

## FINAL VERSION

### 1. Basic Information

- 1.1. **CRIS Number:** 2009/021-665
- 1.2. **Title:** Institution building of the administrative capacities for agriculture and rural development policy implementation
- 1.3. **ELARG Statistical code:** 3.11
- 1.4. **Location:** Nationwide project activities

### **Implementing arrangements:**

#### 1.5. Implementing Agency

The Central Finance and Contracting Department (CFCD) will be the contracting authority and will be responsible for all administrative and procedural aspects of the tendering process, contracting matters and financial management including payment of project activities, upon conferral of management. The Head of CFCD will act as the Programme Authorizing Officer (PAO) of the project:

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#### 1.6. Beneficiary (including details of Senior Programme Officer)

Ministry of Agriculture, Forestry and Water Economy (MAFWE) - key beneficiary, and  
Agency for Financial Support of Agriculture and Rural Development (AFSARD)

#### Contact:

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### **Financing:**

- 1.7. **Overall costs (VAT excluded)<sup>1</sup>:** EUR 2 870 000

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

**1.8. EU contribution:** EUR 2 597 500

**1.9. Final date for contracting**

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

**1.10. Final date for execution of contracts**

Two years from the final date for contracting

**1.11. Final date for disbursements**

One year from the final date for execution of contracts

**2. Overall Objective and Project Purpose**

**2.1 Overall Objective**

The overall objective of the project is to contribute to the development of the agricultural sector in the country through institution building of administrative capacities for agriculture and rural development policy implementation.

**2.2 Project purpose**

The purpose of the project is to strengthen the national and regional capabilities that are required to tackle the priorities for EU accession and market-orientated reforms and development in the sector

**2.3 Link with AP/NPAA/SAA**

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

Reference to **the NPAA (2008)**: The activities foreseen in the project are closely related to the National Programme for the Adoption of the Acquis (NPAA 2008). Explicitly, out of 5 areas under the Chapter 11 - Agriculture and Rural Development of the NPAA, the project activities are directly linked with 3 of them, namely

11.1. Horizontal issues (with regards to the topics of Paying Agency, IACS and LPIS and cross-compliance);

11.4. Organic Production and

11.5. Quality Policy.

In this respect, the comments received by the EC (DG Agri) regarding Chapter 11 of the NPAA 2008, additionally stress the importance of certain activities foreseen under this project:

*“The establishment of the registers is a priority for the good functioning of the agriculture sector. Having in place a system for a proper collecting of agriculture records and providing the ability for analysing data is the basis for further development of the sector.*

*Therefore the NPAA should prioritise putting in place a computerised system of registers, such as: Single Farm Register, LPIS, animal identification system, agriculture information system; etc. Further efforts are need to, incl. human and financial resources, to deliver concrete and visible results”*

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

Reference to the **EC 2008 Progress Report**: The activities under the project will reflect on the following observations of the Report:

- No progress has been made in establishing the land parcel identification system (LPIS).
- No progress can be reported in setting up an integrated administration and control system (IACS) since the pilot projects. Administrative responsibility for collecting and sharing data between different institutions has still to be clarified
- Progress can be reported in the field of **quality policy** for products with high export potential. A budget of €150 000 has been allocated in 2008, compared with €30 000 in 2007, for implementing the programme to support quality and food safety standards for target products. Preparations in this area are advanced.
- Progress can be reported on **organic farming**. Implementation of the 2007-11 strategy for development of organic agricultural production is progressing. The programme includes direct support for organic production, together with public-awareness campaigns about organic production. Manuals have been adopted on registration of producers, processors and traders of organic products, on the labelling of organic products and on the list of officially recognised certification bodies from third countries. Preparations in this area are advanced.

#### **2.4 Link with MIPD**

Multi-Annual Indicative Planning Document (2008-2010) refers to: “Further efforts to align with the acquis have to be made. The country needs to intensify its efforts in particular as regards agriculture. ... The country faces difficulties in implementing and effectively enforcing the legislation” ; “The agricultural sector remains relatively problematic for several reasons, such as lack of irrigation, land fragmentation and lack of proper management systems in general” ; “Assistance will focus on ... preparing the country for the implementation of the Community’s rural development policy, in particular by focusing on investments in agricultural production to restructure and upgrade the sector to Community standards and investments to develop and diversify economic activities in rural areas”; “Strategic choice is concentrated around three areas of intervention, which are included in the priorities identified in the Accession Partnership: (i) implementation of sectoral reforms; (ii) adoption and implementation of the acquis and (iii) support to the preparation for decentralised management of EU funds” ; “As regards the adoption and implementation of the acquis, and with a view to helping the country complying with the Copenhagen criteria, priority will be given to areas,

where the harmonisation of the legislation is an obligation linked to the implementation of the Stabilisation and Association Agreement and where the volume of legislation to be harmonised is particularly large and where harmonisation requires costly investments that must be spread over many years”; “In the field of agriculture and rural development the capacity of the administration to enforce the management mechanisms of the Common Agricultural Policy needs to be further upgraded”

## **2.5 Link with National Development Plan**

Several of the goals mentioned under Chapter VIII - Agriculture and Rural Development within the Draft 2008-2013 National Development Plan will actually be pursued through the realization of the proposed activities under this project. These goals / measures are the following:

- Strengthening the capabilities of Macedonian agriculture to be competitive on integrated regional European and South-East European markets through measures to increase its efficiency in primary production, processing and marketing of agriculture products;
- Provision of healthy and safe food to consumers;
- Development of sustainable rural communities through integrated development of the rural areas and reducing the urban-rural development disparities; and
- Development of appropriate, efficient public and private institutions for implementation

## **2.6 Link with national/ sectoral investment plans**

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

- Strategic Plan 2009-2011 of the Ministry of Agriculture, Forestry and Water Economy
- National Strategy for Agricultural and Rural Development 2007-2013,
- National Strategy accompanied by Action Plan for Organic Agriculture Production in the former Yugoslav Republic of Macedonia 2008-2011
- Operational programme under the EU instrument for pre-accession for rural development (IPARD) 2007-2013

# **3. Description of project**

## **3.1 Background and justification**

During the past few years, the sector has witnessed significant developments on the legal, policy and strategic side. A number of laws has been adopted (Law on agriculture and rural development, Law on Agency for financial support of agriculture and rural development, Law on agriculture land, Law establishing Farm Accountancy Data Network, Law on fisheries and aquaculture, Law on organic agriculture production, Law on wine, Law on Livestock Breeding, Law on Tobacco and Tobacco Products etc.) harmonising with the EU Acquis, as well as several strategies and strategic documents that sets out the policy objectives - National Strategy for Agriculture and Rural Development (2007-2013), National Strategy accompanied by Action Plan for Organic Agriculture Production in the former Yugoslav Republic of Macedonia 2008-2011, National Development Plan 2008-2013, Operational programme under the EU instrument for pre-accession for rural development (IPARD) 2007-2013, Strategy for establishing integrated IT system of the Ministry of Agriculture, Forestry and Water Economy and Strategy and operational plan for development of sustainable and efficient Agricultural Information System (AIS). The abovementioned acts are strongly linked in-between, and precisely reflects all the priorities set-up in the acts guiding the EU accession process of the

country - the Stabilization and Association Agreement, Accession Partnership 2008 and the National Programme for the Adoption of the Acquis. Based on these documents and in order to further guide the development and implementation of the reforms in the sector, a number of key priorities have been identified and reflected into the IPA-TAIB Operational Programme 2009 with a view of their gradual introduction into the national legal and institutional system.

### **Component 1: Adoption and implementation of the *Acquis vis-à-vis* the CAP**

This Component of the project aims toward legal approximation and/or institutional administrative build-up vis-à-vis the various parts of the Common Agriculture Policy of the EU, that are considered as medium term priority for the country, bearing in mind the predicted time-frame of the actual implementation of the activities of IPA-TAIB 2009, as for the 2011-2012 period. The Component is sub-divided into three sub-components.

*Gradual introduction of the cross-compliance into direct payments scheme*, which aims to initiate the integration of environmental considerations into the agriculture policy through the development of agricultural practices preserving the environment and safeguarding the countryside, reaching the right balance between competitive agricultural production and the respect of nature and the environment. In this sense, the introduction of cross-compliance as a compulsory requirement in the agriculture in the country, will assure the respect of the principle that farmers should comply with environmental protection requirements as a condition for benefiting from support measures.

*Institutional strengthening for the implementation of the new legislation on organic agriculture production* aiming at strengthening of the national capacities required to implement legislation related to organic agricultural production through provision of targeted administrative co-operation (Twinning project) to support the Ministry of Agriculture, Forestry and Water Economy (MAFWE), Department for Agriculture, Unit for Organic Agricultural Production and State Agricultural Inspectorate, as well as equipment supply to the State Phytosanitary Laboratory. At this moment, the MAFWE is preparing a new National Law on Organic Agricultural Production, as well as bylaws based on the new Law, approximated with the Council Regulation No. 834/2007. Since the legal approximation will be finalized by the time of implementation of this project, this project sub-component will primarily deal with the institutional capacity building for the implementation of the new legislation, especially in terms of control and certification systems. In this respect, under the NPAA 2008 it is foreseen to strengthen the part of the State Agriculture Inspectorate which is responsible for the controls of the organic agriculture production, with additional 4 persons by 2010, i.e. just prior to the commencement of the project activities. In addition to this, within the period of 2009-2011, an assistance to State Phytosanitary Laboratory (SPL) is foreseen, consisting of continuous training (abroad and in-country), as well as technical assistance resulting in the two persons from SPL, dedicated to organic production laboratory analyses, being able to perform approximately 100 basic analysis per year, defined as appropriate amount of analyses in the initial phase. In addition to this and under the auspices of this project, supplementary training will be provided to bring the staff of SPL department committed to organic production up to international standards, including validation of methods to be used for official sampling and adoption of quality control systems within the laboratory.

The supply of the laboratory and IT equipment, proposed under the project, will contribute to the overall institutional set-up, with functional mechanisms for management and certification

of the organic agricultural production through established functional database of the registered producers, processors and traders of organic products, as well as through constant supervision and controls carried out by the competent authority.

***Institutional set-up for the systems for development and protection of quality agriculture products and foodstuffs (PDO, PGI and TSG)*** striving to support, through provision of targeted administrative co-operation (Twinning project) between the beneficiary country and EU Member State the legal approximation and institutional set-up for the introduction of systems for development and protection of quality agriculture products and foodstuffs (PDO, PGI and TSG) in accordance with Regulations 32006R0509, 32007R1216, 32006R0510, 32006R1898 and 32008R0628.

## **Component 2: Further upgrade of the Land Parcel Identification System within the Integrated Administration and Control System**

The aim of this component is to build up, upon the foundations provided through the previous projects, in particular the World Bank's "*Macedonian agriculture and EU acquis project*", as well as the IPA - TAIB 2008 project *Development of the administrative capacity to adopt and implement the Acquis in the agricultural sector*, and further upgrade the LPIS and IACS in the country. In this respect, as the initial establishment of the core LPIS is foreseen and to a great extent covered by the WB project, and the integration of the Animal Identification and Registration System and the Vineyards Register, foreseen under IPA-TAIB 2008, the upgrade of LPIS under this component is foreseen through the inclusion of other production related layers, as well as layers relevant for the environment and the rural development.

For further reference with regards to this activity, in terms of its timing and interrelation with other current and planned activities within the MAFWE, please refer to Annex IV, Appendix 1 - Methodology for LPIS as part of IACS within the MAFWE.

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

The expected combined impact of the two main components of this project is a significant improvement in the administrative capacities of the institutions responsible for agriculture and rural development. The project will have impact on improving the systems (strategic planning documents, strategic management), skills, practices, mechanisms, rules, by laws and strategies of the relevant institutions. An ongoing 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.

After project completion, the key elements of the system are expected to be in place and operational. This in turn, is expected to have a positive impact on developments in the agricultural sector, stimulating growth, diversification and exports.

### **3.3 Results and measurable indicators<sup>2</sup>**

The project consists of two main components:

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<sup>2</sup> Some of the indicators have not yet been quantified or been given a benchmark. This will be done during the development of the detailed Terms of Reference.

- 1) Adoption and implementation of the Acquis vis-à-vis the CAP
- 2) Further upgrade of the Land Parcel Identification System within the Integrated Administration and Control System

### **Component 1: Adoption and implementation of the Acquis vis-à-vis the CAP**

#### The expected results are:

- developed human resource capacity within the administration in control and sanctions of cross compliance and cross-compliance implementation;
- lowered environmental degradation, improved land management and maintenance of countryside;
- developed human resource capacity within the administration to implement the new legislation on organic production especially in terms of authorisations, certification, support measures and control of organic agricultural production;
- developed human resource capacity, as well as equipment, within the designated laboratory capable to perform required testing, related to organic agricultural production;
- fully functional Register on organic production with appropriate recording procedure;
- established comprehensive system for development and protection of quality agriculture products and foodstuffs (PDO, PGI and TSG) allowing protection of product names from misuse and imitation;
- provision of information concerning the specific characteristics of the products to the benefit of the consumers;
- Encouraged diversification and added value of agricultural production to the benefit of the agriculture producers/processors.

#### The measurable indicators are:

- enacted legislation/adopted regulations and introduced cross-compliance into the direct payments scheme
- implementation of cross-compliance by institutions and producers;
- implemented legislation on organic agriculture production, especially in terms of authorisations, certification, support measures and control of organic agricultural production, as well as appropriate laboratory capacity and IT infrastructure;
- Number of tests performed by organic laboratory services;
- set-up systems for development and protection of quality agriculture products and foodstuffs (PDO, PGI and TSG);
- number of products bearing PDO, PGI or TSG.

### **Component 2: Further upgrade of the Land Parcel Identification System within the Integrated Administration and Control System**

#### The expected results are:

- upgraded LPIS, capable to absorb swift upgrade requirements;
- provision of commonly defined IT platform with consistency through operational procedures;
- provision of methodology for data flow and data management; and
- assurance of accurate, exhaustive, up-dated and secure data for execution of agriculture and rural development policies.

The measurable indicators are:

- upgraded Land Parcel Identification System; and
- full LPIS implementation by the end of the project.

### **3.4 Activities**

#### **Activity 1: Adoption and implementation of the Acquis vis-à-vis the CAP**

##### ***1.1. Gradual introduction of the cross-compliance into direct payments scheme***

- legal alignment with the EU Regulations 32003R1782 and 32009R0079;
- definition and introduction of statutory management requirements in the areas of public, animal and plant health, environment and animal welfare;
- definition and introduction of minimum requirements for good agricultural and environmental condition in terms of soil erosion, soil organic matter, soil structure and the minimum level of maintenance, taking into account the specific characteristics of the areas concerned, including soil and climatic condition, existing farming systems, land use, crop rotation, farming practices, and farm structures;
- definition of detailed rules for reductions and exclusions from the direct support scheme;
- institutional strengthening of the national administration in establishing a system guaranteeing an effective control on the respect of cross-compliance, through provision of training for human capacity development, especially in terms of administrative checks, on-the-spot checks and reporting.

##### ***1.2. Institutional strengthening for the implementation of the new legislation on organic agriculture production***

- implementation of the Law and bylaws that regulate production rules, labelling, controls and trade of organic products;
- establishment and/or reinforcement of the national capacities responsible to implement the legislation, in particular in terms of authorizations, control systems and measures of organic agricultural production, as well as supervision carried out by the competent authority over the private control bodies;
- development an appropriate mechanisms for management and certification of the organic agricultural production,
- designing a functional database of the registered producers, processors and traders of organic agricultural products that will be integrated within the MAFWE's Agricultural Information System (AIS).
- establishment and/or strengthening of a laboratory capacities, both in terms of human capacity development and in terms of equipment, within the State Phytosanitary Laboratory, designated for testing of the soil, water and other parameters, as well as organic agricultural production and products.

##### ***1.3. Institutional set-up for the systems for development and protection of quality agriculture products and foodstuffs (PDO, PGI and TSG)***

- legal alignment with the EU Regulations 32006R0509, 32007R1216, 32006R0510, 32006R1898, 32008R0417 and 32008R0628.;

- preparation of various sets of Manuals of procedures, based on the approximated legislation, in terms of product specification, application procedure, registration procedure, as well as procedures of objection and control and inspection;
- institutional set-up and strengthening of the designated competent authority in the country, through provision of training for human capacity development, especially in terms of registration and inspection/control procedures;
- institutional set-up and cooperation between the designated competent authority in the country for protection of quality agriculture products and foodstuffs and the designated competent authority in charge of food safety;
- establishment of Register/Registers of products with PDO, PGI or TSG in the country; and
- assistance to competent authority in the education, training and dissemination of information to potential beneficiaries of the quality designations (local communities, producer organizations, producer groups, processors, legal entities).

### **Activity 2: Further upgrade of the Land Parcel Identification System within the Integrated Administration and Control System**

- introduction and/or upgrade of the LPIS with inclusion of other permanent crop registers and/or other production related layers (Forestry layer, Bee-hives layer, organic production layer etc.);
- upgrade of the LPIS with inclusion of layers of Environmental Sensitive Areas (Nitrate sensitive areas + Natura2000 areas), as well as layer related to cross-compliance (areas respecting the Good Agriculture and Environmental Conditions);
- upgrade of the LPIS with inclusion of layers relevant for the rural development policy (LFA, quality and traceability of products);
- development of human resource capacities for the management of newly introduced features of LPIS;
- provision of necessary equipment for the system upgrade; and
- strengthening the effective co-operation and exchange of information between the various authorities within the LPIS.

### **Management and contracting arrangements**

Steering committee will be established to oversee the overall implementation of the project, in addition to the individual Steering Committees that are integral part of each Service and Twinning Contract.

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

Appropriate overall management, representation (co-ordination with the EU and other international bodies) as well as reporting will be ensured, as well as management of resources. During the inception phase of the project, a detailed deployment plan will be developed under the coordination of the Senior Programming Officer and the Steering Committee in which each co-operating national institution will be represented to ensure appropriate inclusion.

In addition to this and in order to avoid overlap and ensure continuation of activities between different projects (i.e. WB project and IPA-TAIB 2008 project) appropriate inclusion of representatives of the beneficiaries of these projects within the Steering Committee will be ensured.

**The expected contracting arrangements are<sup>3</sup>:**

- 1 service contract, following an international restricted tender procedure, for the implementation of activities under component 2: **Further upgrade of the Land Parcel Identification System within the Integrated Administration and Control System**. The TOR will be developed during 2009 and launched in Q1 of 2010. The contract has an expected duration of 12 months, is expected to start at Q4 2010, and has a budget of approximately EUR 780 000 (including IPA funds of EUR 702 000).
- 1 Twinning project will be developed for the implementation of activities under component 1, sub-component 1.1.: *Gradual introduction of the cross-compliance into direct payments scheme*. The Project will be developed during 2009 and launched in Q2 of 2010. The contract has an expected duration of 16-18 months and is expected to start at Q2 2011. The budget of this contract will be approximately EUR 950 000 (including IPA funds of EUR 902 500).
- 1 Twinning project will be developed for the implementation of activities under component 1, sub-component 1.2.: *Institutional strengthening for the implementation of the new legislation on organic agriculture production* and sub-component 1.3.: *Institutional set-up for the systems for development and protection of quality agriculture products and foodstuffs (PDO, PGI and TSG)*. The project will be developed during 2009 and launched in Q2 of 2010. The contract has an expected duration of 16-18 months, is expected to start at Q2 2011, and has a budget of approximately EUR 690 000 (including IPA funds of EUR 655 500).
- 1 Supply contract, sub-divided in appropriate Lots, is expected to be concluded to provide the IT equipment for the two components, as well as the necessary laboratory equipment within the State Phytosanitary Laboratory, designated for testing of the soil, water and other parameters, as well as organic agricultural production and products. Namely, as indicated in the Logical framework matrix (Annex 1), the following amounts are allocated to different project components: 300 000 Euro to component 1 and EUR 150 000 to Component 2, adding up to a total value of the supply contract of EUR 450 000 (including IPA funds of EUR 337 500). The expected supply contract duration is 16-18 months, including the delivery/implementation period of 4 to 6 months, plus 12 months warranty period. Expected contract start is in Q1 2011. The contract might include the software, if necessary, for the LPIS upgrade.

### **3.5 Conditionality and sequencing**

The project includes the following conditionalities:

- 1) Endorsement by all key stakeholders of the Terms of Reference, specifications for the individual contracts to be engaged;

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<sup>3</sup> Details regarding the precise make of the Twinning including the requirements of the RTA shall be outlined in the Twinning Fiche.

- 2) 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- NPAA (Annex 3), assuring the appropriate absorption capacity for the foreseen activities and developments and their future implementation.
- 3) Appointment of counterpart personnel by the beneficiaries before the launch of the tender process;
- 4) Allocation of working space and facilities by the beneficiaries for technical assistance before the launch of the tender process;
- 5) Participation by the beneficiaries in the tender process as per EU regulations;
- 6) Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars by the beneficiaries as per work plan of the project;
- 7) Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan;
- 8) Amendments to legislation to harmonise with the Common Agricultural Policy enacted;

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

### 3.6 Linked activities

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

In addition to this, the IPA-TAIB 2008 project **Development of the administrative capacity to adopt and implement the Acquis in the agricultural sector** will provide assistance in order to strengthen the national and regional capabilities that are required to tackle the priorities for EU alignment and market-orientated reforms and development in the sector in terms of CMO establishment, development and implementation of agri-environment measures, reinforcing the Paying Agency and designing a functional Integrated Administration and Control System and establishing the associated institutional capacity.

The present project, to a great extend, is logical continuation and follow-up of the activities foreseen under the above mentioned projects. In this respect the following activities are linked to certain previously realized activities, namely:

- LPIS will be built in continuation to previous activities realized through the World Bank project (setting up of basic preconditions of LPIS and production of orto-photo images, along with the initial set-up of the Farm Register), as well as the activities that will be realized through IPA-TAIB 2008 project (integration of various registers into Integrated Farm Register and expansion of LPIS to the whole territory of the country, thus, through the realization of the activities foreseen under this project (inclusion of

other permanent crops registries and several production/environmental/rural layers) finally resulting into full LPIS implementation by the end of the project.

- certain activities of Component 1 of this project related to organic agriculture and especially to the systems for development and protection of quality agriculture products and foodstuffs, are structured within this project as logical consequence of part of the activities foreseen under IPA-TAIB 2008 project, in particular in relation to the CMO Component of that project and especially to the quality standards of agriculture products as one of the key features of all CMOs;

### **3.7 Lessons learned**

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

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

#### **Lessons learned from CARDS Programmes** (as noted by the EAR Lessons Learnt Report)

##### *The EC support to the reconstruction and reform*

In a difficult environment, the EU has played a key role in supporting the reform process in the beneficiary countries. The current method of adaptation to the local situation, allowing for flexibility in the provision of loans and/or grants, in providing tailor made assistance to beneficiaries, should be maintained. The engagement of contractors located within the municipal boundaries should be continued and encouraged wherever practically possible.

##### *Good governance, strengthening the political environment*

A key lesson from the CARDS projects during the past years has been that the sustainability of assistance is stronger when projects are placed in an overall policy perspective with government leading the reform process. Capacity building needs tailor made approaches, based upon the real needs as identified by the country itself. In order to support good governance, it is recommended to focus capacity building initiatives on further organizing and facilitating the policy learning process, strategy formulation and policy action in the country. Projects implemented with a solid basis firmly rooted in a governmental strategic document will be more sustainable and complement the reform process.

(Sections 2.3 – 2.6 describe the conformity of the project with the key governmental priorities).

### *Strengthening the commitment of the governments*

Projects have been most effective in cases where stakeholders were involved in the design, conceptualization and implementation of the activities. This resulted in commitment, better results and acceptance of recommendations at the policy level. Local ownership of the reform process is of paramount importance and underlines that capacity development is a process that should be led by the government. When designing future interventions, it is therefore recommended to involve the main stakeholders and beneficiaries fully in the design and implementation of project activities. This will contribute to sustainable institutional capacity which enhances ownership and commitment, leads to improved results and facilitates acceptance of recommendations at the policy level.

(All beneficiaries and stakeholders were included in the design of this project's activities).

### *Addressing the complexity of the reform process*

A realistically tailored analysis of the ruling political, economic conditions and cultural norms when entering a major international intervention will be beneficial for future programming and project implementation.

### *Improving the programme design and development*

Project objectives should be achievable - not over ambitious – and take into account the complexity of the change process and absorption capacity of the partner country.

A focused project cycle thinking based upon the logical framework as a primary set of project design and management tools ensures a more systematic and standardised approach.

### *Institution Capacity building*

One of the main lessons learned from the projects is the centrality of providing training opportunities to beneficiaries and stakeholders.

Training is an important tool to build local capacity and should be considered as an integral part of any future support programme.

Training is an integral part of this project's activities.

The following are the key recommendations from the CARDS experience:

- Continuing and longer-term assistance with realistic project time-frames
- Realistic objectives and expected results
- Focus on outcomes rather than inputs and outputs
- Longer-term investment / Support
- Capacity building
- Activities based on specific needs

This project incorporates realistic project time-frames, with realistic objectives and expected results. It focuses on outcomes rather than inputs and outputs, and it focuses on actual needs for capacity building of the concerned stakeholders.

#### 4. Indicative Budget (amounts in EUR)

|  |        |          | SOURCES OF FUNDING  |                            |           |                           |           |                 |                         |              |                      |       |
|--|--------|----------|---------------------|----------------------------|-----------|---------------------------|-----------|-----------------|-------------------------|--------------|----------------------|-------|
|  |        |          | TOTAL EXP.RE        | IPA COMMUNITY CONTRIBUTION |           | NATIONAL CONTRIBUTION     |           |                 |                         |              | PRIVATE CONTRIBUTION |       |
| ACTIVITIES   | IB (1) | -INV (1) | EUR (a)=(b)+(c)+(d) | EUR (b)                    | %(2)      | Total EUR (c)=(x)+(y)+(z) | % (2)     | Central EUR (x) | Regional/ Local EUR (y) | IFIs EUR (z) | EUR (d)              | % (3) |
| 1 LPIS upgrade   |        |          |                     |                            |           |                           |           |                 |                         |              |                      |       |
| Service contract   | X      | –        | 780 000             | 702 000                    | 90        | 78 000                    | 10        | 78 000          |                         |              |                      | –     |
| 2 Cross-compliance   |        |          |                     |                            |           |                           |           |                 |                         |              |                      |       |
| Twinning 1   | X      | –        | 950 000             | 902 500                    | 95        | 47 500                    | 5         | 47 500          |                         |              |                      | –     |
| 3 Organic agriculture production and Quality protection for agriculture products |        |          |                     |                            |           |                           |           |                 |                         |              |                      |       |
| Twinning 2   | X      | –        | 690 000             | 655 500                    | 95        | 34 500                    | 5         | 34 500          |                         |              |                      | –     |
| 4 IT supplies, including lab. equipment  |        |          |                     |                            |           |                           |           |                 |                         |              |                      |       |
| Supplies contract  | –      | X        | 450 000             | 337 500                    | 75        | 112 500                   | 25        | 112 500         |                         |              |                      | –     |
| TOTAL IB   |        |          | 2 420 000           | 2 260 000                  |           | 160 000                   |           |                 |                         |              |                      |       |
| TOTAL INV  |        |          | 450 000             | 337 500                    |           | 112 500                   |           |                 |                         |              |                      |       |
| <b>TOTAL PROJECT</b>   |        |          | <b>2 870 000</b>    | <b>2 597 500</b>           | <b>90</b> | <b>272 500</b>            | <b>10</b> |                 |                         |              |                      |       |

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

(2) Expressed in % of the **Public** Expenditure (column (b))

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

In case of local or foreign training the project will fund from incidentals – whenever necessary - the renting of training rooms and equipment, the printing of training material and accessories as well as per diems/allowances for participants in the way and to the level normally financed by the government, but never higher than the per diem rates published by the EU Commission.

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

| Contracts  | Start of Tendering | Signature of contract | Project Completion |
|--|--------------------|-----------------------|--------------------|
| Service 1: LPIS upgrade  | Q1 2010            | Q4 2010               | Q4 2011            |
| Twinning 1: Cross-compliance   | Q2 2010            | Q2 2011               | Q4 2012            |
| Twinning 2: Organic agriculture production and Quality protection for agriculture products | Q2 2010            | Q2 2011               | Q4 2012            |
| Supplies: IT Supplies including laboratory equipment                                       | Q3 2010            | Q1 2011               | Q3 2012            |

## 6. Cross cutting issues

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

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

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

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

### 6.1 Civil Society development and dialogue

Where appropriate and necessary the project components will reach out to relevant Civil society groups in rural communities and in the farming and agricultural sector.

### 6.2 Environment

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

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

### 6.3 Equal Opportunities and non-discrimination

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

beneficiaries (e.g. laws, regulations, policies, strategies) will conform to the relevant principles of equal opportunities and non-discrimination.

#### **6.4 Minority and vulnerable groups**

Where 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 (incl. vocational training, working conditions, social protection etc.) and is also a crucial aspect of the acquis.

#### **6.5 Good Governance, with particular attention to fight against corruption**

Where relevant, and needed, the project components will endeavour to address issues related to anti corruption and good governance. In its own management the project should adhere to the highest ethical standards.

## ANNEXES

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

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

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

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

## ANNEX 1 - Logical framework matrix in standard format

|   |  |  |  |
|---|--|--|--|
| LOGFRAME PLANNING MATRIX FOR THE PROJECT FICHE: Institutional building of the administrative capacities for agriculture and rural development policy implementation | Programme name and number:<br>National Programme for the former Yugoslav Republic of Macedonia under the IPA Transition Assistance and Institution Building Component for 2009 |  |  |
|   | CRIS number: 2009/021-665  |  |  |
|   | Contracting period expires two years from the date of the conclusion of the Financing Agreement  | Execution period expires two years from the final date for contracting | Disbursement period expires one year from the final date for execution of contracts. |
|   |  | Total budget:<br>EUR 2 870 000   | IPA budget:<br>EUR 2 597 500   |

| Overall objective   | Objectively verifiable indicators  | Sources of Verification  |
|---|--|--|
| The overall objective of the project is to contribute to the strengthening the administrative capacities for agriculture and rural development policy implementation. | Strengthened capacities at administrative level for implementing agricultural acquis | <ul style="list-style-type: none"> <li>- EC reports</li> <li>- Feedback and surveys</li> </ul> |

| Project purpose   | Objectively verifiable indicators   | Sources of Verification  | Assumptions   |
|---|---|--|---|
| The purpose of the project is to strengthen the national and regional capabilities that are required to tackle the priorities for EU accession and market-orientated reforms and development in the sector. | <ul style="list-style-type: none"> <li>- Preparation and adoption of relevant legislation;</li> <li>- Enforcement of the legislation;</li> <li>- Human resources and management systems;</li> </ul> | <ul style="list-style-type: none"> <li>- MIPD updates</li> <li>- Delivery dates of Operational Programmes</li> <li>- Contract records</li> <li>- Audit reports</li> <li>- Contracting records commission</li> <li>- Accreditation dossiers for PA</li> </ul> | DIS accreditation will be implemented by the end of 2009. |

| Results  | Objectively verifiable indicators   | Sources of Verification   | Assumptions   |
|--|---|---|---|
| <p><b>Component 1: Adoption and implementation of the Acquis vis-à-vis the CAP</b></p> <p><b>1.1. Gradual introduction of the cross-compliance into direct payments scheme</b></p> <p>The expected results are:</p> <ul style="list-style-type: none"> <li>- Developed human resource department in control and sanctions of cross compliance and cross-compliance implementation</li> </ul> <p><b>1.2. Institutional strengthening for the implementation of the new legislation on organic agriculture production</b></p> <p>The expected results are:</p> | <p>The measurable indicators are:</p> <ul style="list-style-type: none"> <li>- enacted legislation/adopted regulations and introduced cross-compliance into the direct payments scheme</li> <li>- implementation of cross-compliance by institutions and producers;</li> <li>- implemented legislation on organic agriculture production, especially in terms of authorisations, certification, support measures and control of organic agricultural production, as well as appropriate laboratory capacity and IT</li> </ul> | <ul style="list-style-type: none"> <li>- Project reports</li> <li>- Monthly reports from different institutions</li> <li>- Government reports</li> <li>- Progress Reports (Commission)</li> </ul> | <ul style="list-style-type: none"> <li>- Cooperation among the stakeholders</li> <li>- Commitment from national authorities in the process</li> </ul> |

|   |   |  |   |
|---|---|--|---|
| <p>-developed human resource capacity within the administration to implement the new legislation, -authorized, certificated and supported measures and control of organic agricultural production, -developed human resource capacity , as well as equipment, within the designated laboratory capable to perform required testing, and a fully functional Register on organic production with appropriate recording procedure</p> <p>- implemented, managed and controlled comprehensive system for organic production in agriculture.</p> <p><b>1.3. Institutional set-up for the systems for development and protection of quality agriculture products and foodstuffs (PDO, PGI and TSG)</b></p> <p>The expected results are:</p> <p>-established comprehensive system for development and protection of quality agriculture products and foodstuffs (PDO, PGI and TSG) allowing protection of product names from misuse and imitation</p> <p>-provided information concerning the specific character of the products to the benefit of the consumers,</p> <p>- encouraged diversification and added value of agricultural production to the benefit of the agriculture producers/processors.</p> | <p>infrastructure;</p> <ul style="list-style-type: none"> <li>- Number of tests performed by organic laboratory services;</li> <li>- set-up systems for development and protection of quality agriculture products and foodstuffs (PDO, PGI and TSG);</li> <li>- number of products bearing PDO, PGI or TSG.</li> </ul> |  |   |
| <p><b>Component 2: Further upgrade of Integrated Administration and Control System and Land Parcel Identification System</b></p> <p>The expected results are:</p> <ul style="list-style-type: none"> <li>- upgraded LPIS, capable to absorb swift upgrade requirements, providing commonly defined IT platform with consistency through operational procedures and methodology for data flow and data management, thereby assuring accurate, exhaustive, up-dated and secure data for execution of agriculture and rural development policies.</li> </ul>   | <p>The measurable indicators are:</p> <ul style="list-style-type: none"> <li>- upgraded Land Parcel Identification System; and</li> <li>- full LPIS implementation by the end of the project.</li> </ul>  |  | - |

| <b>Activities</b>  | <b>Means</b>  | <b>Costs</b>   | <b>Assumptions</b>   |
|--|---|--|--|
| <p><b>Component 1: Adoption and implementation of the Acquis vis-à-vis the CAP</b></p> <p><b>1.1. Gradual introduction of the cross-compliance into direct payments scheme</b></p> <ul style="list-style-type: none"> <li>- legal approximation of the relevant EU legislation;</li> <li>- definition and introduction of statutory</li> </ul> | <p>2 Twinning Contracts, one supply Contract and one service contract</p> | <p>Service contract:<br/>Total: EUR 780 000<br/>IPA: EUR 702 000<br/>Nat. co-fin.: EUR 78 000</p> <p>First Twinning Project:</p> | <ul style="list-style-type: none"> <li>- Appropriate expertise is available</li> <li>- Beneficiary institutions can make (qualified) staff available.</li> </ul> |

|  |  |   |  |
|--|--|---|--|
| <p>management requirements in the areas of public, animal and plant health; environment and animal welfare;</p> <ul style="list-style-type: none"> <li>- definition and introduction of minimum requirements for good agricultural and environmental condition in terms of soil erosion, soil organic matter, soil structure and the minimum level of maintenance, taking into account the specific characteristics of the areas concerned, including soil and climatic condition, existing farming systems, land use, crop rotation, farming practices, and farm structures;</li> <li>- definition of detailed rules for reductions and exclusions from the direct support scheme;</li> <li>- institutional strengthening of the national administration in establishing a system guaranteeing an effective control on the respect of cross-compliance, through provision of training for human capacity development, especially in terms of administrative checks, on-the-spot checks and reporting;</li> </ul> <p><b>1.2. Institutional strengthening for the implementation of the new legislation on organic agriculture production</b></p> <ul style="list-style-type: none"> <li>- implementation of the Law and bylaws that regulates production, processing and trade of organic products;</li> <li>- establishment and/or reinforcement of the national capacities responsible to implement the legislation, in particular in terms of authorizations, control systems and measures of organic agricultural production;</li> <li>- development an appropriate mechanisms for management and certification of the organic agricultural production,</li> <li>- designing a functional database of the registered producers, processors and traders of organic agricultural products that will be integrated within the MAFWE ' s Agricultural Information System (AIS).</li> <li>- establishment and/or strengthening of a laboratory capacities, both in terms of human capacity development and in terms of equipment, within the</li> </ul> |  | <p>Total: EUR 950 000<br/> IPA: EUR 902 500<br/> Nat. co-fin.: EUR 47 500</p> <p>Second twinning contract:<br/> Total: EUR 690 000<br/> IPA: EUR 655 000<br/> Nat. co-fin.: EUR 34 500</p> <p>Supply contract:<br/> Total: EUR 450 000<br/> IPA: EUR 337 000<br/> Nat. co-fin.: EUR 112 500</p> |  |
|--|--|---|--|

|  |  |  |  |
|--|--|--|--|
| <p>State Phytosanitary Laboratory, designated for testing of the soil, water and other parameters, as well as organic agricultural production and products.</p> <p><b>1.3. Institutional set-up for the systems for development and protection of quality agriculture products and foodstuffs (PDO, PGI and TSG)</b></p> <ul style="list-style-type: none"> <li>- legal approximation of the abovementioned legislation;</li> <li>- preparation of various sets of Manuals of procedures, based on the approximated legislation, in terms of product specification, application procedure, registration procedure, as well as procedures of objection and control and inspection;</li> <li>- institutional set-up and strengthening of the designated competent authority in the country, through provision of training for human capacity development, especially in terms of registration and inspection/control procedures;</li> <li>- institutional set-up and cooperation between the designated competent authority in the country for protection of quality agriculture products and foodstuffs and the designated competent authority in charge of food safety;</li> <li>- establishment of Register/Registers of products with PDO, PGI or TSG in the country; and</li> <li>- assistance to competent authority in the education, training and dissemination of information to potential beneficiaries of the quality designations (local communities, producer organizations, producer groups, processors, legal entities).</li> </ul> |  |  |  |
| <p><b>Component 2: Further upgrade of the Land Parcel Identification System within the Integrated Administration and Control System</b></p> <ul style="list-style-type: none"> <li>- introduction and/or upgrade of the LPIS(IACS) with inclusion of other permanent crop registers and/or other production related layers (Forestry layer, Bee-hives layer, organic production layer etc.);</li> <li>- upgrade of the LPIS(IACS) with inclusion of layers of Environmental Sensitive Areas (Nitrate sensitive areas + Natura2000 areas), as well as layer related to cross- compliance (areas respecting the Good</li> </ul>  |  |  |  |

|   |  |  |  |
|---|--|--|--|
| <p>Agriculture and Environmental Conditions);</p> <ul style="list-style-type: none"> <li>- upgrade of the LPIS(IACS) with inclusion of layers relevant for the rural development policy (LFA, quality and traceability of products);</li> <li>- development of human resource capacities for the management of newly introduced features of LPIS(IACS);</li> <li>- provision of necessary equipment for the system upgrade; and</li> <li>- strengthening the effective co-operation and exchange of information between the various authorities within the LPIS(IACS).</li> </ul> |  |  |  |
|---|--|--|--|

**Pre conditions**

The project includes the following conditionalities:

- Endorsement by all key stakeholders of the Terms of Reference, specifications for the individual contracts to be engaged;
- 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- NPAA (Annex III), assuring the appropriate absorption capacity for the foreseen activities and developments and their future implementation.
- Appointment of counterpart personnel by the beneficiaries before the launch of the tender process;
- Allocation of working space and facilities by the beneficiaries for technical assistance before the launch of the tender process (if required);
- Participation by the beneficiaries in the tender process as per EU regulations;
- Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars by the beneficiaries as per workplan of the project;
- Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan;
- Amendments to legislation to harmonise with the Common Agricultural Policy enacted;
- Sufficient managerial and technical human resources allocated to the relevant Departments
- EU procedures to be followed for the procurement of supplies, contracting of technical assistance & training financed from pre-accession funds.

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

**ANNEX 2 - Amounts (in €) contracted and disbursed by quarter over the full duration of the project (IPA funds only)**

|  | 2010           | 2011    |                  |    |                  | 2012 |                  |    |                  | 2013 |    |    |    |
|--|----------------|---------|------------------|----|------------------|------|------------------|----|------------------|------|----|----|----|
| Contracted   | Q4             | Q1      | Q2               | Q3 | Q4               | Q1   | Q2               | Q3 | Q4               | Q1   | Q2 | Q3 | Q4 |
| Service: LPIS upgrade  | 702 000        |         |                  |    |                  |      |                  |    |                  |      |    |    |    |
| Twinning 1: Cross-compliance   |                |         | 902 500          |    |                  |      |                  |    |                  |      |    |    |    |
| Twinning 2: Organic agriculture production and Quality protection for agriculture products |                |         | 655 500          |    |                  |      |                  |    |                  |      |    |    |    |
| Supplies: IT Supplies including laboratory equipment                                       |                | 337 500 |                  |    |                  |      |                  |    |                  |      |    |    |    |
| <b>Cumulated</b>   | <b>702 000</b> |         | <b>2 597 500</b> |    |                  |      |                  |    |                  |      |    |    |    |
| Disbursed  |                | Q1      | Q2               | Q3 | Q4               | Q1   | Q2               | Q3 | Q4               | Q1   | Q2 | Q3 | Q4 |
| Service: LPIS upgrade  | 280 800        |         | 351 000          |    | 70 200           |      |                  |    |                  |      |    |    |    |
| Twinning 1: Cross-compliance   |                |         | 481 333          |    |                  |      | 330 917          |    | 90 250           |      |    |    |    |
| Twinning 2: Organic agriculture production and Quality protection for agriculture products |                |         | 349 600          |    |                  |      | 240 350          |    | 65 550           |      |    |    |    |
| Supplies: IT Supplies including laboratory equipment                                       |                |         | 202 500          |    | 135 000          |      |                  |    |                  |      |    |    |    |
| <b>Cumulated</b>   | <b>280 800</b> |         | <b>1 665 233</b> |    | <b>1 870 433</b> |      | <b>2 441 700</b> |    | <b>2 597 500</b> |      |    |    |    |

## ANNEX 3 - Description of Institutional Framework

### A) Ministry of Agriculture, Forestry and Water Economy

#### I. Organigramme (presented below)

#### II. Status (November 2008) and Dynamics of Employment in MAFWE beneficiary Departments under the NPAA

| Department   | 2006 | 2007 recruited from other government institutions | 2007 public announcement | Status as of November 2008 | Ongoing public announcement 2008 <sup>4</sup> | 2009 <sup>5</sup> | 2010 <sup>6</sup> | Total (end of 2010) |
|--|------|---|--------------------------|----------------------------|---|-------------------|-------------------|---------------------|
| Policy Analyses Department                                     | 1    | 2   | 5                        | 8                          | 6   | 5                 | 5                 | 24                  |
| Agriculture Department   | 5    | 1   | 3                        | 9                          | 10  | 7                 | 6                 | 32                  |
| Rural Development Department                                   | 4    | 2   | 2                        | 8                          | 10  | 10                | 9                 | 37                  |
| State Agriculture Inspectorate                                 | 28   | 2   | 17                       | 47                         | 19  | 13                | 11                | 90                  |
| EU Department  | 1    | 0   | 3                        | 4                          | 2   | 2                 | 2                 | 10                  |
| Department for Management and Registration of Agriculture Land | 3    | 10  | 2                        | 15                         | 2   | 1                 | 2                 | 20                  |
| IT Department  | 0    | 5 <sup>7</sup>                                    | 0                        | 5                          | 5   | 3                 | 2                 | 15                  |

#### III. Mandate

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

<sup>4</sup> Approvals for these positions are already obtained from the Ministry of finance and Civil Servants Agency

<sup>5</sup> Number of employees foreseen in the current version of the NPAA

<sup>6</sup> Number of employees foreseen in the current version of the NPAA

<sup>7</sup> On contract basis

#### IV. Budget of the Ministry

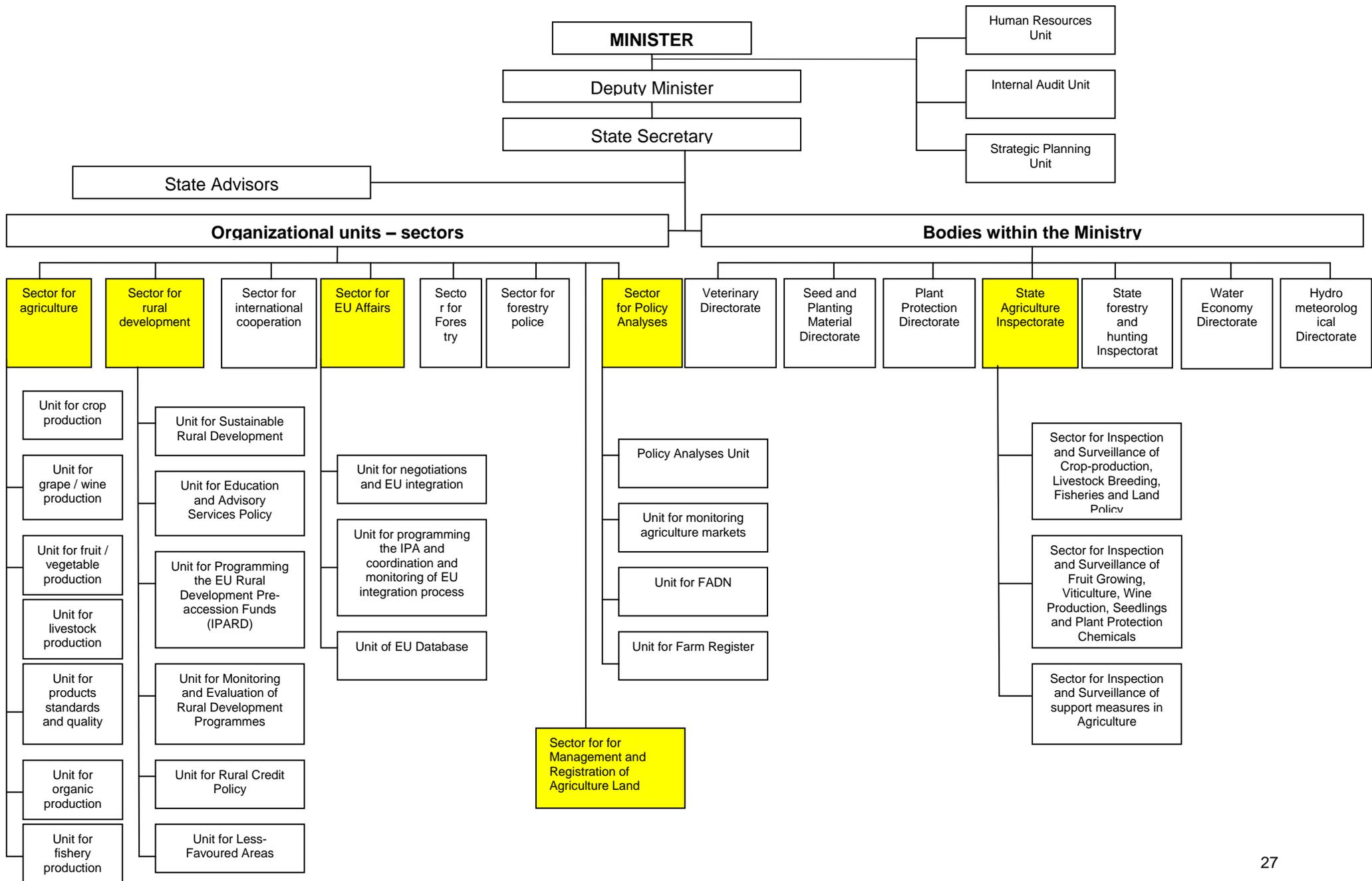
The overall budget of the MAFWE for 2008 is 3 123 929 000 MKD. The Project's beneficiaries have the following budgets for 2008:

|                                   |                 |
|-----------------------------------|-----------------|
| - Policy Analyses Department:     | 6 617 000 MKD   |
| - Agriculture Department :        | 159 026 000 MKD |
| - Rural Development Department:   | 13 756 000 MKD  |
| - State Agriculture Inspectorate: | 40 682 000 MKD  |
| - EU Department:                  | 13 477 000 MKD  |

#### V. Brief description of the beneficiary departments within the ministry

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

- **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 Republic of Macedonia.
- **IT Department:** responsible for the general IT infrastructure of the MAFWE and IT security as well as development of the IT systems within the MAFWE.



## **B) Paying Agency**

**The organigramme of the Paying Agency is presented further below**

### **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.

### **Staff establishment Paying Agency**

**TOTAL: 71 employees as of November 2008**

Employment foreseen by the end of 2008

- open call published for 35 new employees, procedure for selection – on going.

### **Budget of the agency**

- 2 733 000 000 (denars, national currency)
- 45 000 000 euros (42 mil. Euro have been programmed for the National Payment Schemes from account no. 464)

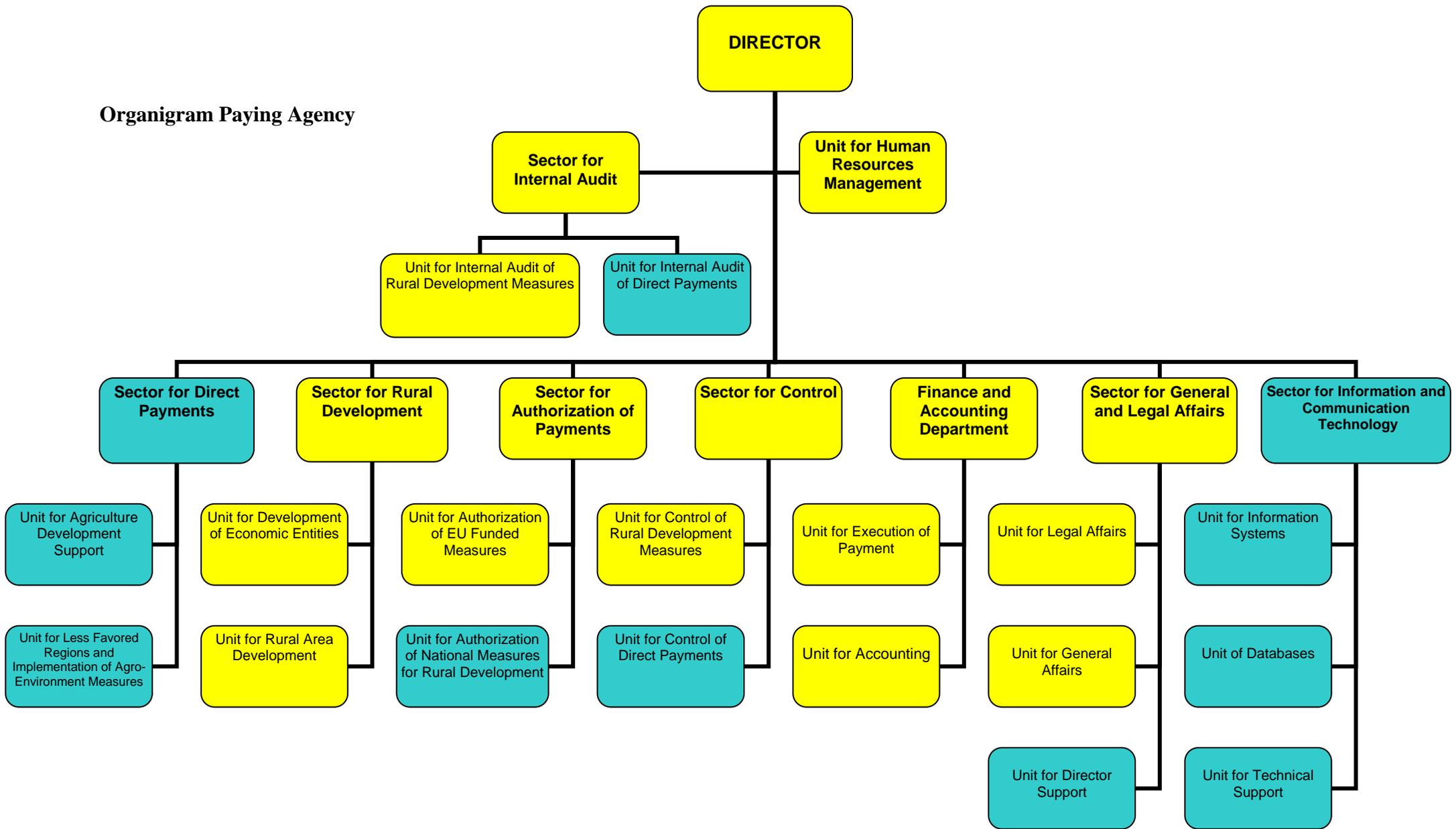
### **Brief job description of the sectors and units within the Agency**

- **Sector for Approval of Projects:** main function is to receive the project applications and to evaluate the project application before approving it;
- **Sector for Authorization of Payment:** main function is to receive the claim for payment and to perform necessary control of the eligibility of the costs occurred during realization of the investment;
- **Sector for Control:** main function is to control the investment before approval according the request from the Sector for Approval of Project, to control the realization of the investment before payment and to perform ex-post control of the investment.
- **Sector for Finance and Accounting:** main function is to execute the payment and to record the payments which are executed
- **Sector for General and Legal Affairs:** main function is to give administrative and legal support to the Agency
- **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.

**Organigram Paying Agency**



**Legend:**

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

## **Annex 4- Reference to laws, regulations and strategic documents**

### **3.a) Reference list of relevant laws and regulations**

Key laws and regulations in the sector:

- Law on Establishment of Agency for Financial Support of Agricultural and Rural Development, 2007
- Law on Agriculture and Rural Development, 2007
- Law on Wine, 2004
- Law on Livestock Breeding, 2008
- Law on Agricultural Land, 2007
- Law on Tobacco and Tobacco Products, 2006
- Law on Agricultural Activity, 2002
- Law on Agricultural Inspection, 2004
- Law on Organic Agricultural Production, 2004
- Law on Organisation and Operation of the State Administrative Bodies, 2000
- Law on Promoting Agriculture Development, 1996
- Law on Budget, 1993
- Law on State Audit, 2004
- Law on Audit, 2005
- Law on Financial Operations, 1997
- Law on Investment Funds, 2000
- Law on Banks, 2003
- Decision on Rising and Use of Funds from the Foreign Economic Assistance for Agricultural Development in the Republic of Macedonia, 1998
- Law on Establishing National Extension Agency, 1998
- Law on Associations of Citizens and Foundations, 1998
- Law on Waters, 2008
- Law on Water Communities, 2003
- Law on Water Management Enterprises, 2003
- Law on Forests, 2004
- Law on Hunting, 2004
- Law on Nature Protection, 2004
- Law on State Statistics, 1997
- Company Law, 2004
- Law on Surveying, Land Register and Entry of Rights to Real Estate, 1991
- Law on of Animal Identification and Registration, 2004
- Law on Plants Protection, 2000
- Law on Plant Health, 2005
- Law on Seeds and seedlings from Agricultural Plants, 2006
- The Framework Agreement has been ratified by the Parliament thus is part of national legislation
- Decree establishing rural areas in the Republic of Macedonia, 2008
- Rulebook on the establishment of the Register of farm holdings (Farm Register) in the Republic of Macedonia, 2008

The Law on Agriculture and Rural Development (Official Gazette no. 134/07) was recently enacted and, as an umbrella law, it provides basis to regulate the fields of direct support and market measures in agriculture, as well as the rural development measures. In this respect, it is expected that several bylaws of this law will be enacted during 2008/2009 as it is foreseen in the National Programme for the Adoption of the Acquis (NPAA 2008). These bylaws are in the following fields and related to below mentioned EU acts:

| <b><i>Bylaws under the Law on agriculture and rural development</i></b> | <b><i>Related EU Legislation</i></b>                                       |
|---|--|
| Direct support measures and cross-compliance                            | 32003R1782 and 32009R0079  |
| Quality of agriculture products   | 32006R0509, 32007R1216, 32006R0510, 32006R1898, 32008R0417 and 32008R0628. |

In addition to this, the New Law on organic agriculture production will be enacted by the end of 2008 / beginning of 2009 approximated with the following EU acts: 31991R2092; 32007R0834 and 32008R0889.

### **Reference to AP/NPAA/SAA**

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

**Reference to the NPAA (2008)**: The activities foreseen in the project are closely related to the National Programme for the Adoption of the Acquis (NPAA 2008). Explicitly, out of 5 areas under the Chapter 11 - Agriculture and Rural Development of the NPAA, the project activities are directly linked with 3 of them, namely

- 11.1. Horizontal issues (with regards to the topics of Paying Agency, IACS and LPIS and cross-compliance);
- 11.4. Organic Production and
- 11.5. Quality Policy.

In this respect, the comments received by the EC (DG Agri) regarding Chapter 11 of the NPAA 2008, additionally stress the importance of certain activities foreseen under this project:

*“The establishment of the registers is a priority for the good functioning of the agriculture sector. Having in place a system for a proper collecting of agriculture records and providing the ability for analysing data is the basis for further development of the sector.*

*Therefore the NPAA should prioritise putting in place a computerised system of registers, such as: Single Farm Register, LPIS, animal identification system, agriculture information system; etc. Further efforts are need to, incl. human and financial resources, to deliver concrete and visible results”*

**Reference to Stabilization and Association Agreement (SAA)**: The project will contribute towards the implementation of the SAA Articles 1 and 68 on approximation of legislation to that of the Community, and Article 100 (Agriculture, and the agro-industrial sector) on

modernisation and restructuring of agriculture, the agro-industrial sector and rural development.

### **Reference to MIPD**

Multi-Annual Indicative Planning Document (2008-2010) refers to: “Further efforts to align with the acquis have to be made. The country needs to intensify its efforts in particular as regards agriculture. ... The country faces difficulties in implementing and effectively enforcing the legislation” ; “The agricultural sector remains relatively problematic for several reasons, such as lack of irrigation, land fragmentation and lack of proper management systems in general” ; “Assistance will focus on ... preparing the country for the implementation of the Community’s rural development policy, in particular by focusing on investments in agricultural production to restructure and upgrade the sector to Community standards and on investments to develop and diversify economic activities in rural areas” ; “Strategic choice is concentrated around three areas of intervention, which are included in the priorities identified in the Accession Partnership: (i) implementation of sectoral reforms; (ii) adoption and implementation of the acquis and (iii) support to the preparation for decentralised management of EU funds” ; “As regards the adoption and implementation of the acquis, and with a view to helping the country complying with the Copenhagen criteria, priority will be given to areas, where the harmonisation of the legislation is an obligation linked to the implementation of the Stabilisation and Association Agreement and where the volume of legislation to be harmonised is particularly large and where harmonisation requires costly investments that must be spread over many years” ; “In the field of agriculture and rural development the capacity of the administration to enforce the management mechanisms of the Common Agricultural Policy needs to be further upgraded”

### **Reference to National Development Plan**

Several of the goals mentioned under Chapter VIII - Agriculture and Rural Development within the Draft 2008-2013 National Development Plan will actually be pursued through the realization of the proposed activities under this project. These goals / measures are the following:

- Strengthening the capabilities of Macedonian agriculture to be competitive on integrated regional European and South-East European markets through measures to increase its efficiency in primary production, processing and marketing of agriculture products;
- Provision of healthy and safe food to consumers;
- Development of sustainable rural communities through integrated development of the rural areas and reducing the urban-rural development disparities; and
- Development of appropriate, efficient public and private institutions for implementation

### **Reference to national / sectoral investment plans**

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

- Strategic Plan 2009-2011 of the Ministry of Agriculture, Forestry and Water Economy
- Working Programme 2006-2010 of the Government
- National Strategy for Agricultural and Rural Development 2007-2013, including the Action Plan for Agricultural Development and Action Plan for Rural development
- Sector analyses, 2007
- National Strategy accompanied by Action Plan for Organic Agriculture Production in the Former Yugoslav Republic of Macedonia 2008-2011
- Operational programme under the EU instrument for pre-accession for rural development (IPARD) 2007-2013

- Strategy for establishing integrated IT system of the Ministry of Agriculture, Forestry and Water Economy, and
- Strategy and operational plan for development of sustainable and efficient Agricultural Information System (AIS)

## **Appendix 1a: Plan on the establishment of Integrated Administration and Control System (IACS) in the former Yugoslav Republic of Macedonia and synergy of its components**

### **1. BACKGROUND**

Due to the complexity of mechanisms and policies related to the agriculture and rural development, the specificity and multifunctional character of this economic sector, and excessive amount of financial means allocated for its support, an integrated administration and control system has been developed, whose establishment and functioning represents significant part of European Union regulations referring to agriculture. The establishment of the Integrated Administrative and Control System (IACS) represent one of the most important medium-term priorities of the integration process of the Macedonian agriculture in EU, as stipulated in the Accession Partnership between the country and the EU, and defined within the horizontal issues section under Chapter 11 – Agriculture and rural development of the NPAA. Accordingly, the latest 2008 EU progress report for the country emphasized the importance to intensify IACS establishment activities.

The complete functioning of the system shall provide effective policies based on the needs and sector problems, their successful implementation with utmost reduction of irregularities and abuses and improvement of the control and policy effects. The integration of different databases and registries will facilitate farmers' application for support policies and provide useful data for the business sector.

As a competent state institution in the area of agriculture, the Ministry of agriculture, forestry and water economy (MAFWE) in accordance with the provisions of the Law on agriculture and rural development (Official Gazette of No. 134/07, chapter 11, article 67) will establish 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 subjects“.

The national plan of establishing IACS includes coordinated implementation of closely linked activities under the responsibility of several institutions in the period from 2008-2011 that should lead towards fulfilment of IACS requests as defined within the Article 18 of R1782/2003 and Article 2 of R3508/92, of having:

- a single system to record the identity of each farmer who submits an aid application (Farm register);
- an identification system for agricultural parcels, i.e. a system to 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);
- a computerised database to record the data in the aid applications for each agricultural holding;
- a 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;
- an integrated control system for administrative controls and field inspections.

The current state of art, interaction with LPIS, and the plans of establishment by each of IACS elements are presented bellow.

### **2. INFORMATION AND COMMUNICATION INFRASTRUCTURE OF MAFWE**

The establishment of information and communication technology (ICT) infrastructure within the MAFWE is the crucial issue for the success of the implementation of the Farm

register and LPIS. The main registers are planned to be located on 3 locations (Paying agency – aid applications, Veterinary administration and Ministry – farm register and LPIS), and will be updated from 33 local offices countrywide. It is, therefore, essential that communicational infrastructure supports dispersed operations. For the purposes of compatibility, the ICT of the Ministry is to be set up to allow a common functioning of, or the exchange of data between, the components of the system, without any problems or conflicts, which implies incorporation of one or more components of the integrated system in the administration and control procedures. While the sophisticated hardware at central and local level has been already purchased, its installation, intersystem connectivity and its full functionality will be achieved at the beginning of 2009 based on the integrative software solution that is currently under development.

To cover all of different needs of the ministry, the MAFWE's ITC system is technically structured to support the flexible organization, scalable configuration and centralized management. In prospective, the information system will support all of the tasks of the MAFWE local units and the tasks of different bodies within the ministry. The IT system is set as highly available to support the farm register, and fast (in communications and transfer of huge amount of graphic materials) to support LPIS.

Brief characteristics of the prospective information system of the ministry should be built in such way, to be:

- centralized (centralized database, centralized electronic archive, centralized administration) to assure control over all the produced data,
- highly available (in clusters and with light clients – Java technology),
- highly scalable (using blade servers and VMware for scalability and virtual management, using scalable disk arrays),
- safe – assuring every day data backup,
- assuring that can be easily restored on the remote location.

### **3. FARM REGISTER**

MAFWE's intention is to set up an integrated register of agricultural holdings as a shield register over all other registers carrying the information important for effective decision-making. The main purpose of the integrated Farm register is to link and thus unify all registers by setting a unique farm identification number. The established network of inter-connected registers will then be a source for multidimensional data warehouse serving the analytical needs and policy planning and implementation purposes.

For successful establishment of the register, it is envisaged that data entry and update are done at the local level, setting up close relation with farmers, and to use the same organizational and information infrastructure for building and updating other important registers in agriculture (Land Parcel Identification System, Vineyards Register, etc) and for the implementation of the agricultural policy applying IACS. To assure efficient functioning of the inter-connected set of registers, the main register sources (Veterinary administration, Ministry, Paying agency) will be connected with high capacity communication network.

For efficient management of the system, the register will be put in place to assure central management of this decentralized system. The system should support the remote work-post approach (through 33 MAFWE local offices countrywide) which enables each employee to use his/her information and office support tools everywhere in the system. To assure proper information availability, security and continuity, the central processing unit is designed to guarantee scalability (easy adding and distributing the processor power and disk capacities according to the system needs) and programmable central data backup.

In 2008, MAFWE has enacted the Rulebook on the form, content and mode of the Integrated Farm Register (Official Gazette 62/08). In accordance with the Rulebook, the application forms for registration were prepared and distributed to approximately 70 000 farm holdings in the country and collected filled with farmers' data accordingly. The ITC infrastructure for central and local level has been procured. The software application is currently under development (having a pilot model already prepared) with plan to complete it latest by December 2008. Around 70 MAFWE local officers have been selected and trained to operate the system locally. The system is expected to become fully operational at the beginning of February 2009 when all available farms' data have to be entered in. Soon after, the farm register will integrate data on farm holdings from other relevant databases and registers, proving that the process of regular and permanent entry and update of the register can follow up. The good communications and on-line connection between the source databases (animal register, cadastre, LPIS), should provide that the data on agriculture areas and animals in the farm register are updated automatically.

Once established in 2010, the graphical areas from LPIS will be attached to the integrated system as well. To that end, an issue that is considered very carefully during the planning of establishment of registers is to provide compatibility and integrity among various agricultural registers and databases, especially between the Farm register and LPIS software. This has been secured through continuous communications and information sharing between the parallel ongoing processes of both systems software development solutions (drafting of technical specifications).

The IACS process begins when the land possession and land use on certain date (31.03) will be extracted from the farm register and sent to farmers to make an application for subsidies, declaring that they are cultivating the land in possession for which they apply for subsidy. IACS serve to control whether the area is cultivated and declared only once, after which the application is being approved or rejected, while the farm register provides needed data on the pre-printed forms, as well as data for proper payment (bank account, ID of the holder). This process of utilizing the LPIS graphical data, commencing as a pilot on selected regional level, is planned to take place initially in 2010, while by 2011/12 is expected to be extended nationwide.

#### **4. INTEGRATED CONTROL SYSTEM (ADMINISTRATIVE AND FIELD INSPECTIONS)**

In order to verify the eligibility conditions according to the Article 23 of Regulation 1782/2003, the existing control system carrying out administrative checks on the aid applications at two levels (MAFWE branch offices and the Agency for Financial Support in Agriculture and Rural Development - AFSARD) and verification of the eligible area and the corresponding payment entitlements, is gradually to be improved. The well functional inspection system, besides supporting direct payments control, is important for the control of implementation of IPARD policies as well.

Considering that IPARD programme is expected to become effective in 2009, under the NPAA, the Government is determined to have operational AFSARD in accordance with the EU standards in May 2009. In order to obtain accreditation, the AFSARD is in process of fulfilling the strict requirements laid down mainly in EC Regulations 1663/1995, 883/2006, 884/2006 and 885/2006 which cover the development of control system with written procedures for internal audit, the four-eyes principle, detailed check lists, information technology security, etc. In this respect, the Agency and MAFWE local offices are under permanent institutional strengthening process in order to improve administrative controls, both in terms of technical and human capacity.

As a part of the overall IACS, in addition to the administrative checks, the integrated control system is supplemented by a system of on-the-spot checks for the verification of the aid eligibility. It includes complex set of procedures to be developed in AFSARD (risk analysis, supervisory procedures, etc.) within the accreditation process. Currently on-the-spot checks are delegated by AFSARD to the State Agricultural Inspectorate. The inspections play an important role in the different aid-schemes financed by pre-accession funds and, at a later stage, by CAP funds, by controlling and verifying the facts on which payments are made. To that end, the number of employees was doubled to 50 employees in 2008 and new 35 are expected to be hired in 2009. The inspectors were appropriately equipped and intensive training program for them is under development.

## **5. COMPUTERIZED DATABASE FOR AID APPLICATIONS**

Over 2009 the AFSARD will develop adequate software and establish (or actually, upgrade the existing) computerized database that shall record, for each agricultural holding, the data obtained from aid applications. This particularly allows direct and immediate consultation (cross-checks) of the data relating to the previous year and ensures the management of claims through their whole lifecycle.

For the purpose of applying the state support schemes in agriculture, this system shall ensure compatibility with the administration and control procedures applied to these schemes and integration with identification systems for agricultural parcels and administrative checks.

As of 2011, in the future process of approximation of state support policies toward CAP-like schemes, the system for identification and registration of payment entitlements is planned to be utilized in accordance with Article 21 of EC Regulation 1782/2003. The system shall be set up allowing verification of entitlements and cross-checks with the aid applications and the identification system for agricultural parcels. This system shall allow direct and immediate consultation, through the competent authority, of the data relating to at least the previous three consecutive calendar and/or marketing years.

## **6. IDENTIFICATION AND REGISTRATION OF ANIMALS**

The basic objectives of EU rules on animals identification are the localization and tracing of animals for veterinary purposes, which is of crucial importance for the control of infectious diseases and consumer confidence and protection. The animal identification and registration system, set up in accordance with Directive 92/102/EEC, Regulation (EC) No. 1760/2000 and Council Regulation (EC) No. 21/2004 is part of the overall MAFWE's Veterinary Department (VD) strategy outlined in Chapter 10 of the Draft Strategy and Business Plan for the VD/MAFWE for the period 2007-2013.

The animal identification and registration system for bovine animals is already in place, but needs to be updated constantly. In addition, the introduction of other species (porcine, ovine and caprine animals) is ongoing activity that will be fully completed by the end of 2008. Because the tagging and registration operation of the small ruminants is considerably larger than for bovines, the VD invests in equipment that will improve efficiency, including hand held computer devices (PDA IT solution), bar code readers, GPS and GIS software.

The compatibility of Animal register with Farm register system has been taken in consideration whilst developing of Farm Register concept. In order to may make use of the existing administration and control system to verify eligibility for the aid in livestock sector as well as ensure compliance with the statutory management requirements and good agricultural and environmental condition in the future.

## 7. FINANCIAL AND HUMAN RESOURCES FOR IACS ESTABLISHMENT

Financial needs for implementation of IACS components for the period 2008-2011 are fully allocated from the national budget<sup>8</sup> of the Republic of Macedonia. Implementation activities are being accomplished by relevant sectors within the MAFWE and AFSARD. Required human resources are designed and will be employed in accordance with the NPAA.

### Appendix 1b: Methodology for LPIS as part of IACS within MAFWE

#### 1 BACKGROUND

Among other, the WB funded “*Macedonian agriculture strengthening and acquis project*” would assist the MAFWE to develop the basic elements of a comprehensive Integrated Administration and Control System (IACS), including: a computerized data base of records for each agricultural holding obtained from aid applications representing a Registry of Farm Households with its progressive expansion with data from relevant databases over the life of the project; an integrated control system consist of administrative checks on the aid applications supplemented by a system of on-the-spot checks to verify eligibility for the aid; and finally an identification system for agricultural parcels.

The project components would address gaps in MAFWE management, administration, information technology, staffing and institutional structure to establish of (where non-existing) and to upgrade up to optimal level the capacity needed for design, implementation, management, monitoring, control and evaluation of efficient national agriculture policy in short-term period (2008 – 2011), that should be further brought in a full compliance with required EU infrastructures for implementation of CAP (subject to EU accession timetable) in midterm period (2011 – 2014).

#### 2 LPIS DEVELOPMENT METHODOLOGY

The development of a comprehensive GIS-referenced land parcel information system, which would inform the PA’s Integrated administration and control systems (IACS) for subsidy payments is specified by EU Council Regulation 1782/03, in particular into Article 20 where the element of the system referred as Identification System for Agricultural Parcels is closely defined, as well as EU Council Regulation 796/04. Accordingly, the identification system for agricultural parcels shall be established on the basis of maps or land registry documents or other cartographic references. Use shall be made of computerised geographical information system techniques including preferably aerial or spatial orthoimagery, with a homogenous standard guaranteeing accuracy at least equivalent to cartography at a scale of 1:10.000 (and preferably 1:5000 -Regulation (EC) 1593/00).

Since the agricultural parcel has to be identified in both alphanumeric and graphical way, a reference parcel is required in LPIS for the localization of the arable crop(s) from the declaration phase onward. LPIS development is quite complicated issue that can be completed using several possible choices of LPIS reference units<sup>9</sup>. In general the EC recommendations for possible choice for the reference units are as follow: agricultural parcel, cadastral parcel, Ilot, and a block. Nevertheless the recommendations of all above mentioned

<sup>8</sup> The establishment of the major part of LPIS components is secured with the funds provided from the WB loan in amount of € 15 million being not adjoined with supplementary TA grant. Certain support for establishing Animal and registration identification system historically before 2007 was provided from CARDS funded projects.

<sup>9</sup> Regulation No 32004R0796 article 6 states “*The identification system for agricultural parcels referred to in Article 20 of Regulation (EC) No 1782/2003 shall operate at reference parcel level such as cadastral parcel, or production block which shall ensure unique identification of each reference parcel.*”

reference units not all of them would fit to Macedonian conditions. Taking into account all above described reference units, their advantages and disadvantages also analysing the current situation in the country the recommendation would be to set up LPIS system on a basis of Ilot (or physical block) as a reference in case Ilot solution does not prove itself useful and fully implemental. These two choices seem to be the most suitable LPIS reference units. However the final solution will be made upon an analysis process supported by international technical assistance as programmed by the planed LPIS implementation schedule.

The chosen reference system has to be tested in a frame of a pilot project to see the reaction of farmers, effectiveness of the use of this reference unit as well as functioning of the system (system management at all levels of use, functionality of equipment, etc.).

A very important issue that the Ministry consider carefully when planning the project is integrity among various agricultural systems and databases. There are already existing databases (partly vineyard cadastre, land cadastre) that are of big interest to the MAFWE due to the additional information these databases contain and that is needed for land policy planning, management of state owned land and other relevant issues. The databases' integration technical problem has to be clearly described and solved by setting up certain requirements prior production of the databases and planning agricultural systems.

According the MAFWE plans, a full LPIS implementation shall take place between now and 2013 therefore all activities have to complete quite fast throughout following phases:

#### **Phase I. Setting up of basic preconditions for implementation of LPIS (beginning of 2007 - end of 2008)**

This phase includes provision of basic preconditions for LPIS implementation including optimum MAFWE institutional capacity, availability of funds for launching of the process, and technical assistance. Whilst these issues have been already completed, the tender for technical assistance has been announced and with the international technical assistance (the company that is selected) it is planned to prepare detailed technical specifications for purchasing of equipment, creation of data and the specialized software application for collection of information about parcels declared, needed to carry out the pilot project.

#### **Phase II. Production of orthophoto images, procurement of software and equipment and data production in the initial/pilot regions (over 2009 – mid 2010)**

Based on the tender specifications, three tenders should be announced:

- the equipment for three pilot areas has to be procured (1st Contractor);
- aerial photographs, orthophoto images and Digital elevation model (DEM) created and the Ilot block databases for entire country produced (2nd Contractor);
- specialized software application programmed (3rd Contractor).

When the tendering process is completed and successful winners are signed the contract the creation of data, software and purchase of equipment commences. 2nd and 3rd Contractors are responsible for the training of central/local level specialists when all data is produced and software tested and functioning. The 2nd Contractor also plans and performs the pilot project activities involving two experts that take responsibility for smooth project execution, methodology, and description of all activities carried out and presentation of the final report to MAFWE.

The pilot project in the chosen areas<sup>10</sup> commences in spring/early summer 2009 when the data required (orthophoto images and Ilot/block database) for the part of the country is produced. The data production for the rest of the country continues. The final report describing all project activities, findings, estimations of recourses and costs along with the recommendations is presented to the MAFWE at the end of the pilot project.

### **Phase III. Nation-wide extension of LPIS implementation activities (mid 2010-mid 2011)**

After the MAFWE decision concerning the number of specialists at the central/local levels the tender for purchase of the equipment for the rest of the state is announced. The successful winner of the tender for acquiring of equipment for the remaining regional offices is responsible for the timely delivery, installation and testing of goods to the locations described in the bidding documents.

After production of data, development of software application is completed and equipment is installed and tested the training of remaining employees hired at the local offices starts. The training is performed by the local experts working at the central and local level that were participating during the pilot project.

During this phase different national and MAFWE graphical data basis (vineyard cadastre, National land cadastre data, hydrography database, the road network data is etc) are expected to be integrated into a fully functional IACS. These activities will be supported through the realization of IPA-TAIB 2008 Project - Development of the administrative capacity to adopt and implement the Acquis in the agricultural sector.

### **Phase IV. Full LPIS implementation and agri-environmental compliance activities (since 2011 onwards)**

The full LPIS implementation is foreseen as off spring 2011 onwards. The chosen reference unit database (Ilot/block) will have to be updates on a yearly basis so that to reflect actual changes in the land use related to the urbanization of the territory, in heritage of the land, land transition to other owners, etc. These changes have to be indicated and the database maintained accordingly. The changes of the reference unit boundaries can be indicated by asking the farmers to point them on the map, some changes can be identified during the field inspections when measuring areas and also using additional up-to-date database such as road network, hydrography database, etc. The process of the database update could be performed at the local municipality or regional level and sent to the central database at MAFWE. Major updates of the LPIS database are usually done when new orthophoto images are acquired.

In this phase the system should be introduced and upgraded with the inclusion of other permanent crops registers and/or other production related layers (forestry, organic, bee-hives, etc), as well as with inclusion of layers related to Environmental Sensitive Areas and cross-compliance, and rural development (such as LFA, quality and products traceability). These activities is foreseen to be realized through the IPA-TAIB 2009 Project - Institutional building of the administrative capacities for agriculture and rural development policy implementation.

## **3 IMPLEMENTING AGENCY**

MAFWE LPIS management unit is responsible for planning of activities needed to implement the system, project monitoring, coordination and presentation of the final results.

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<sup>10</sup> Most likely in 3 municipalities: Municipality 1 is vine-growing region where 80% of the land use is dedicated for vineyards, Municipality 2 represents the area where small parcels are predominating, and Municipality 3 represents the areas where medium/big size parcels are used for cropping.

MAFWE specialists shall have enough experience to perform system introduction in the country and ensure smooth execution of the declaration campaign and comply with the EU regulatory requirements for the functioning system. The LPIS is going to be completely new system for the farmers and for MAFWE specialists therefore it is extremely important to have well trained people on the local level that would have direct contact with the farmers explaining them in detail the new system for declaration of crops, advise how to fill in the declaration form and draw the parcel boundaries in the map, collect the paper applications and using specialized software application enter the information about declared parcels into the database. It is strongly recommended to hire 2-3 specialists at each of the pilot offices for these issues. These new employees have to have geodetic or agronomic background and be able read the orthophoto maps, locate and draw the parcel boundaries on the map using cadastre information, sketches or even oral description, help filling in the declaration form and now how to do that.

#### 4 LPIS IMPLEMENTATION ACTIVITIES

| Activities  | Body in charge | Deadline  |
|---|----------------|---|
| <p><b>1. Establishment of MAFWE capacity responsible for LPIS implementation</b><br/> <u>Current status of the activity:</u><br/>           The Department for land policy responsible for the agriculture land policy and Land identification unit within it is responsible for LPIS implementation issues is established in the beginning of 2008 (<i>current number of employees 13</i>).</p>  | MAFWE          | Realized  |
| <p><b>2. Publication of tender for technical assistance.</b><br/> <u>Current status of the activity:</u><br/> <i>Tender for technical assistance was realized and contractor selected</i></p>   | MAFWE          | Realized  |
| <p><b>3. Preparation of tender procurement documents for:</b></p> <p><b>3.1. purchase of equipment (technical assistant 1)</b><br/>           After completion of the tender for TA an international expertise should review and describe the needs for the equipment, i.e. hardware, software and perhaps server part. All the needs and technical requirements shall be a part of tender documents for bidding the purchase of goods. The equipment shall ensure easy integration with other existing systems (vineyard cadastre, animal registration, land cadastre, etc.), connectivity with the regional pilot offices, data storage and management on the server, data collection and editing and presentation of final results.</p> <p><b>3.2 aerial, orthophoto, DEM and Ilot/ block database creation (tec. assistant 2)</b><br/>           The production of aerial, orthophoto, DEM and Ilot database has to be very clearly and in detail described in the tender procurement documents. The existing orthophoto images are at scale that is not sufficient for LPIS implementation in terms of its' accuracy and do not comply with the requirements stated in EU regulations. Therefore the new orthophoto coverage has to be produced at scale 1: 10.000 as well as DEM that is very important component of the data needed in the mountainous country in order to orthorectify the ortho images correctly. Consequently the reference unit database created using</p> | Contractor     | <p>March 2009</p> <p>Dec. 2008</p> <p>March</p> |

|   |                    |                        |
|---|--------------------|------------------------|
| <p>orthophotos as a background will be more accurate and represent even small parcels that are hardly distinguishable on the existing orthomaterial.</p> <p><b>3.3 for programming of specialized software application</b> (<i>technical assistant 3</i>)</p> <p>The specification shall reflect the needs for collection of relevant information in order to manage direct payments for farmers including the possibility to enter the data from paper declaration form, immediate cross check of the data entered for over-declaration, check with other databases, integration of data from field inspections, etc. The training of the specialists on the central and local level shall be included into the tender documents.</p> <p><i>Current status of the activity:</i><br/> <b>Preparation of all tender documents have already started and its ongoing</b></p> |                    | 2009                   |
| <b>4. Publication of tender for creation of aerial, orthophoto, DEM and Ilot block database.</b>  | MAFWE              | Dec. 2008              |
| <b>5. Publication of tender for purchase of equipment.</b>  | MAFWE              | April 2009             |
| <b>6. Publication of tender for programming of specialized software application for LPIS data collection.</b>   | MAFWE              | March 2009             |
| <b>7. Dedication of specialists to work with LPIS implementation issues at local MAFWE offices</b>  | MAFWE              | Nov. 2009              |
| <b>8. Delivery, installing and testing of the equipment (in 3 pilot areas)</b>  | Contractor         | Sept. 2009             |
| <p><b>9. Development of software application.</b> <u>key expert 1 (programming)</u></p> <p>The specialized software application for collection of information on parcels has to be developed so that ensure connection between central and local offices and allow paper data entering into the digital database at local level and information storage on the central level as well as checking of data entered, map and application printing, etc. This task has to be performed in close cooperation with MAFWE LPIS unit.</p>   | Contractor         | Jun 2009 – Oct. 2009   |
| <b>10. Delivery, installing and testing of the specialized (in 3 pilot areas) software application.</b>   | Contractor         | Nov. 2009              |
| <b>11. Aerial, Orthophoto, DEM production</b><br><u>key experts 1 and 2</u>   | Contractor         | April 2009 - Dec. 2009 |
| <b>12. Ilot database production</b><br><u>key experts 3 and 4</u>   | Contractor         | Nov. 2009 – July 2010  |
| <b>13. Training of specialists at central and local level (3 pilot areas)</b><br><u>key expert 1 (programming), key expert 3, key expert 5</u>  | Contractor         | Feb. 2010              |
| <b>14. Pilot project (collection of subsidy application in pilot regions with declaring land use through ilot system)</b> <u>key experts 3 and 5</u>  | Contractor + MAFWE | March – August 2010    |
| <b>15. Integration of various registers and databases into a fully functional IACS</b>  | IPA 2008           | 2010-2011              |
| <b>16. Publication of tender for nationwide LPIS equipment.</b>   | MAFWE              | May 2010               |
| <b>17. Upgrade of software application.</b>   | IPA 2008           | Sep. 2010              |

|  |            |                              |
|--|------------|------------------------------|
|  |            | - onwards                    |
| <b>18. Delivery, installing and testing of the equipment.</b>  | Contractor | Nov. 2010                    |
| <b>19. Hiring of specialists to work with LPIS implementation issues at local MAFWE offices</b> (around 100 employees possibly including existing personnel plus some extra engaged staff during the declaration campaign) | MAFWE      | Dec. 2010                    |
| <b>20. Training of the specialists at local MAFWE offices and entering the farms land use ilots into database simultaneously</b>   | MAFWE      | Nov. 2010<br>– March<br>2011 |
| <b>21. Full LPIS implementation.</b>   | IPA 2009   | April 2011<br>- onwards      |

## 5 RELATED ACTIVITIES

MAFWE has been implementing a functional pilot wine cadastre supported by EU funded project that covers a half of the total area of vineyard in the country. The experience and installed technical capacity can serve as base for extension of these activities to the rest of the agricultural land cultivated by other crops, likely piloting with the state-owned land in the initial period. The options for implementation of the project should take in consideration the opportunity of having the WB funded project in the State Directorate for Cadastre Affairs (SDCA) supporting the institutional reforms and similar sort of activities being of interest of the project, but excluding agricultural land. It has only partial recent ortho-imagery coverage for the country. The project would fill-in missing ortho-imagery using either airborne or high definition satellite imagery. Digital maps would be used for all the on-the-spot checks, with inspectors equipped with GIS devices and laptop computers to support this process in the future.

## ANNEX 5 - Details per EU funded contract

### Management and contracting arrangements

Steering committee will be established to oversee the overall implementation of the project, in addition to the individual Steering Committees that are integral part of each Service and Twinning Contract.

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

Appropriate overall management, representation (co-ordination with the EU and other international bodies) as well as reporting will be ensured, as well as management of resources. During the inception phase of the project, a detailed deployment plan will be developed under the coordination of the Senior Programming Officer and the Steering Committee in which each co-operating national institution will be represented to ensure appropriate inclusion. In addition to this and in order to avoid overlap and ensure continuation of activities between different projects (i.e. WB project and IPA-TAIB 2008 project) appropriate inclusion of representatives of the beneficiaries of these projects within the Steering Committee will be ensured.

### The expected contracting arrangements are as follows:

- 1 service contract, following an international restricted tender procedure, for the implementation of activities under component 2: **Further upgrade of the Land Parcel Identification System within the Integrated Administration and Control System**. The TOR will be developed during 2009 and launched in Q1 of 2010. The contract has an expected duration of 12 months, is expected to start at Q4 2010, and has a budget of approximately EUR 780 000. (including IPA funds of EUR 702 000)
- 1 Twinning project will be developed for the implementation of activities under component 1, sub-component 1.1.: *Gradual introduction of the cross-compliance into direct payments scheme*. The Project will be developed during 2009 and launched in Q2 of 2010. The contract has an expected duration of 16-18 months and is expected to start at Q2 2011. The budget of this contract will be approximately EUR 950 000.(including IPA funds of EUR 902 500)
- 1 Twinning project will be developed for the implementation of activities under component 1, sub-component 1.2.: *Institutional strengthening for the implementation of the new legislation on organic agriculture production* and sub-component 1.3.: *Institutional set-up for the systems for development and protection of quality agriculture products and foodstuffs (PDO, PGI and TSG)*. The project will be developed during 2009 and launched in Q2 of 2010. The contract has an expected duration of 16-18 months, is expected to start at Q2 2011, and has a budget of approximately EUR 690 000 (including IPA funds of EUR 655 500)

- 1 Supply contract, sub-divided in appropriate Lots, is expected to be concluded to provide the IT equipment for the two components, as well as the necessary laboratory equipment within the State Phytosanitary Laboratory, designated for testing of the soil, water and other parameters, as well as organic agricultural production and products. Namely, as indicated in the Logical framework matrix (Annex 1), the following amounts are allocated to different project components: EUR 300 000 to component 1 and EUR 150 000 to Component 2, adding up to a total value of the supply contract of EUR 450 000 (including IPA funds of EUR 337 500). The expected supply contract duration is 16-18 months, including the delivery/implementation period of 4 to 6 months, plus 12 months warranty period. Expected contract start is in Q1 2011. The contract might include the software, if necessary, for the LPIS upgrade.