020 main priorities:

- Smart growth: developing an economy based on knowledge and innovation;
- Sustainable growth: promoting a more resource efficient, greener and more competitive economy;
- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.

The measures will contribute towards the implementation of the Stabilisation and Association Agreement (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.

The proposed measures under this project fiche will likewise address some of the issues highlighted in the 2014 Progress Report:

- Low absorption of the IPARD allocation;
- Strengthening of the LPIS;
- Need to improve the quality of the data from the farm accountancy data network.

2.2 SECTOR ASSESSMENT – POLICIES AND CHALLENGES

(1) National sector policy, strategy and context

The Agriculture and Rural Development sector has witnessed significant developments on the legal, policy and strategic side. A variety of laws has been adopted, harmonising with the EU Acquis.

Measure 1: *Support for the preparation and implementation of IPA 5th Component (IPARD) beyond 2013*

Decision to transfer the right to manage funds for Component V of the IPA Rural Development (IPARD), was granted by the European Commission in December 2009 (Commission Decision No. (C) 2009/987/EU). It relates to fully decentralize manner of implementation of three measures of the IPARD programme (101, 103 and 302¹). Implementation began immediately after the date of issuing the conferral decision, announcing the first call on 23.12.2009). Up to date, eleven public calls for submission of proposals under the IPARD Programme 2007-2013 have been published. The last published call was closed on the 8th of May, 2015.

The initial EU financial allocation to the programme was around €85 million for the period 2007-2013.

¹ Measure 101 "Investment in agricultural holdings" and Measure 103 "Investments in processing and marketing of agricultural products" with focus on the fruit and vegetable (fresh and processing), grapes and wine, milk and dairy and meat and meat products sub-sectors; Measure 302 "Diversification and development of rural economic activities" targeting the assistance towards support for establishment of micro-enterprises and crafts in rural areas and support to rural tourism development

In the past/present experience of IPARD implementation, the performance of the programme has been pointed out as very weak due to low absorption of available funds (posing high de-commitment rates reaching 90% of the allocations), slow and burdensome approval procedures and high rejection rate (around 50%). The analysis of the reasons for rejection of projects results in majority of cases rejected due to non-compliance with the rules on independent offers (three offer rule) which is mandatory for investments valued at above 10,000 EUR; and low quality of applications in terms of in-completeness of documents. Furthermore, the analysis of the length of the approval process in the IPARD Agency results in processing duration from 6-8 months (time period between the date when the application is received and the date when the contract is signed). The lengthy procedure in many cases implies situations of refusing of contracts by the beneficiaries and overall missing of the investments momentum, bearing in mind that agriculture investment seasons are limited to certain time periods. Moreover, during the on-going evaluation assessments, the major weakness of the IPARD implementation is attributed to the uncertainty of the process as more and new documents have been requested to clarify the beneficiaries application in the approval process and the period for completing the applications with the newly required documents is short and not compliant to the legal provisions for acquiring documents from the institutions acting as technical bodies.

In 2013, the Sectoral Agreement was amended to tackle the problem induced by the 'three offer rule'. The amendments, among other, introduce the possibility to approve investments up to the market value of the eligible costs made according to prior establishment of standard costs for particular eligible costs items. As follow up, the IPARD Agency have developed outline on intentions how to set-up and implement the standard costs which was sent to DG-Agri in the first half of 2014.

The lengthy procedure of approval and bottlenecks in the implementation procedures are not stand alone issue which affect the low absorption rate. In the past/present experience of IPARD implementation, the performance of the public and private advisory services has been pointed out as very weak or absent in providing quality support to potential beneficiaries. Weak advisory services were being also identified as one of the main reasons for small number of applications and high rejection rate by AFSARD and one of the factors for de-commitment risks. Absence of proper information and communication, qualified staff and organizational structure of the advisory services as well as lack of on-going training and information exchange are identified as areas to be improved.

In the beginning of 2015, MA has been supported by IPA funded project for establishing new IPARD II measures for LEADER and Advisory services support. The activities under this project also concern improvements of the National Extension Agency to provide quality advice to potential applicants primarily agriculture producers applying and implementing projects under M101. Further, under the Advisory service measure apart from increasing the provision of advisory service to agriculture producers, trainings would be supported for constant increase of the quality of advisory the establishment of this measure and its implementation could lead to improvement

In particular, strong "helping hand" is needed to guide the potential applicants for M 302. This measure target big number of potential beneficiaries but yet the number of applications and the absorption rates are very low. Assumingly, the specialized presence of information and advisory support (via help desks) could by large mobilize and encourage the potential applicants in the rural areas to apply and implement agriculture projects as well as projects to diversify the rural economy.

At the end of 2014, the IPARD Agency with the support provided under the IPA Twinning Light Project has intensified the preparations for accreditation of the “Investments in rural public infrastructure” measure to be implemented under IPARD II. The practice from other IPARD/SAPARD countries implementing Rural infrastructure measure have confirmed that successful implementation of rural infrastructure projects under this measure can successfully contribute to increasing of the absorption capacities of the country for pre-accession assistance while bringing better living and working conditions in the rural areas. During the project subsequent assessments, it was encountered that the potential beneficiaries – Municipalities have limited capacities to prepare tender dossiers for work contracts and run procurement procedures in line with the PRAG rules and to comply with the control requirements under IPARD II rules. Thus, the need of “help desks” especially for provision of support to the smaller rural municipalities to prepare and manage rural infrastructure project aligned with the applicable rules under IPARD II could bring the assistance utilization to the targets and objective for balanced territorial development.

Measure 2: Introduction of the Land consolidation activities

Operation 2.1 Production of orthophoto maps and digitalization of agriculture land use

The establishment of an Integrated Administration and Control System (IACS) is one of the most important medium-term priorities in the EU integration process with respect to agriculture. This is reflected in the Accession Partnership and defined within the horizontal issues section under Chapter 11 of the NPAA that covers Agriculture and Rural Development.

The complete functioning of this system is ensuring effective support mechanisms based on the real needs and problems of the agricultural sector. The integration of, and compatibility between different databases and registers, facilitate farmers’ applications for support programmes and provide useful data for policy formulation and for the business sector.

As the competent state institution in the area of agriculture, MAFWE has established "an integrated Agricultural Information System" in order to formulate and implement effective agricultural policy and rural development policy, as well as to provide information for the needs of the Ministry and the business community. The national plan for establishing IACS has included implementation of closely linked activities in the period from 2008-2013 under the responsibility of several institutions such as MAFWE, Food and Veterinary Agency and the Agency for Financial Support in Agriculture and Rural Development (AFSARD) which is leading towards fulfilment of IACS requirements as defined within Article 15 of EC.Reg. No.73/2009, of having:

- Single system to record the identity of each farmer who submits an aid application (Farm register);
- Identification system for agricultural parcels, i.e. a system which will allow areas declared to be located so they can be monitored over time and so that computerised cross-checks and on-the spot checks can be organised (LPIS);
- Computerised database to record the data in the aid applications for each agricultural holding (Application Support Software and database);
- System of identification and registration of animals, which enables claims to be cross-checked and controlled on the spot (Animal identification and registration);
- Aid applications for area aid, forage areas and animals;
- Integrated control system for administrative controls and field inspections.

Development of comprehensive GIS-referenced identification system for agricultural parcels, which form the core of the integrated administration and control systems for subsidy payments is specified by article 17 in EU Council Regulation 73/2009 (repealing Reg.1782/2003) where the elements of the system (referred to there as the Identification System for Agricultural Parcels) are defined in detail, as well as in EU Council Regulation 1122/2009 (repealing Reg.796/04). According to these regulations, the identification system for agricultural parcels shall be established on the basis of techniques of computerized geographic information system, including aerial or spatial orthophotomaps in the scale of 1:10.000 (preferably 1:5.000 of EU regulation number 1593/00). These digital map features are used as the basis on which are set layers of data that defines the use of agricultural land based on different reference grounds (cadastral parcel, land units, arable agricultural area, and planted agricultural crop). Successful implementation and continuous update of the data from identification system for agricultural parcels, mostly is a result of periodically replacement of old orthophotomaps with new ones in at least once in 5 year period, according to the Discussion document D(2004)(2575) "Implementation of IACS-GIS, Reg. 1782/03 and 796/2004".

Successful implementation of the process is closely related with existence of data for real land use coverage of whole territory of the country including steps in production of aerial photography and orthophoto maps and digitalization of the land use.

Updated data on orthophoto images and physical boundary delineation will replace ones currently in use which have been produced back in 2009, and according to EU Land Parcel Identification System (LPIS) methodology should be updated periodically, in the period of time no longer than five years.

Operation 2.2: IT software development for FR and FADN system and LPIS software

According to the Council Regulation (EC) No 73/2009, given complexity of the system for agricultural support and the large number of aid applications to be processed, it is essential to use the appropriate technical resources and administration and control methods. As a result, the Integrated Administration and Control System (IACS) should comprise, a computerised database, an identification system for agricultural parcels, aid applications for farmers, a harmonised control system and, in the single payment scheme, a system for the identification and recording of payment entitlements and single system to record the identity of each farmer submitting aid application. The integrated system shall incorporate a system for the identification and registration of animals, when applicable.

As it was planned in the previous strategic period 2007-2013 the overall set of activities envisaging the establishment of IACS have been already completed. However, IACS is not established and operating in full compliance with EU requirements. It is necessary to review and upgrade IACS in order to achieve full operational capability consistent with EU requirements and national needs. Regular maintenance and upgrading of IACS software is needed to implement future changes in policy on direct payments for cross compliance and agro-environmental measures, and implementation of rural development measures as well as IPARD measures. Furthermore the linkage of a database system for identification and registration of animals with SRAH (Single Register for Agricultural Holdings) is necessary to achieve full interoperability between the elements of IACS.

The Database and software application of the Farm registry was established in 2008 by the ASAP project of World Bank which also included construction of a server room according to EU standards. According to the action plan for the establishment of the IACS system, an integration of the GIS system of LPIS with the Farm registry application was completed.

Taking this into account there was an increase of the requirements for the software application of the Farm Registry (FR) with the purpose for administrative processing of the applications for financial support in agriculture and rural development. The Farm registry software application is more than 5 years old and was created for contemporary needs of other countries, and was modified by the contractor to meet the requirements to establish the Farm registry in the former Yugoslav Republic of Macedonia. In this period there was only a small number of registered farms, about 20,000, with a low number of parcels and a low amount of data output. At this starting period the application served its function. With the constant increase of the numbers of registered farms, about 150,000 at this moment, and the radical increase of registered parcels of about 2,000,000, and raised the software requirements by the integration with the LPIS system, with the purpose for administrative processing of the applications for financial support from the national budget, and for the purposes of the requirements from the IPARD funds, causing permanent problems and emergence of errors in the system and the inability to create reports that are necessary for analysis of the current agricultural policy and long-term planning of agricultural policy measures. These weaknesses, with a simple upgrade of the application, cannot meet the goals set in the New strategy for agricultural development in the next programming period 2014-2020. For these reasons, and taking into account changes in European regulations (R 32009R0073, R 32009R1122) concerning the direct payments in agriculture, it is necessary to carry out development of new software for Farm Register which will meet the current and future of implementation of Agriculture and Rural Development policy.

Under the already mentioned EC Regulations (R 32009R0073, R 32009R1122), a comprehensive GIS-referenced identification system for agricultural parcels was developed as one of the key subcomponents which form the core of the integrated administration and control systems-IACS. Implementation and development of this system was during the 2009-2012 which included different activities e.g. acquisition of aerial images, creation of orthophoto maps, developing of GIS SW application, conducting trainings for GIS operators etc. In second half of 2010 and 2011, LPIS GIS SW application was developed and resulted with fully functional and thoroughly tested application which was linked with Farm registry and form one integrated system. During 2013 an IPA service project was implemented on which as one of the main activities was to develop methodologies for update and upgrade of LPIS with regard to other registers and/or other production related layers, cross-compliance requirements, area-related measures of the Rural Development Plan, regular update and continuous quality assurance (QA) of the LPIS, etc. Taking in consideration the activities and results developed by the IPA service contract, LPIS software and database structure need to be improved and upgraded in line with the new agri-environmental requirements which will include update of current LPIS database structure and implementation of additional SW functionalities.

The software for FADN has been established in 2009 on the basis on the software for the Farm Monitoring System (FMS). The current software limitations prevent adequate software upgrading and cause frequent errors and reflecting negatively the quality of FADN data.

Therefore, the development of new FADN software and all needed software licences in correlation with the changes in the farm return regulation is important for further operation of the FADN system. "

Measure 3: Quality control of produced orthophoto maps and digitized agriculture land use layers

In order to ensure production of accurate spatial data according to the required specification, it is necessary to implement activities related to quality control and determination of fulfilment the

required standard quality of aerial images, orthophoto maps, additional geographical data and digitized initial and production land use layers.

Measure 4: Finalisation of the Farm Accountancy Data Network in the former Yugoslav Republic of Macedonia

Further upgrading and compliance with EU FADN legislation

Appearing as one of the horizontal issues in EU approximation process, the former Yugoslav Republic of Macedonia has established a national Farm Accountancy Data Network. The system is based on the Law on FADN and respective by-laws enacted back in 2011. After setting up of the FADN institutional structure with MAFWE's FADN Unit acting as FADN Liaison Agency and National Extension Agency in a role of data-collecting authority, the collection, processing and controlling of FADN data, started in 2010 from representative sample of 300 farms. The sample was enlarged in 2011 to 600 farms distributed along economic size and type of production.

In 2014 were calculated the Standard Output Coefficients for the reference period 2010 and is updated the Typology for farms according to data from Farm Structure Survey which is conducted in 2013.

From the beginning of the 2015 were started activities for selection of 600 representatives farms according the typology of production and economic size (according approved Selection plan for 2015) from which are going to be collected data from the farms for 2015.

The State Statistical Office is the third responsible body in the system dealing with definition of structure of the representative sample, while the FADN National Committee act as the main coordinative task force at national level.

The Farm Return Methodology and its procedures are prepared in accordance with "Commission Regulation (EC) No°868/2008 of 3 September 2008 on the farm return to be used for determining the incomes of agricultural holdings and analysing the business operation of such holdings". The FADN data are regularly checked against EU quality requirements by European FADN RICA system.

Anticipating the changes in the farm return regulation which should be implemented as from 1st of January 2014, the implementation of new farm return methodology in accordance to EU Reg.385/2012 is of essence. The process of collecting data from selected agricultural holdings for FADN purposes and properly entering of the necessary changes from the new farm return regulation in the FADN software has significant impact on obtaining proper data quality. The other very important element of the FADN is the validation system.

The FADN system is the only data basis in the country that provides economic and financial data on the farm level. Therefore the accountancy data collected from the farms are widely used in identification of annual income of the farms, economic analysis and evaluation of the condition in the agriculture that are needed for creating of national agricultural policy. FADN data are regularly used in the policy analysis activities in definition of the policy response to be taken in regards to the certain changes in the agricultural sector with impact on the farms incomes (during the implementation of the actual national policies) as well as in the process of formulation of the strategic objectives, goals and future policies.

In specific, the FADN data have been used in analysis of the impact of the unfavorable land structure on the farms profitability for the purposes of drafting the new National Strategy on consolidation of the agricultural land 2012-2020; then for the assessment of the significance of the direct payments subsidies for the farms profitability coming from different agricultural sub-

sectors aimed for the preparation of the National Program for Agriculture and Rural Development 2013-2017; and lately in the profound impact assessment on the impact of the policies applied in the previous strategic period 2007-2013, modeling of the new policies impact as well as in the definition of the measurable indicators for the period 2014-2020 as a part of the National Strategy for Agriculture and Rural Development for the period 2014-2020 drafting process, and many others.

However the improved and formalized procedures for utilization of the FADN data and improvement of its quality remain the objective in regards to future activities to be taken. To that aim setting up of persistent MAFWE monitoring and evaluation system of the Strategy implementation as well as capacity building of the relevant policy analysis staff is of immense importance to meet the governmental expectations for regular reporting of on-going 2015 NARDS 2014-2020 implementation period.

In order to provide adequate support, FADN employees and NEA collectors of FADN data should be trained in order to provide proper implementation of new farm return changes in the country's FADN system and proper use of the new FADN software. For this purpose, the Contractor will organise trainings, workshops, including study visits, and training materials will be prepared.

Having in mind the importance of compliance of FADN system according to the changes in EU FADN system and the importance of provision of better quality FADN data, the following issues are of special interest in the forthcoming period:

- Development of new software for FADN and all needed software licences in correlation with the changes in the farm return regulation (this action will be undertaken under measure 4)
- Further upgrading of the FADN system according to the new EU farm return changes and implementation the new farm return changes in the country's FADN system;
- Further improving the system of data quality check by upgrading the existing system of test and establishment of new advanced tests for quality control of data in the FADN;
- Further improving using the FADN data and preparing reports for stakeholders

Considering the above challenges, from 2014 sample in terms of processing and controlling of collected data, and from 2015 sample on also including collection, seriously depends on provided future technical support.

Measure 5: Reform of the tobacco sector in accordance with the EU's CMO

In the field of agriculture, tobacco has importance for the rural areas and communities where tobacco grows. The Law on Tobacco and Tobacco Products regulates the primary tobacco production. The production and trade of tobacco and tobacco products has a share of 3.2% in the GDP. The tobacco industry has a share of 3.9% in the total industrial production, and share of 4.1% in the total industry employments.

According to the National Agriculture and Rural Development Strategy tobacco is traditionally a strategic product due to its social aspects (it is the main cash crop and engages considerable rural labour in the specific production areas and in the processing industry), to its export trade relevance and to the non-negligible tax revenues for the national budget.

In 2006 a comprehensive Law on Tobacco and Tobacco Products² was adopted which regulates primary tobacco production, the financing, purchase, storage, processing of purchased raw tobacco in leaves, trade of fermented tobacco, as well as the production of tobacco products. The Law on tobacco and tobacco producers is the legal basis for the organisation of the tobacco market. It contains basic elements of the Common Market Organisations of raw tobacco such as contracts between tobacco producers and tobacco buyers; developed role of the Union of

² Law on tobacco and tobacco products OG 24/06

Associations of tobacco; strengthening of the control of tobacco production and marketing of fermented tobacco and tobacco products and harmonisation of the directives on tobacco products. In June 2006, the beneficiary country ratified the World Health Organisation (WHO) Framework Convention on Tobacco Control (FCTC) and has to meet the entailing obligations. Further improvement of the competitiveness of the tobacco sector, defining a roadmap for further alignment to EU CMO regulations, preparing for alternative crops in response to decreasing international demand, strengthening the capacity of the stakeholders in the sector, especially the association of producers and the research institute, are strategic points that need to be addressed.

(2) Sector and donor coordination

To strengthen the capacity of the Government system for aid coordination, and in cooperation with the donor community, the Government through the Secretariat for European Affairs has initiated the introduction of the concept of Programme Based Approach (PBA) in several sectors including agriculture and rural development: 'Priorities for Donor Assistance in the Agriculture and Rural Sectors' to ensure efficient donor coordination in order to avoid possible overlapping and alignment with the national priorities, which can be further enhanced and supported. Particular attention has been given to the principles of the Paris Declaration on Aid Effectiveness, including ownership, harmonization, and alignment. The general approach is, therefore, to 'scale up for more effective aid', rather than to identify entirely new areas of donor assistance in the short to medium term. The priorities identified for further donor assistance in the sector are consistent with the PBA methodology and structures and will also create basis for programming of the further Pre-Accession Assistance. Based on initial assessment of institutional capacity, sector strengths and weaknesses and PBA readiness, rural development has been proposed as potential area to apply PBA approach. Rationale is based on the expectations that it would enable the country to meet the enormous challenges of harmonising with the EU in the field of rural development additional donor assistance.

(3) Sector budget and medium term perspective

In accordance with the MAFWE Strategic Plan for 2015 the total budget of MAFWE amounts in total MKD 901,55 mil related to the areas of agriculture, rural development, forestry, water economy, fisheries and plant health and protection, Compared to the 2014 budget (MKD 700, 4 million), the budget for the year 2015 is increased by 28, 7%.

Nevertheless, the total scope of the allocation of the state funds for agriculture, rural development and food safety can be acknowledged only if the 2015 budgets of the implementing agencies for Financial Support on Agriculture and Rural Development (IPARD/Paying Agency – ASFARD) and for Food and Veterinary as well as the budgets of State Agriculture and State Forestry and Hunting Inspectorate are taken into consideration. In this relation, budget of AFSARD for 2015 is MKD 8,5 billion and budget of FVA is MKD 408, 31 million.

Accordingly, the total funds allocated for the agriculture and rural development in 2015 reached amount of MKD 9,99 billion, mainly distributed as state support for development of the agriculture and rural areas in amount of EUR150 million. The share of this allocation in the total national budget for the year 2015 is approximately 4, 8 %.

(4) Sector monitoring system

Implementation of the IPARD Programme is set up on the basis of decentralised management without ex ante controls where the IPARD Agency is responsible for the implementation of the IPARD programme in respect of implementing and paying actions.

The IPARD Managing Authority is responsible for IPARD Programme monitoring and

assisting the work of the IPARD Monitoring Committee, notably by providing the documents necessary for monitoring the quality of implementation of the IPARD Programme, following consultation with the IPARD Agency, and after their examination by the IPARD Monitoring Committee, submitting to the European Commission, the National IPA Co-ordinator (NIPAC) and the NAO. The Managing Authority is proposing adjustments of the IPARD Programme to the Commission and to the NIPAC after consultation with the IPARD Agency, and following agreement by the IPARD Monitoring Committee. The Managing Authority is responsible for ensuring that the relevant authorities are informed of the need to make appropriate administrative changes when such changes are required following a Decision by the Commission to amend the IPARD Programme. The Managing Authority and the "IPARD Monitoring Committee" for the rural development component are monitoring the effectiveness and the quality of the implementation of the IPARD Programme and reporting to the IPA Monitoring Committee and to the Commission on progress of the measures.

Aside from the afore noted monitoring elements and mechanisms, the sectorial monitoring system is comprised of a number of other elements, such as: the regular monitoring and annual review of the NPAA, which covers the area of agriculture and rural development; the monitoring of the fulfilment of the Strategic plan of the Ministry and the Managing Authority; the monitoring of the implementation of the Working Programme of the Government, which entails activities on agriculture and rural development etc. In addition, the sectorial activities which have been supported through IPA assistance are being monitored both at project level (line institution, CFCD), but also on a programme level in the framework of the IPA TAIB and overall IPA Monitoring Committee. The implementation of obligations under the SAA is being followed in the framework of the Stabilization and Association Committee and the respective Sub-Committee on Agriculture and Fisheries.

At measures level, results of Measure 1 will be monitored by IPARD Managing Authority and reported to the IPA Monitoring Committee.

The service contract "Quality control of produced orthophoto maps" (Measure 3) can be considered as a monitoring tool for Measure 2.

(5) Institutional setting

The Ministry of Agriculture, Forestry and Water Economy and its IPA Operating Structure has overall responsibility related to programming, technical implementation and monitoring of the projects that have been delegated by HOS to the IPA Operating Structure.

The other institution involved in this sector fiche is the Agency for Financial Support of Agriculture and Rural Development (AFSARD) which is responsible for the implementation of the projects and execution of payments (national and EU funded), as well as other issues of relevance to the development of agriculture and rural areas.

The Ministry of Agriculture, Forestry and Water Economy (MAFWE) and the Agency for Financial Support of Agriculture and Rural Development (AFSARD) are the main beneficiaries of the project, as well the Governmental public advisory services represented through the National Extension Agency could benefit from the project, as well.

Administrative capacity in the area of agriculture and rural development can still benefit from IPA component I assistance, especially in terms of further strengthening of the IPARD Managing Authority and IPARD Paying Agency in terms of further implementation of the

Common Agricultural Policy of the EU in the country, as well the other MAFWE departments and the National Extension Agency.

(6) Macro-economic context and Public Financial Management

Agriculture along with hunting, forestry and fisheries with 8.9% is the third largest economy sector based on its participation in the overall Gross Domestic Product (GDP), following the sectors of services and industry.

According to SSO data, the gross added value in agriculture in 2012 was MKD 42.841 mil. and in comparison with 2011 it increased by 2,7%. A slight increase was recorded in the output of the agricultural “industry” by 0.8% compared with 2011. Crop production, having a 69.0% share in the total production, increased by 0.6% compared with 2011. Livestock production, accounting for 23.2% of the total production, increased by 2.8% compared with 2011. Intermediate consumption recorded a 1.4% decrease in 2012 compared with 2011. In 2012, nominal and real income in agriculture from production factors per labour unit registered a respective increase of 15.0% and 15.9%. Total intermediate consumption in 2011 amounted to 35.425 mil.MKD which is increase by 0.8% compared to 2010.

The agricultural production value in 2012 amounted MKD 72.039 mil., which represents an increase of about MKD819 mil. or by 1.2% compared to 2011, due to the increase in the crop production by 0.6% and livestock production by 2.8%.

(7) Sector assessment

Implementation of the *Acquis communautaire* concerning the Common Agricultural Policy (CAP) and related policies for competitive and sustainable agriculture, strong, sustainable rural communities and diverse and sustainable rural environment is the main objective of the Agriculture and Rural Development sector.

3. DESCRIPTION

3.1 OVERALL OBJECTIVE OF THE IPA SECTOR SUPPORT

MIPD 2011-2013 acknowledges that agriculture has traditionally been one of the most significant industries of the country's economy. Unlike some of the transitional economies, in which agriculture suffered loss of its importance in certain periods, the agriculture has constantly maintained its position in the economy during the overall transition. Nowadays, the sector is facing major challenges and structural reforms in the country. Strengthening the competitiveness of the national agribusiness is therefore the focal point for its survival. This must be supported through well targeted agriculture and rural development policies and programmes and by modernization of the relevant public institutions.

An important factor for the modernisation of the agricultural sector is its gradual alignment to the EU *Acquis* and the relevant standards, taking into account the need for institutional information and technological strengthening to implement the necessary reforms and perform the needed controls on the field. Building of administrative capacity in the relevant national institutions to conceive and implement agriculture and rural development policies and programmes upon accession will also be of crucial importance for the future development of the sector.

The **overall objective** of the sector plan on Agriculture and Rural Development is further support and institutional strengthening of the capacities in the area of agriculture and rural

development for the implementation of the Common Agricultural Policy in compliance with EU criteria.

Through IPA support the EU is helping the beneficiary country to get ready for the effective use of the European Agriculture Rural Development Fund (EAFRD) upon accession, as well as to contribute to the sustainable development of the economy in the rural areas.

3.2 SPECIFIC OBJECTIVE(S) OF THE IPA SECTOR SUPPORT

The **specific objective** of the sector plan on Agriculture and Rural Development is to develop a common sector-wide approach and understanding of the priorities in Agriculture and Rural Areas which will contribute to the implementation of the Common Agricultural Policy of the EU.

3.3 RESULTS

The measure foreseen under this sector plan will achieve the following:

Measure 1: Support for the preparation and implementation of IPA 5th Component (IPARD) beyond 2013

- IPARD helpdesk(s) established in the country, including physical conditions and equipment. Pool of consultants trained and engaged to provide support and giving information to potential IPARD applicants under M301 and M302; by ;
- IPARD helpdesk(s) operational and running while best sustainable “hand over” procedures, operating modes and institutional arrangements are develop for achieving continuity of operations of the “help desks” beyond the project scope;

Measure 2: Introduction of land consolidation activities

Operation 2.1. Production of orthophoto maps and digitalization of agriculture land use

- Aerial photography, orthophoto maps and additional geographical data produced;
- Initial land use layer for the whole territory of the country including all agricultural land digitalised;
- Update of the current LPIS parcels layer (production layer) declared by the farm holdings in the system digitalised.

Operation 2.2. IT software development for FR and FADN system and LPIS software upgrade

New software for Farm Register Provided;

- New FADN software developed;
- LPIS Software upgraded;
- New Farm Register software developed.

Measure 3: Quality control of produced orthophoto maps and digitized agriculture land use layers

- Quality control activities related to determination of fulfilment the required standard quality of aerial images, orthophoto maps, additional geographical data and digitized initial and production land use layers performed.

**Measure 4: Finalization of the Farm Accountancy Data Network
Further upgrading and compliance with EU FADN legislation**

- National FADN legislation revised in accordance to EU FADN legislation;
- New Methodology and procedures for FADN data collection, processing, and quality control defined;
- MAFWE staff supported and trained in the implementation of the new methodology and procedures as well in the analysis and interpretation of the data;
- NEA collectors supported and trained in the implementation of the new methodology and procedures;
- Use of FADN data for policy formulation and monitoring enhanced.

Measure 5: Reform of the tobacco sector in accordance with the EU's CMO

- Action plan for increasing the competitiveness of the sector is developed;
- Capacities of stakeholders in the sector (especially but not exclusively producers organization and research institute) are strengthened;
- Alternative crops are experimented;
- Roadmap for further alignment to EU CMO regulation is developed.

3.4 MEASURES/OPERATIONS TO ACHIEVE RESULTS

The intervention options for each action foreseen under this sector plan are:

Measure 1: Support for the preparation and implementation of IPA 5th Component (IPARD) beyond 2013

- Identify the number and location of helpdesks, institutional arrangements and their scope of activities and their institutional anchorage;
- Physical establishment of helpdesk(s);
- Identify, select and establish a pool of consultants to provide administrative, economic and technical support to IPARD applicants for M301 and M302;
- Define the working methodology and communication tools of the "help desks" including IT solutions;
- Assessment of training needs, definition and implementation of training plan for the "help desks" staff and potential applicants;
- Monitor the activities and performances of the "help desks" and draft lessons to be learned, including propose options for sustainability and continuation of operations beyond project scope.

Measure 2: Introduction of the Land Consolidation activities

Operations 2.1: Production of orthophoto maps and digitalization of agriculture land use

- Production of aerial photography, orthophoto maps and additional geographical data for the purpose of the update of the Land Parcel Identification System;
- Digitalization of initial land use layer for the whole territory of the country including all agricultural land and digitalization and update of the current LPIS parcels layer (production layer) declared by the farm holdings in the system.

Operations 2.2: IT software development for FR and FADN system and LPIS software upgrade

Development of technical specification and new software solutions for FR planned to be developed;

- Upgrade of the LPIS software in line with the new agri-environmental aspects of the policy changes;
- Development of the software for Farm Register
- Development of the software for FADN
- Migration of the FR-LPIS-FADN system to a new platform;
- Consolidation of the IACS data bases between the MAFWE and AFSARD.

Measure 3: Quality control of produced orthophoto maps and digitized agriculture land use layers

- Quality control of orthophoto maps and digitalized data.

Measure 4: Finalization of the Farm Accountancy Data Network Further upgrading and compliance with EU FADN legislation

- Assessment of the current legislation and preparation of new FADN legislation which is in accordance with the EU FADN legislation;
- Definition of new procedures, guidelines and IT solutions for collecting for data collection, processing and quality control according to the new Farm Return methodology;
- Definition of new procedures, guidelines and IT solution for using FADN for policy purpose;
- Assessment of training needs, definition and implementation of training plan for FADN stakeholders (MAFWE, NEA) from data collection to data analysis for policy purpose;
- Promotion of FADN system (public campaign).

Measure 5: Reform of the tobacco sector in accordance with the EU's CMO

- Tobacco sub-sector analysis focusing on competitiveness;
- Study related to possible alternative crops taking into account agronomic, social and economic criteria;
- Implementation of field pilots on alternative crops;
- Support (including trainings and equipment) to stakeholders in the Tobacco sub-sector;
- Comparative analysis between EU CMO requirements and Country legislation in the Tobacco sub-sector.

3.5 OVERVIEW OF PAST OR ON-GOING ASSISTANCE, LESSONS LEARNED, MECHANISMS FOR DONOR COORDINATION/SECTOR WORKING GROUP AND/OR POLICY DIALOGUE

The largest proportion of assistance available to this sector has been provided by the European Union, starting from the previous CARDS programmes in 2001, to the recent projects included within the IPA programme. Other active supporters in the sector are the World Bank, OSCE, SIDA and USAID. The activities foreseen build upon the activities realised under the CARDS 2006 Support to IPARD preparations project, which contributed for IPARD Programme implementation and strengthening of the Managing Authority and AFSARD. Besides this, this project area will also benefit from the foreseen results under several on-going/planned projects (IPA-TAIB 2008: CMO and Agri-environment project, LPIS/IACS) that are primarily related to the institutional strengthening of MAFWE and development of various sets of managerial procedures related to the measures foreseen to be introduced under these projects, IPA-TAIB 2009 (Twinning project on cross-compliance, Twinning project on quality and organic production and IACS/LPIS project), contributing towards quality improvement capacities, IPA TAIB 2010 (Assistance to IPARD Agency for Preparing of Accreditation of "Investments in rural infrastructure and "Introduction of new IPARD measures to be implemented under IPARD II", contributing towards IPARD absorption, as well as improvement of the

management and operation of the overall agricultural sector and planned IPA 2011 (Further strengthening of AFSARD and preparing the Agency for the new programming period 2014-2020 and Further upgrading of the Agriculture Information System (AIS) in order to strengthen the national and regional capabilities to manage, enforce and apply the mechanisms of the Common Agricultural Policy (CAP). In addition 18 mil EUR were transferred from IPARD to IPA component 1 out of which 15.5 mil EUR for Rural Infrastructure projects (implemented by World Bank) and 2 mil EUR for preparation of feasibility studies for Small Scale Irrigation systems in Irrigation Sector.

Aside from the institutional reforms, there are donors which address directly the needs of the sector. USAID has been supporting the private sector through a cluster approach in priority subsectors including support for producer organizations, and comprehensive support has been provided by SIDA to strengthen the extension service as well as introducing, on a pilot basis, the EU Leader Programme for rural development. These efforts need to be continued to address the issue of agricultural competitiveness and to enhance the skills of the rural workforce.

USAID supports economic growth through programs that strengthen and improve competitiveness of national businesses, improve the business environment, and encourage local economic development. The USAID AgBiz Programme is focused on increasing economic growth through expanded, environmentally sustainable production and sales of value-added agricultural products by enabling producers and processors to compete regionally and globally. The beneficiary country is part of an FAO funded regional TCP project (6 countries) addressing capacity building for rural development at local level. It should enable rural communities to benefit from rural development support programmes provided currently and in the future under IPARD.

In the area of agricultural land, FAO is supporting land management reforms introducing policy options for better management and use of state agricultural land. The Dutch Government is providing technical assistance to support preparatory work relating to land consolidation. In the development of initial conditions for introduction of a Land Consolidation framework (strengthening of the competent units by training of the staff, legislation amendments, and strategy/policy formulation) as well as in piloting of the simple land exchange instruments, the Ministry has been provided with Dutch government assistance within the following projects: EMERALD – a programme that supports rural land development - in the period of 2008-2009; STIMERALD - "Strategy and Institution Building for Rural Land Development" - in the period 2010-2011.

Implementing agencies are Dutch Government Agency for Land and Water management DLG and SNV (Dutch Development Agency).

In this respect, the bilateral on-going G2G project Improvement of the Agricultural Education could contribute to the further absorption of the IPARD assistance for the rural development resulting in a strong framework for support to the training system in agriculture, as well as improvement of the occupational skills and competences of persons engaged in agriculture, food, forestry and other economic activities in the rural area.

Finally, several activities (study visits, expert missions and workshops) realised on topics related to MAFWE through the EU's TAIEX Instrument, as well as certain experiences and practical knowledge, gained through the realisation of the National Programme for Agriculture Support during the past years, are valuable.

3.6 SUSTAINABILITY

The expected impact of the components of this sector support fiche will bring about significant improvement in the administrative capacities of the institutions responsible for agriculture and rural development, which will result in a shift in focus towards meeting new challenges, identified in future changes in CAP support post 2013. The sector fiche will have impact on

improving the systems (strategic planning documents, strategic management), skills, practices, mechanisms, rules, by laws and strategies of the relevant institutions as well as contributing to the sustainable development of the agricultural sector implementing of EU standards. The objective of this sector fiche is to facilitate the sustainable impact, based on the results and outcomes that should be achieved over time. It is expected to have a positive impact on developments in the agricultural and rural development sector, stimulating growth, diversification and exports. An on-going review of key issues impacting on sustainability will start from the beginning of project implementation, based on the results and outcomes that should be achieved over time. The objective of this review is to facilitate the sustainable impact of outcomes beyond the end of the project. This support, of the main components of this sectorial fiche, will focus on implementing the *acquis communautaire*, including introduction of new rules and tasks, under envisaged sectors. After project completion, the key elements of the system are expected to be in place and operational.

3.7 ASSUMPTIONS AND PRECONDITIONS

Assumptions:

- Sufficient capacities within beneficiary institutions to prepare the necessary Terms of Reference and technical specification, where applicable.
- Completion of activities in due time;
- Authorisations from neighbouring countries necessary for aerial photo closed to borders secured in due time.

Preconditions:

The project includes the following pre-conditionalities:

- Endorsement by all key stakeholders of the Terms of Reference, specifications for the individual contracts to be engaged;
- Strengthened administrative capacities (staffing) of the beneficiaries at the start of the project activities as foreseen in accordance with the National Plan for the Adoption of the *Acquis*, assuring the appropriate absorption capacity for the foreseen activities and developments and their future implementation.
- 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 work plan of the project;
- Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan;
- The trainings under the individual activities will be carried out in the national training premises (for ex. EU/IPA Training and Support Facility);
- In areas where there is evident expertise with the final beneficiary, the trainings will be delivered by the civil servants, as part of their job description, without any compensation and/or with the assistance of key/short term experts;
- Adoption of Land Consolidation Strategy by the Government.

Amendments to legislation to harmonise with the Common Agricultural Policy enacted;

- EU procedures to be followed for the procurement of supplies, contracting of technical assistance & training financed from pre-accession funds.
- Use the IPA training resources when comes to training to civil service, in particular on EU issues
- Use of public institutions owned training facilities,
- Use of existing public administration expertise as trainers/experts instead of paying fees for experts recruited under our projects. Expertise which is not available in the public administration can be recruited under the contracts.

4 IMPLEMENTATION ISSUES

The MAFWE is responsible for the developing and implementation of the policies of the specific fields. In the perspective of this sector fiche MAFWE will be the main stakeholder with direct responsibility in all segments of implementation of measure and development of operation. A Steering Committee (SC) comprising of representatives of the Beneficiary Institution and other stakeholders will be established to monitor the implementation of the measures. The final and exact composition of the SC will be agreed with the Contracting Authority at the start-up of the project. The SC meetings are called and chaired by the Minister or Deputy Minister. The Delegation of the European Union will be invited as

observer, as well SEA. The SC will take the necessary decisions related to project facilitation and progress and will be the forum to discuss any unforeseen difficulties.

4.1 INDICATIVE BUDGET

IPA TAIB 2012	PRELIMINARY ESTIMATION OF EU CONTRIBUTION (in EUR)
Support for the implementation of IPA 5th Component (IPARD) beyond 2013	1,089,000
Introduction of land consolidation activities: Operation 2.1. Production of orthophoto maps and digitalization of agriculture land use Operation 2.2. New software development for FR and FADN system and LPIS software upgrade	1080,000
Quality control of produced orthophoto maps and digitized agriculture land use layers	72,000
TOTAL	2,241,000
IPA TAIB 2013	
Finalization of the Farm Accountancy Data Network	760,000
Reform of the tobacco sector in accordance with the EU's CMO	855,000
Various supply contracts	1,151,128
TOTAL	2,766,128

Indicative budget 2012 (amounts in EUR)

SECTOR TITLE			SOURCES OF FUNDING										
			TOTAL EXPENDITURE	TOTAL PUBLIC EXPENDITURE	IPA CONTRIBUTION		NATIONAL PUBLIC CONTRIBUTION						PRIVATE CONTRIBUTION
	IB (1)	INV (1)	EUR (a)=(b)+(e)	EUR (b)=(c)+(d)	EUR (c)	% (2)	Total EUR (d)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (e)	% (3)
Measure 1 IPARD Service contract	X		1,210,000	1,210,000	1,089,000	90%	121,000	10%					
Measure 2 Ortophoto images and FR, FADN and LPIS software's - Service contract	X		1,200,000	1,200,000	1,080,000	90%	120,000	10%					
Measure 3 Quality control of ortophoto images - Service contract	X		80,000	80,000	72,000	90%	8,000	10%					
TOTAL IB			2,490,000	2,490,000	2,241,000		249,000						
TOTAL INV			0	0	0	0	0	0					
TOTAL SECTOR SUPPORT			2,490,000	2,490,000	2,241,000		249,000						

Indicative budget 2013 (amounts in EUR)

SECTOR TITLE			SOURCES OF FUNDING										
			TOTAL EXPENDITURE	TOTAL PUBLIC EXPENDITURE	IPA CONTRIBUTION		NATIONAL PUBLIC CONTRIBUTION					PRIVATE CONTRIBUTION	
	IB (1)	INV (1)	EUR (a)=(b)+(e)	EUR (b)=(c)+(d)	EUR (c)	% (2)	Total EUR (d)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (e)	% (3)
Measure 4 FADN - Twinning	X		800,000	800,000	760,000	95%	40,000	5%					
Measure 5 CMO Tobacco - Service contract)	X		950,000	950,000	855,000	90%	95,000	10%					
Operation 6.1 Supplies contracts, including lab. Equipment soil testing, vehicles		X	1,534,837	1,534,837	1,151,128	75%	383,709	25%					
TOTAL IB			1,750,000	1,750,000	1,615,000		135,000						
TOTAL INV			1,534,837	1,534,837	1,151,128	75%	383,709	25%					
TOTAL SECTOR SUPPORT			3,284,837	3,284,837	2,766,128		518,709						

4.2 INDICATIVE IMPLEMENTATION SCHEDULE (PERIODS BROKEN DOWN PER QUARTER)

Operations	Start of Tendering/ Call(s) for proposals	Signature of contract(s)	Activity Completion
Operation 1 Service contract	Q1 2016	Q1 2017	Q4 2018
Operation 2 Service contract	Q1 2016	Q3 2016	Q3 2017
Operation 3 Service contract	Q2 2016	Q4 2016	Q4 2017
Operation 4 Twinning contract	Q3 2016	Q2 2017	Q4 2018
Operation 5 Service contract	Q3 2016	Q1 2017	Q4 2018
Operation 6 Supplies contracts	Q2 2016	Q4 2016	Q4 2017

4.3 CROSS CUTTING ISSUES

4.3.1 Equal Opportunities and non-discrimination

Cross cutting issues have to be systematically addressed during the project lifetime. Up to 10% of the budget for capacity building may be allocated to assist the beneficiary 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 training activities will include a specific component to train beneficiary staff in the implementation of the Government Gender Strategy, while reference will be made to the EC Programme of Action for the mainstreaming of gender equality in community development cooperation (2001-06). In view of the specific sector, it is not expected that the gender aspects will be of prime relevance for the outputs of this project.

4.3.2 Environment and climate change

Any ecological friendly initiative which can be taken will have to be implemented. The implementation of IPARD Programme is in environmental compliance with national standards and movement towards EU standards, as well as the implementation of the other measures in this sector fiche.

4.3.3 Minorities and vulnerable groups

Whereas the main reference in the country in relation to minority groups is the Ohrid Framework Agreement, in an EU context, reference is made to the “Race directive” of 2000 (2000/43/EC of 29 June), which has an important impact on employment (including vocational training, working conditions, social protection etc.) and is also a crucial aspect of the *acquis*. The beneficiary will be assisted to implement an ‘internal minority and vulnerable group assessment’ to identify areas where it could improve its internal performance vis-à-vis minorities or other vulnerable groups. In view of the specific sector, it is not expected that the minority aspects will be of prime relevance for the outputs of this project.

4.3.4 Civil Society/Stakeholders involvement

Substantial efforts will be dedicated to the purpose of regular informing and involvement, whenever possible of the civil society organisations and social partners, as well as any other institution/organisation as parties concerned regarding the project implementation, outcomes and results achieved within the Sector Plan.

4.4 SECTOR MONITORING, EVALUATION AND AUDIT

The project will be implemented in a decentralised manner. The lead beneficiary institution will be the MAFWE and the beneficiary of the contracts will be AFSARD as well.

The coordination of the projects will fall under the responsibilities of the SPO.

The Contracting authority for all of the projects will be the Central Financing and Contracting Department (CFCD).

A Steering Committee (SC) comprising of representatives of the Beneficiary Institution, the Beneficiary Country Project Leader, the Member State Project Leader/the Resident Twinning Adviser, and other stakeholders will be established to monitor the implementation of the project. The Delegation of the European Union will be invited as observer, as well SEA. The final and exact composition of the SC will be agreed with the Contracting Authority at the start-up of the project.

The Steering Committee will meet quarterly or more frequently, if required. The SC meetings are called and chaired by the Minister or Deputy Minister. The Project Leaders/Resident Twinning Advisers will be responsible, jointly with the national counterpart, for drafting an interim quarterly report and presenting it to members of the committee at least 2 weeks prior to each Steering Committee meeting. The SC will take the necessary decisions related to project facilitation and progress and will be the forum to discuss any unforeseen difficulties. Exceptional SC meetings can be convoked in case of exceptional needs.

The audit authority shall be responsible for verifying the effective and sound functioning of the management and control systems and the MAFWE internal audit as well.

ANNEXES

Documents to be annexed to the Sector fiche

- 1. Log frame**
- 2. Description of Institutional Framework**
- 3. Political, legal and institutional framework**
- 4. Details per EU funded operation(*) where applicable**
- 5. Possible visibility activities**

ANNEX 1: Logical framework matrix for sector support in standard format

LOG FRAME PLANNING MATRIX FOR Sector Fiche	Sector support name and number: Agriculture and Rural Development		
	Contracting period expires 2014		Execution period expires 2018
	Total budget	EUR 5,774,837	
	IPA budget:	EUR 5,007,128	

<p>National sector or sub sector objective</p> <p>The overall objective of the sector plan on Agriculture and Rural Development is further support and institutional strengthening of the capacities in the area of agriculture and rural development for the implementation of the Common Agricultural Policy in compliance with EU criteria.</p>	<p>Objectively verifiable indicators</p> <ul style="list-style-type: none"> - Preparation and adoption of relevant legislation; - Enforcement of the legislation; - Human resources and management systems; 	<p>Sources of verification</p> <ul style="list-style-type: none"> - Progress reports; - Annual implementation report. 	
<p>Sector support objective within the MIPD sector</p> <p>The specific objective of the sector plan on Agriculture and Rural Development is to develop a common sector-wide approach and understanding of the priorities in Agriculture and Rural Areas which will contribute to the implementation of the Common Agricultural Policy of the EU.</p>	<p>Objectively verifiable indicators</p> <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 - Availability of beneficiary agencies and staff 	<p>Sources of Verification</p> <ul style="list-style-type: none"> - Progress reports; - Annual implementation report. 	<p>Assumptions</p> <ul style="list-style-type: none"> - lack of integral approach during the implementation of the project - defined activities - inadequate coordination in providing resources for the support of the implementation of the objectives - lack or insufficient information, consultation and involvement of stakeholders,

			<p>communities and groups</p> <ul style="list-style-type: none"> - no system or insufficient capacities for program and project management - no system or insufficient capacities for monitoring and evaluation of implemented measures - lack of coordination and support by all beneficiaries of the projects
Results of the sector support	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>The measure foreseen under this sector plan will achieve the following:</p> <p>Measure 1: Support for the preparation and implementation of IPA 5th Component (IPARD) beyond 2013</p> <ul style="list-style-type: none"> - IPARD helpdesk(s) established in the country, including physical conditions and equipment. pool of consultants trained and engaged to provide support and giving information to potential IPARD applicants under M301 and M302; by ; - IPARD helpdesk(s) operational and running while best sustainable “hand over” procedures, operating modes and institutional arrangements are develop for achieving continuity of operations of the “help desks” beyond the project scope; <p>Measure 2: Introduction of land consolidation activities</p> <p>Operation 2.1. Production of orthophoto maps and digitalization of agriculture land use</p> <ul style="list-style-type: none"> - Aerial photography, orthophoto maps and additional geographical data produced; - Initial land use layer for the whole territory of the country including all agricultural land digitalised; - Update of the current LPIS parcels layer (production layer) declared by the farm holdings in the system digitalised. 	<ul style="list-style-type: none"> - Number of improved and simplified procedures; - Number of IPARD applications approved - Established IT tools and software for identifying IPARD projects, applying and managing IPARD projects and collection of relevant documents. - Produced new aerial photography, orthophoto maps and additional geographic data - Digitized and accurately determined boundaries of the parcels from the initial land use layer including all agricultural land; - Digitized and accurately updated 	<ul style="list-style-type: none"> - Project reports; - Monthly reports from different institutions; - Government reports; - Progress Reports (Commission). 	<ul style="list-style-type: none"> - The beneficiary country partners continuously support the RTA and PL in the implementation of the project (s) activities; - The beneficiary administration appoints the Project Leader and all relevant counterparts and makes available the staff that will be involved during the project(s) implementation;

<p>Operation 2.2. IT software development for FR and FADN system and LPIS software upgrade New software for Farm Register Provided;</p> <ul style="list-style-type: none"> - New FADN software developed; - LPIS Software upgraded; - New Farm Register software developed. <p>Measure 3: Quality control of produced orthophoto maps and digitized agricultural land use layers</p> <ul style="list-style-type: none"> - Quality control activities related to determination of fulfilment the require standard quality of aerial images, orthophoto maps, additional geographical data and digitized initial and production land use layers performed. <p>Measure 4: Finalization of the Farm Accountancy Data Network Further upgrading and compliance with EU FADN legislation</p> <ul style="list-style-type: none"> - National FADN legislation revised in accordance to EU FADN legislation; - New Methodology and procedures for FADN data collection, processing, and quality control defined; - MAFWE staff supported and trained in the implementation of the new methodology and procedures as well in the analysis and interpretation of the data; - NEA collectors supported and trained in the implementation of the new methodology and procedures; - Use of FADN data for policy formulation and monitoring enhanced. <p>Measure 5: Reform of the tobacco sector in accordance with the EU's CMO</p> <ul style="list-style-type: none"> - Action plan for increasing the competitiveness of the sector is developed; - Capacities of stakeholders in the sector (especially but not exclusively producer organization and research institute) are strengthened; - Alternative crops are experimented; - Roadmap for further alignment to EU CMO regulation is developed. 	<p>boundaries of the parcels from the production layer (parcels declared by farm holdings);</p> <ul style="list-style-type: none"> - Conducted quality control of delivered aerial images, orthophoto maps, additional geographical data and digitized initial and production land use layers <p>Adequate IT systems in place and functional;</p> <ul style="list-style-type: none"> - Established data quality control system and procedure; - Number of realised publicity activities on FADN; - Number of functional guidelines prepared; - Number of trainings organised in each relevant area (RICC and comprehensive FADN); - Unit structure in place; <ul style="list-style-type: none"> - Number of actions identified and agreed with stakeholders to improve the competitiveness of sub-sector; - Number of hectares/farmers testing alternative crops - Number of trainings organised and delivered; - Roadmap for alignment to EU CMO prepared. 		<ul style="list-style-type: none"> - Cooperation among the stakeholders - Commitment from national authorities in the process.
Measures to achieve results	Means / operations	Costs (in EUR)	Assumptions

<p>The intervention options for each action foreseen under this sector plan are:</p> <p>Measure 1: Support for the implementation of IPA 5th Component (IPARD) beyond 2013</p> <ul style="list-style-type: none"> - - Identify the number and location of helpdesks, institutional arrangements and their scope of activities and their institutional anchorage; - Physical establishment of helpdesk(s); - Identify, select and establish a pool of consultants to provide administrative economic and technical support to IPARD applicants for M301 and M302; - Define the working methodology and communication tools of the "help desks"; - Assessment of training needs, definition and implementation of training plan for the "help desks" staff and potential applicants; - Monitor the activities and performances of the "help desks" and draft lessons to be learned, including propose options for sustainability and continuation of operations beyond project scope. - - Measure 2: Introduction of the Land Consolidation activities - Operations 2.1: Production of orthophoto maps and digitalization of agriculture land use - Production of aerial photography, orthophoto maps and additional geographical data for the purpose of the update of the Land Parcel Identification System; - Digitalization of initial land use layer for the whole territory of the country including all agricultural land and digitalization and update of the current LPIS parcels layer (production layer) declared by the farm holdings in the system. - - Operations 2.2: IT software development for FR and FADN system and LPIS software upgrade - Development of technical specification and new software solutions for FR planned to be developed; - Upgrade of the LPIS software in line with the new agri-environmental aspects of the policy changes; - Development of the software for Farm Register - Development of the software for FADN - Migration of the FR-LPIS-FADN system to a new platform; - Consolidation of the IACS data bases between the MAFWE and AFSARD. - 	<p>1 Service contract for the Measure 1</p> <p>1 Service contract for the Measure 2</p> <p>1 Service contract for the Measure 3</p> <p>1 Twinning contract for the Measure 4</p> <p>1 Service contract for the Measure 5</p> <p>1 Supply contract for measures 1,2,3,4,5</p>	<p>Total budget: 1,210,000 IPA contribution: 1,089,000 National contribution: 121,000</p> <p>Total budget: 1,200,000 IPA contribution: 1,080,000 National contribution: 120,000</p> <p>Total budget: 80,000 IPA contribution: 72,000 National contribution: 8,000</p> <p>Total budget: 800,000 IPA contribution: 760,000 National contribution: 40,000</p> <p>Total budget: 950,000 IPA contribution: 855,000 National contribution 95,000</p> <p>Total budget: 1,534,837 IPA contribution: 1,151,128 National contribution: 383,709</p> <p>Total budget: 5,774,837 EUR IPA contribution: 5,007,128 EUR Nat. contribution: 767,709 EUR</p>	
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<p>Measure 3: Quality control of produced orthophoto maps and digitized agricultural land use layers</p> <ul style="list-style-type: none"> - Quality control of orthophoto maps and digitalized data. - - Measure 4: Finalization of the Farm Accountancy Data Network - (Further upgrading and compliance with EU FADN legislation) - Assessment of the current legislation and preparation of new FADN legislation which is in accordance with the EU FADN legislation; - Definition of new procedures, guidelines and IT solutions for collecting farm data collection, processing and quality control according to the new Farm Return methodology; - Definition of new procedures, guidelines and IT solution for using FADN for policy purpose; - Assessment of training needs, definition and implementation of training plan for FADN stakeholders (MAFWE, NEA) from data collection to data analysis for policy purpose; - Promotion of FADN system (public campaign). - <p>Measure 5: Reform of the tobacco sector in accordance with the EU's CMO</p> <ul style="list-style-type: none"> - Tobacco sub-sector analysis focusing on competitiveness; - Study related to possible alternative crops taking into account agronomic, social and economic criteria; - Implementation of field pilots on alternative crops; - Support (including trainings and equipment) to stakeholders in the Tobacco sub-sector; - Comparative analysis between EU CMO requirements and Country legislation in the Tobacco sub-sector. - 			
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ANNEX 2: Essential relevant excerpts from national sector policy and strategy documents

National Programme for Agriculture and Rural Development 2014-2020 (IPARD II)

The objectives of IPA II assistance under rural development programmes in policy area 'agriculture and rural development' are defined in Article 18(5) of the Framework Agreement as follows:

(a) In view of Union priorities for rural development, by means of developing human and physical capital, to increase the food-safety of the IPA II beneficiary and the ability of the agri-food sector to cope with competitive pressure as well as to progressively align the sector with Union standards, in particular those concerning hygiene and environment, while pursuing balanced territorial development of rural areas.

(b) Channeling investment support through management and control systems which are compliant with good governance standards of a modern public administration and where the relevant country structures apply standards equivalent to those in similar organisations in the European Union member states.

IPA rural development programmes continue to maintain close links to the EU rural development policy by financing selected types of actions as provided for under Regulation (EU) No 1305/2013 of the European Parliament and of the Council.

The above-mentioned IPA II objectives largely coincide with the main strategic objectives and specific objectives according to NSARD 2014-2020 (section 6.1.1 of this Programme), namely the objectives for enhancing farm viability and competitiveness of all types of agriculture and food-processing, agro-environmental objectives for restoring, preserving and enhancing ecosystems dependent on agriculture and forestry, improving socio-economic development in rural areas and human potential.

For the purpose of this Programme, it is considered that the priorities set at EU level and IPA II objectives are consistent with the NSARD 2014-2020.

Even though the Programme will potentially be serving more than one objective under IPA II and its consistency with the NSARD 2014-2020, the objectives can be grouped into the following priority areas:

- Enhancing farm viability and competitiveness of all types of agriculture and primary food-processing, while progressively aligning with the Union standards;
- Restoring, preserving and enhancing ecosystems dependent on agriculture and Forestry;
- Promoting balanced territorial development in rural areas;
- Transfer of knowledge and strengthening public administration capacity implementation of rural development programmes.

National Strategy for the Development of Agriculture and Rural Development for the period 2014-2020

The NSARD defines the following overall objectives for the period 2014-2020: *“Increasing of the international competitiveness of the country's agricultural production and agro-food industry, and securing sustainable development of rural areas”*.

Specifically, the increase of competitiveness will be achieved through the realization of the following priority areas:

- 1.Improving of technological⁴⁶ and market infrastructure in order to increase the range of products with added value, productivity, quality and safety and achieving of the EU standards;
- 2.Strengthening the horizontal and vertical integration of the economic subjects in agro-food sector and development of market contractual relations in the agricultural value-chains that should enable better exchange of market information and planning of the production and purchase, as well as improving the marketing of agricultural products and promotion on foreign markets;
- 3.Providing access to production factors, agricultural land and its consolidation, access to capital and quality production inputs , and improvement of human potential in the sector, and 4) improving of rural infrastructure for sustainability of rural communities and economical activities in rural areas.

ANNEX 3 - Description of Institutional Framework

MINISTRY OF AGRICULTURE, FORESTRY AND WATER ECONOMY

Mandate of the Ministry

The Law on Organisation and Operation of the State Administration Bodies (“Official Gazette of RM” No. 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 DAPA is organised as separate Department within the Ministry, with several units within the Department with major competency in policy analyses and management of information systems in the agriculture field.

Brief job description of the units within the Department:

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.

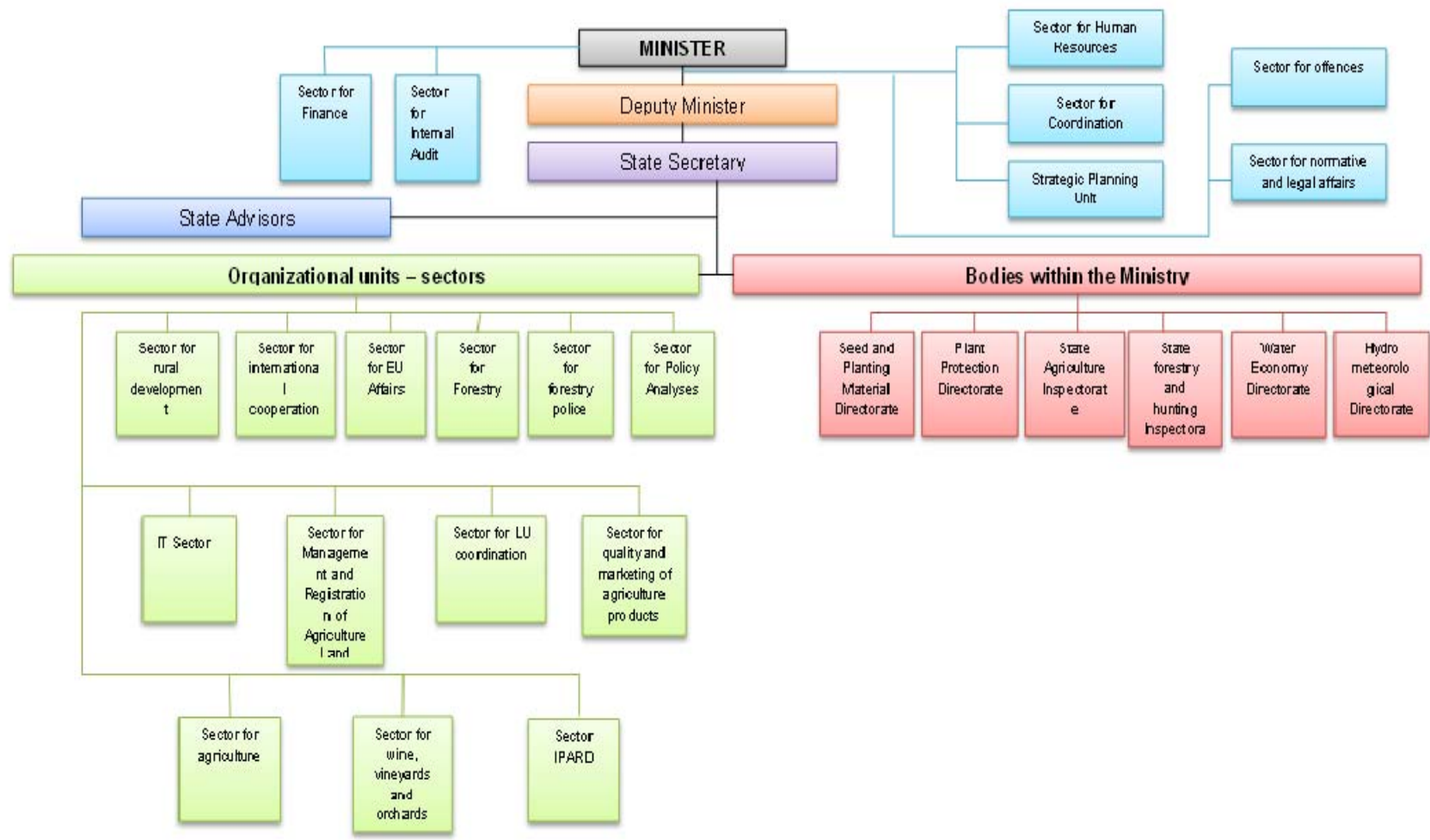
IPARD Department: all aspects of management, programming, monitoring and evaluation of rural development policies ,EU funded schemes; organizes and supports the work of the Rural Development Monitoring Committee and Inter-Governmental Rural Development Body; prepares multiannual plans for utilization of EU rural development pre-accession funds based on the strategic document for rural development and the Rural Development Programme.

Rural Development Department: all aspects of management, programming, monitoring and evaluation of rural development policies, national schemes; develops and proposes rural development policies and strategies in line with national strategies;

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.

Department for Management and Registration of Agriculture Land: all aspects of the overall management, including managing, registering and improvement of the agriculture land in the country.

The organisation chart of the MAFWE is presented below:



AGENCY FOR FINANCIAL SUPPORT IN AGRICULTURE AND RURAL DEVELOPMENT

Mandate of the 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.

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.

The total number of employees within the Agency for Financial Support in Agriculture and Rural Development as of 31.08.2010 is 97.

Brief job description of the sectors and units within the Agency:

Sector for Approval of Projects: main function is to receive the project applications and to evaluate the project application before approving it;

Sector for Authorisation 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;

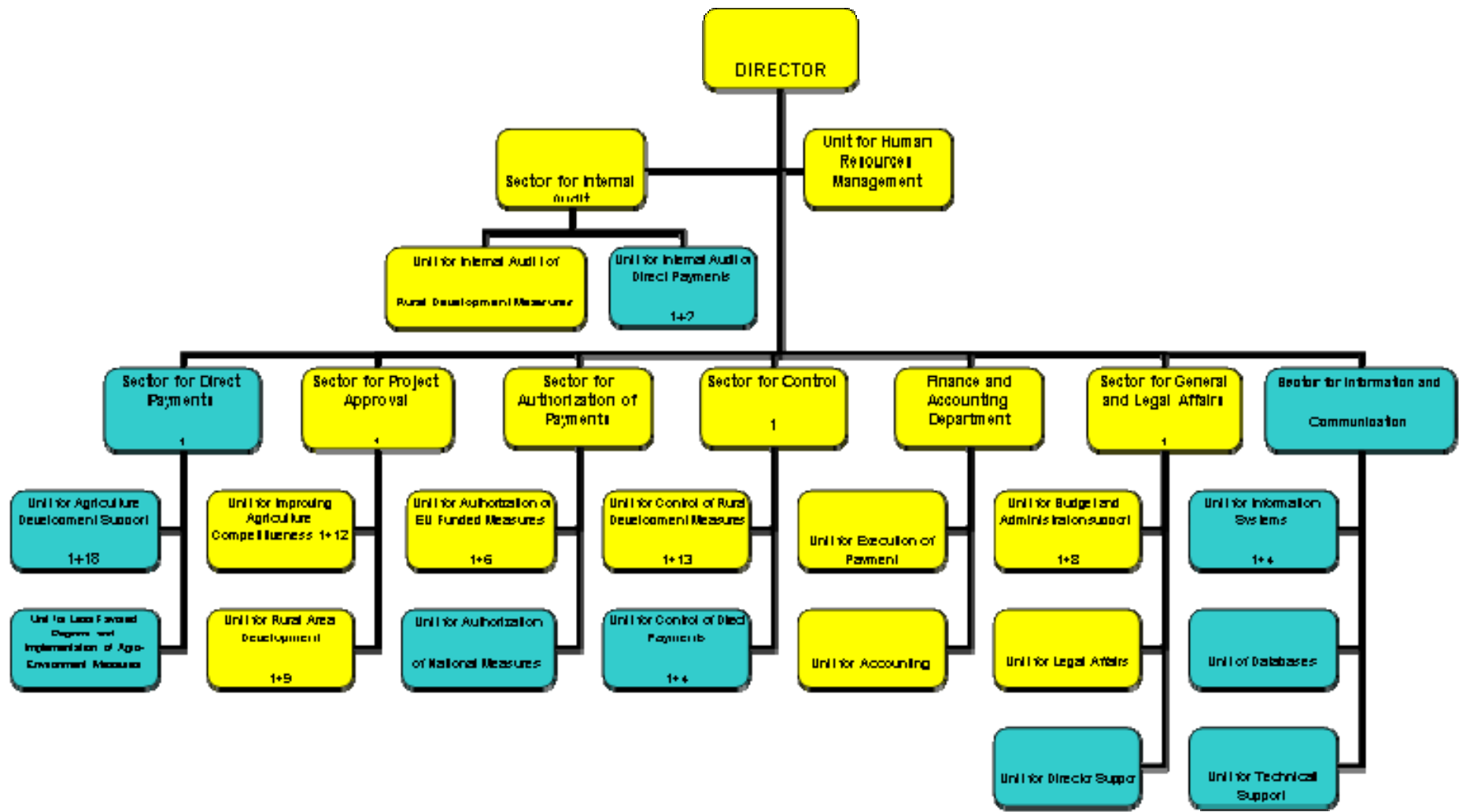
Sector for Internal Audit: main function is to perform audit of the administrative and financial work of the Agency and possible delegated bodies, thus examining all operating functions of the Agency;

Sector for Information and Communication Technology: main function is to give ICT support to the working process of the Agency by creating secure IT system, data base and provide technical support to the ICT system;

Unit for Human Resources: main functions are keeping and updating the personal records of the 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 Agency, preparing the monthly allowances for the Agency employees, identifying necessary, and proposing training programs for the Agency's employees;

Sector for National Payments: execution of National payments schemes related to agriculture and rural development.

The organisation chart of the Paying Agency is presented further below:



Legend:

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

ANNEX-4 Details per EU funded operation where applicable (all amounts in EUR)

The expected contracting arrangements are:

- 1 Service contract, for the implementation of activities under Measure 1: Support for the implementation of IPA 5th Component (IPARD) beyond 2013. The contract has an expected duration of 20-24 months, and is expected to start at Q2 of 2016. The total budget of this contract will be approximately 1,210,000, of which IPA funds 1,089,000 and national contribution 121,000;
- 1 Service contract, for the implementation of activities under Measure 2 - Introduction of the Land Consolidation activities (Production of orthophoto maps and digitalization of agriculture land use and IT software's for FR, LPIS and FADN). The contract has an expected duration of 20-24 months, and is expected to start at Q3 of 2016. The budget of this contract will be approximately 1,200,000, of which IPA funds 1,080,000 and national contribution 120,000;
- 1 Service contract, for the implementation of activities under Measure 3: Quality control of produced orthophoto maps and digitized agriculture land use layers. The contract has an expected duration of 13-16 months, and is expected to start at Q3 of 2016. The budget of this contract will be approximately 80,000 EUR, of which IPA funds 72,000 EUR and national contribution 8,000 EUR;
- 1 Twinning contract, for the implementation of activities under Measure 4 - Finalization of the Farm Accountancy Data Network. The contract has an expected duration of 13-16 months, and is expected to start at Q4 of 2017. The budget of this contract will be approximately 800,000, of which IPA funds 760,000 and national contribution 40,000;
- 1 Service contract, for the implementation of activities under Measure 5 - Reform of the tobacco sector in accordance with the EU's CMO The contract has an expected duration of 20-24 months, and is expected to start at Q2 of 2016. The budget of this contract will be approximately 950,000, of which IPA funds 855,000 and national contribution 95,000;
- 1 Supply contract is expected to be concluded to provide IT equipment and vehicles. The total budget of this contract will be approximately 1,534,837, out of which 1,151,128 IPA funds and 383,709 National contributions.

Justification for supplies

Intended beneficiary – the intended beneficiary of the equipment will be as follows:

- For the **Measure 1**: office equipment (furniture, computers, copiers, etc.) and vehicles to support the establishment and functioning of the helpdesk will be provided. MAFWE will be the beneficiary.
- For Measures 2 and 4, supplies will mainly consist of IT equipment and vehicles (hardware, software). Beneficiary will be MAFWE and NEA.
- For measure 5, supplies will mainly consist of equipment to strengthen the capacity of the research institute. Detailed needs will be provided by the service contract.

The lists presented is indicative, and subject to change at time of preparation of the technical specifications

The technical specifications for supply equipment will be prepared by MAFWE and in some cases by the experts from projects..

ANNEX 5: Possible visibility activities

Any visibility actions of the projects are defined in the communication and visibility manual for European Union external actions mainly covers the written and visual identity of the EU. It sets out requirements and guidelines for briefings, written material, press conferences, presentations, invitations, signs, commemorative plaques and all other tools used to highlight EU participation. In addition, it offers tools designed to enable the development of a dynamic communication strategy that will highlight the achievements of EU support.

The Visibility Guidelines for IPARD Programme 2007 – 2013 Beneficiaries define the use and the visibility identity of the following visibility materials:

1. Stickers
2. Commemorative plaques
3. Billboards

The guidelines which have been designed to ensure that IPARD projects and actions funded by the European Union (EU) incorporate information and communication activities designed to raise the awareness of specific or general audiences of the reasons for and impact of the EU pre-accession support, and identify EU support for the action in the country, as well as the impact of that particular action. The guidelines are meant to offer tools designed to define the type of visibility activity for specific actions and contexts. The guidelines also include information concerning the correct use of the EU logo and identity as well as the flag

These guidelines are prepared in accordance with the following documents:

- Communication and Publicity Plan of the IPARD Programme 2007-2013, final version June, 2009
- COMMUNICATION AND VISIBILITY MANUAL for European Union External Actions, final version July, 2009
- Electronic templates of EU flag and legal acts:
http://ec.europa.eu/europeaid/work/visibility/index_en.htm
- Sectorial Agreement (OG 165/2008)
- Law on use of the emblem, flag and the anthem of the (OG 32/97)
- Law on flag (OG 47/95)

The above listed document shall be the basic reference in the preparation and use of the visibility materials for IPARD funded projects.