

**Standard Summary Project Fiche – IPA centralised programmes**  
(Regional / Horizontal programmes ; centralised National programmes)

**1. Basic information**

- 1.1 CRIS Number: 2007/19322**  
**1.2 Title: Capacity building to implement Rural Development policies to EU standards**  
**1.3 ELARG Statistical code: 03.11**  
**1.4 Location: Serbia**

**Implementing arrangements:**

- 1.5 Contracting Authority** European Commission  
**1.6 Implementing Agency:** N/A  
**1.7 Beneficiary (including details of project manager):** Ministry of Agriculture

**Financing:**

- 1.8 Overall cost:** 4.5 Million Euro  
**1.9 EU contribution:** 4.5 Million Euro  
**1.10 Final date for contracting:** 3 years after the signature of the Financing Agreement  
**1.11 Final date for execution of contracts:** 5 years after the signature of the Financing Agreement  
**1.12 Final date for disbursements:** 6 years after the signature of the Financing Agreement

**2. Overall Objective and Project Purpose**

**2.1 Overall Objective:**

The overall objective of the project is to address priority challenges for the sustainable adaptation of the agricultural sector and rural areas to the demands of the *acquis communautaire* concerning the Common Agricultural Policy.

**2.2 Project purpose:**

The purpose of the project is to

- Establish the institutional capacity required to implement the rural development component of the Instrument for Pre-Accession (IPA) [Council Regulation (EC) No 1085/2006],
- Demonstrate the benefits from the implementation of local area based rural development strategies.

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

The European Partnership with Serbia and Montenegro (including Kosovo) of 30 January 2006 (Council Decision 2006/56/EC) identifies the strengthening of the Serbian administrative capacity to formulate and implement agricultural and rural development policies as an on-going priority. The design and initiation of implementation of a rural development policy was identified as a particular medium term priority.

## **2.4 Link with MIPD**

A main socio-economic objective identified in the MIPD is the promotion of economically, socially and environmentally sustainable rural development through assistance to strengthen the preparation, implementation and monitoring of strategies and programmes for agriculture and rural development. In this regard the strengthening of the organisation and ability of civil society partners to engage in the process of agricultural and rural development is also a priority identified in the MIPD.

Support is foreseen in the MIPD for the partnership based preparation and implementation of sustainable and diversified rural development actions so as to prepare for the implementation of the *acquis communautaire* concerning the Common Agricultural Policy and related policies.

The expected result of this support identified in the MIPD is that by 2012 “Persons engaged in the tourism, agricultural, food and forestry sectors and rural enterprises have been assisted to improve: the competitiveness of the tourism, agricultural and forestry sectors; the environment and the countryside; the quality of life in rural areas including encouraging the diversification of the rural economy; and building local capacity for employment and diversification.”

The achievement of these socio-economic objectives and priorities is inextricably linked with the main priorities objectives identified in the MIPD for the implementation of European Standards in relation to agriculture and rural development which include, “Support in development of capacities to implement Agricultural and Rural Development policies to EU standards and to complete the transition to a market economy”, “Increase the sector’s ability to meet external competition, and adopt the *acquis communautaire*” and “to align agricultural and rural payments to farmers with EU legislation and practice”. In this regard the MIPD includes support for the Ministry of Agriculture in introducing a rural payments institutional framework the expected result of which is the development of capacities to align agricultural and rural payments to farmers with EU legislations and practice.

## **2.5 Link with National Development Plan (where applicable)**

The Poverty Reduction Strategy, EU Accession Strategy and the Agriculture Strategy all identify the need for development and diversification of the rural economy

When drawing up the Poverty Reduction Strategy Paper (PRSP) in 2003, the Ministry of Agriculture noted the correlation between the incidence of poverty and rurality. In 2002 at over 14% the incidence of poverty (defined as the percentage of the population living with consumption of below 4,489 CSD [approximately €8 at the then prevailing exchange rate] per adult equivalent) in rural areas was twice the incidence in urban areas. At over 22%, the most remote rural area – south-east Serbia – had the highest incidence of poverty. By 2004 the gap between urban and rural areas in Serbia had increased further.

In part this higher incidence of poverty is caused by resource-poor farming structures (especially in central and south-Serbia), a lack of alternative off-farm or on-farm non-agricultural gainful activities and the rural population’s limited access to social (health-care, schooling, etc.) and recreational services. These limited income earning and consumption opportunities in turn exacerbate the out-migration of the younger and more educated who leave behind them the elderly and less educated who have lower levels of employment mobility.

To break this vicious circle, the authors of the PRSP proposed the preparation of a national rural development plan focused upon supporting investment in rural areas, assisting rural communities to take advantage of local comparative advantage, and raising non-agricultural employment. It was noted that social and environmental issues as well as economic ones would need to be taken into account and that there would need to be a joined-up response of Government, the active involvement of decentralised authorities, and the engagement of social and economic partners and civil society.

The 2006-2012 Action Plan for the implementation of the National Strategy of Economic Development of Serbia identifies the need to establish a programme for Rural Development to be funded from national funds and donor contributions as well as the need to establish the required payment systems.

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

Following the December 2003 parliamentary elections the Ministry of Agriculture began a process of agricultural and rural policy reform, decreasing subsidies linked to agricultural prices and production, and increasing support for project based rural development actions.

This reform path was confirmed by the Government's August 2005 adoption of the Agricultural Strategy drawn up by the Ministry of Agriculture (which foresees support for rural development rising to 80% of the agricultural budget in 2008). The Government intention identified in the Agricultural Strategy has been to utilise experience from the European Union which has (and is) itself going through similar reforms of agricultural and rural policy.

Enhanced rural development and environmental protection is also a goal noted in the 2005 National Strategy of Serbia for Serbia and Montenegro's Accession to the European Union which also highlights the need to prepare systems for the financial management of agricultural and rural development support that are consistent with those applicable to agricultural and rural development measures financed by the EU in Member States.

## **3. Description of project**

### **3.1 Background and justification:**

The Republic of Serbia is predominantly rural. Two thirds of the territory is agricultural land and forestry occupies a quarter of the surface area. At a municipality level, around 85% of Serbia has a population density below the OECD threshold of 150 inhabitants per km<sup>2</sup> for definition as a rural area and approximately 55% of the population lives in these municipalities. With around one third of employment in rural areas being in primary production, the population of rural areas is particularly dependant upon agriculture and forestry.

In part stimulated by reformist agricultural and rural policies, the performance of the agricultural sector has been improving since the beginning of the economic and political reforms at the start of the decade. Gross Agricultural Output (GAO) has risen 10% since 2000 and in real terms agri-food exports have increased over 70% since 2002.

As economic growth has stimulated industrial production and the service sector, however, the share of agricultural production in Serbia's Gross Domestic Product (GDP) and the share of agri-food exports in total exports have both decreased over this period. These trends, aggravated by the slow rate of diversification of rural economies, are exacerbating the relative impoverishment of the rural population and compounding the high rates of absolute poverty in rural areas. As economic growth continues such increasing relative impoverishment of the rural population will intensify the out-migration of the most educated and employment mobile of the rural workforce who typically are younger and better educated.

Not only does this out-migration limit potential economic growth in rural areas it also hinders the economic diversification and has social consequences. Not only is the rural population increasingly aging, trends seen in other transition economies suggest that young adult females may be more occupationally and geographically mobile than young adult males. The occupational and geographic mobility of particular ethnic minorities may also be lower.

Such social impacts of transition could not only exacerbate income disparities according to age, gender and ethnicity but also further hinder the economic diversification of rural areas. Experience from other European countries and beyond (e.g. Canada and the US) indicates that younger, better-educated, individuals are a driving force behind rural diversification and that females are often more amenable to taking off-farm or non-agricultural on-farm employment while males often continue in primary production.

Recognising the importance of countering such detrimental social and economic trends and stimulating the diversification of the rural economy, Serbian Governments planned and initiated policy reforms to reduce market distorting production and price related agricultural subsidies and place greater emphasis upon knowledge dissemination and project based investment support for rural diversification. In order to further this process, the Ministry of Agriculture, Forestry and Water Management embarked upon the preparation of a comprehensive national plan for rural development. Best practice developed in the European Union is being used to guide this process.

The Ministry of Agriculture, Forestry and Water Management together with the Ministry of Finance has also been in the process of improving the economy, efficiency and effectiveness of **national budgetary funds** for agricultural and rural development. The Ministries are in the process of preparing plans and procedures for the implementation of core principles for sound financial including effective segregation of duties and separation of functions, internal control standards and systems, presentation of separate accounts, transparent non-discriminatory procurement procedures and internal audit functions. In order to assist this process, the Ministry of Agriculture, Forestry and Water Management has developed a farm register.

European Union funded technical assistance managed by the European Agency for Reconstruction is supporting the Ministry of Agriculture, Forestry and Water Management in these endeavours. This support is due to be finalised in March 2008 by which time staff of the Ministry of Agriculture and related organisations will have been trained in the preparation, implementation, monitoring and evaluation of rural development programmes and plans, procedures and tools to support these actions are to have been developed, and a first draft of a national rural development plan is to have been prepared by the Ministry and its counterpart organisations. Procedures and tools should also have been developed for the implementation, sound financial management and control of agricultural subsidies and rural development

support schemes and other payments to beneficiaries, **funded from the budget of the Ministry of Agriculture, Forestry and Water Management.**

In anticipation of the future obtainment of the goal of status as a candidate country of the European Union, the Ministry of Agriculture and other national authorities intend to build upon its progress to date and the results to be achieved over the course of the coming year in relation to the preparation of a **national rural development plan** and use of **national budgetary funds** for agricultural and rural development by:

- Establishing the administrative structures required to implement the rural development component of IPA and in particular the: identification of structural needs in rural areas; design implementation and management of the IPA rural development component; control of financial flows and implemented measures; monitoring, reporting, auditing and evaluation.
- Preparing a rural development programme (including agri-environment measures) in accordance with Article 184 of Commission Regulation 718/2007 (which will be done on the basis of the national rural development plan which should cover the wider needs of rural Serbia and which is already being worked upon).

The Ministry of Agriculture also intends to pilot the preparation and implementation of LEADER type initiatives so as to start building the experience necessary to benefit from the implementation of a LEADER approach to rural development. To do this it intends to animate rural population in (a) pilot zone(s), support the establishment of (a) Local Action Group(s) with the capacity to have a decision-making power concerning the elaboration and implementation of local development strategies, support the preparation of (an) area-based local development strategy/ies for (a) well-identified subregional rural territory/ies through a multi-sectoral design based on the interaction between actors and projects of different sectors of the economy. It further intends to develop the capacity for the implementation of innovative approaches and co-operation projects. The Ministry further intends to use the results of the pilot to promote the LEADER approach to rural development and build a network of local partnerships.

The contracts financed under this project will assist the national authorities in these endeavours.

### **3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)**

The impacts of the project should be

- The adoption by the Commission of a Programme for Rural Development for Serbia in accordance with the provisions of Commission Regulation 718/2007 and Financing and Sectoral Agreements, after the country is recognised as a Candidate Country.
- The conferral of management powers for the rural development component of Council Regulation 1085/2006 after Serbia is recognised as a Candidate Country.
- Pilot LEADER initiative(s) established.

A number of factors will contribute to the sustainability of the actions, including the incentive provided by candidate country status and access to the IPA Rural Development component. Activities in this regard will build upon the results of previous EC assistance and previous

Governmental reforms of agricultural and rural policy providing incentives to continue this reform process.

The pilot LEADER initiative will have a particular catalytic effect animating rural communities and demonstrating the potential impact from the implementation of area-based local development strategies for well-identified subregional rural territories. It will also support the decentralisation of decision making in rural area development.

### **3.3 Results and measurable indicators:**

Results and measurable indicators in relation with activity 1:

- Administrative structures established to implement the rural development component of IPA and in particular the: identification of structural needs in rural areas; design implementation and management of the IPA rural development component; control of financial flows and implemented measures; monitoring, reporting, auditing and evaluation.
- Capacity of a Managing Authority to manage and oversee the implementation of the Rural Development programme in an efficient, effective and correct way established.
- Programme drawn up at national level for agriculture and rural development (including agri-environment measures) in partnership with appropriate interested parties covering the entire period of IPA implementation and submitted to the Commission after Serbia becomes a candidate Country.
- Ex-Ante evaluation of Rural Development Programme conducted.
- Capacity established to certify the accounts of payments made for the implementation of the rural development programme.

Results and measurable indicators in relation with activity 2

- Local Action Group(s) established in pilot zones.
- Area-based local development strategy/ies for (a) well-identified pilot subregional rural territory/ies.

### **3.4 Activities:**

#### Activity 1

Capacity building for the implementation, monitoring and evaluation of rural development actions, will be implemented through a Twinning project (Contract 1.1) which will provide support in the following areas:

- The establishment of the administrative structures and the necessary skills, procedures and systems for the: identification of structural needs in rural areas; design implementation and management of the IPA rural development component; control of financial flows and implemented measures; monitoring, reporting, auditing and evaluation.
- The preparation of a rural development programme for submission to the Commission after Serbia becomes a Candidate Country, taking into account the results of an ex-ante evaluation.
- Addressing the basic issues for designing agri-environment measures namely characterising the environmental situation of their agricultural areas, identifying the environment problems to be addressed, establishing their code of good agricultural

practices (GAP) and simulating calculations for premiums to be paid to those wanting to establishing agri-environmental commitments.

- On the job-training of the body designated to certify the accounts of payments made for the implementation of the rural development programme.

Provision of information and communication technology and related equipment required by authorities charged with managing, implementing, monitoring and evaluating the rural development component of IPA (including the authorisation, execution and accounting for payments).

This activity will be carried out through

- i) a Twinning project co-financed in kind by the final recipient of the action in accordance with the provisions of the Twinning Manual.
- ii) a supply contract for ICT.

### Activity 2

Capacity building for the implementation at a pilot level of area-based local development strategies for well-identified sub regional rural territories will be implemented through a Technical Assistance project providing support in the following areas:

- Animation of rural communities
- Training and capacity building of actors engaged in rural development based in identified sub-regional rural territories.
- Establishment and operation of public-private partnership based Local Action Groups.
- Preparation by the local action groups of area based local development strategies for well-identified sub-regional rural territories.

This Activity will be carried out through service contract

### **3.5 Conditionality and sequencing:**

The Delegation of the European Commission will ensure that the following conditions are in place prior to the launch of tendering procedures for contracts implementing this project:

- i) Designation through a Governmental decision of bodies to undertake the tasks of:
  - Managing Authority of the programme for the rural development component of IPA
  - Administrative structure for the programme implementation which includes inter alia authorisation, execution and accounting for payments (including necessary technical services) made under the rural development component of IPA
  - The audit authority that will be responsible for the certification of the accounts of the administrative structure for the programme implementation.
- ii) Provision by the national authorities of sufficient staff and financial resources in the national budget for the bodies designated in accordance with point (i).

iii) That the updating of procedures for the collection, use and dissemination of agricultural statistics (including the agricultural census) by the Serbian Statistical Office and the Ministry of Agriculture, Forestry and Water Management is in process.

### 3.6 Linked activities

Two projects proposed for funding under the IPA 2007 Annual Programme for Serbia are of particular relevance to this project:

1. **Support to the implementation of the management of EU funds under a Decentralised Implementation System in the Republic of Serbia.** The purpose of this project is:
  - To assist the key players involved in the management of EU funds under a Decentralised Implementation System along the DIS accreditation process and provide them with guidance, taking into account lessons learned from other candidate countries,
  - To support the various key players involved in the management of EU funds under a Decentralised Implementation System in :
    - gaining the ownership over the actions and activities they are assigned in the strategy and action plan and to support them in implementing the related tasks,
    - strengthening their management and implementation capacities by developing and operating sound financial management systems, and ultimately,
    - effectively carrying out their functions and responsibilities in full compliance with the EC requirements and accreditation criteria [See Annex III – Accreditation criteria].
  - To provide support to the Serbian Government in the following stages of the roadmap to DIS accreditation:
    - Stage 0 – Establishment of the Management and Control System  
(Note: Stage 1 – Gap Assessment shall be one of the actions of this Project Fiche)
    - Stage 2 – DIS Preparation (“Gap plugging”)
    - Stage 3 – Compliance Assessment
    - Stage 4 – National Accreditation and submission of the DIS application
2. **Improving Structural Capacity of the Serbian Statistical Office in view of approximating European Statistical System (ESS) requirements.** The purpose of this project is completing the upgrading of SORS infrastructure in order to ensure further sustainable approach to EU *acquis* in statistics. It will ensure continuation with the ongoing 2002 CARDS project on national accounts and tackle areas identified as priority by the European Commission (agriculture statistics). The project shall also consolidate the internal activities that support statistical production and statistical dissemination.

In addition, under the CARDS 2006 Annual Programme for Serbia a Twinning project has been prepared to assist the establishment of the Supreme Audit Institution (SAI).



The World Bank and the Republic of Serbia have negotiated a loan in the amount of 12.5 Million EUR with a 3.3 Million EUR Global Environment Facility (GEF) grant and a 0.46 million EUR contribution by local communities which should provide complementary support for:

- The strengthening of the government's agricultural and rural development support system. This project would provide support for the funding of the staff required to operate the management, payment monitoring and evaluation of agricultural and rural development support from the national budget as well as technical assistance for the establishment of a land parcel information system and an integrated administration and control system. It is intended that GEF support will strengthen the ability of the Ministry of Agriculture to implement and monitor schemes to preserve agri-environmental features. The World Bank loan will provide funds for Ministry of Agriculture grants to implement rural development actions.
- The improvement of farm advisory services. The project would strengthen the Ministry of Agriculture to plan and oversee farm advisory services and provide funds for the improvement of the provision of farm advice.
- Sustainable land use and ecological management. The project would assist the restoration of declining environmentally sustainable land uses in a national Park in Eastern Serbia (Stara Planina) and increase investments in activities and enterprises relating to sustainable land use and agro-biodiversity activities in / around Stara Planina national park. It is intended that the project will supplement and strengthen the Government of Serbia's existing provisions for supporting agri-environmental activities.

The Government may provide parallel financing for the project up to 9 million EUR.

The European Agency for Reconstruction has supported the Regional Development Agencies (RDA) in Serbia under the CARDS programme (Regional Social and Economic Development) to promote balanced regional development. These Agencies can also be important institutions for addressing rural development issues and complement the activities of this fiche.

Moreover, the Strategy for Balanced Regional Development adopted by the government in January 2007 is significant in that it is the first such document that attempts to tackle the issues specific to development of the regions. The Strategy broadly encompasses the development priorities and interventions aimed at building overall development capacity, reducing disparities and building the potential of poorer parts of the country to compete. It also sets out a coherent unified policy and legal framework for regional development as well as a strategy for building the institutional framework.

### **3.7 Lessons learned**

Project design takes into account lessons learnt in Member States and in particular those which most recently joined the European Union.

The draft Implementing Regulation for IPA included in the IPA Programming Guide proposes that implementation of the Rural Development component of IPA shall be undertaken "... on the basis of decentralised management without ex ante controls..." and that provisions set out in financing and sectoral agreements "...shall be consistent with the relevant rules applicable to rural development programmes in the Member States".

Past experience has demonstrated that establishing the ability to comply with the provisions laid out in the relevant rules applicable to rural development programmes in the Member States takes time and careful planning. Early progress in establishing such capacity would assist Serbia to be in a position to submit to the Commission a rural development programme within any time period foreseen after becoming a beneficiary country of the rural development component of IPA, and as soon as possible thereafter ensure the conditions for the conferral of management powers.

Experience from Member States has shown that significant time and effort is required to build the capacity to implement LEADER initiatives as this involves animating and building the capacity of rural communities where, at times, there is little history of joint actions.

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

Activities	TOTAL COST	SOURCES OF FUNDING										
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION				PRIVATE		
		Total	% *	IB	INV	Total	% *	Central	Regional	IFIs	Total	% *
Activity 1												
contract 1.1	2 million	2 million	100%	2								
Contract 1.2	1 million	1 million		1								
Activity 2												
contract 2.1	1.5 million	1.5 million	100%	1.5								
<b>TOTAL</b>	<b>4.5 million</b>	<b>4.5 million</b>	<b>100%</b>	<b>3.5</b>	<b>1</b>							

\* expressed in % of the Total Cost

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

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1	T+1Q	T+3Q	T+12Q
Contract 1.2	T+1Q	T+3Q	T+5Q
Contract 2.1	T+1Q	T+3Q	T+11Q

All projects should in principle be ready for tendering in the 1<sup>st</sup> Quarter following the signature of the FA.

#### 6. Cross cutting issues (where applicable)

Development Policy Joint Statement by the Council and the European Commission of 10 November 2000 establishes that a number of Cross-cutting Issues shall be mainstreamed into EC development co-operation and assistance.

Cross-cutting issues will be addressed in the project so as to comply with the best EU standards and practice in that area and in a way which demonstrates how they will be dealt with within the project's framework, its activities and outputs.

Cross-cutting issues will be addressed in a proactive manner, and will present a specific component of projects (at all levels of projects' development, starting from the project identification stage). Synergies between the projects and the objectives of will be identified and developed. Also, the projects' objectives and activities need to be screened in order to ensure they won't impact negatively on gender equality, minorities' inclusion and environment.

Finally, the beneficiary will make sure its objectives, policies and interventions have a positive impact on and are in line with the main principles of gender equality, minorities' inclusion and environment.

### **6.1 Equal Opportunity**

As noted before, taking adequate account of gender relations is vital to the success of rural development actions and the sustainability of rural communities. Consequently project implementation will include active measures to ensure equal opportunity for men and women to engage and participate in, and benefit from, project activities. This may include active targeting according to gender in (for instance) training and animation activities, through such measures as adjustment of timing, location, method and topics to maximise the participation of both genders.

Capacity building measures shall include elements to support the human resource management of beneficiary institutions to ensure equal opportunity within the workplace.

### **6.2 Environment**

The ex-ante evaluation, adaptation and finalisation of the Rural Development plan will include schemes for the protection of the agri-environment.

### **6.3 Minorities**

Certain sub regional rural areas of Serbia (particularly in the north and south of the country) have a high proportion of ethnic minorities. Capacity building of institutions for the implementation of rural development actions shall include measures to ensure that service provision in these areas does not fall below that in other areas. In addition, capacity building activities for the monitoring and evaluation of rural development actions shall include measures to support the establishment of systems to monitor whether selection criteria implemented result in ethnic bias.

The geographic dispersion of rural communities and rural services nature is also such that the disabled can be especially marginalised. Rural development programming and support planning will take this into account.

## ANNEX I: Logical framework matrix in standard format

<b>LOGFRAME PLANNING MATRIX FOR Project Fiche</b>	Programme name and number <b>Capacity building to implement Rural Development policies to EU standards</b>	
	Contracting period expires 5 years after the signature of the Financing Agreement	Disbursement period: expires 6 years after the signature of the Financing Agreement
	Total budget : 4.5 Million Euro	IPA budget: 4.5 Million Euro

<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	
To solve priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in Serbia and to prepare for the implementation of the <i>acquis communautaire</i> concerning the Common Agricultural Policy and related policies.			
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
Establish the institutional capacity required to implement the rural development component of the Instrument for Pre-Accession (IPA) [Council Regulation (EC) No 1085/2006], and demonstrate the benefits from the implementation of local area based rural development strategies.	Rural Development Programme adopted by Commission. Conferral of management powers LEADER initiatives under implementation	Commission decision Commission decision Local rural development strategies.	EC and national co-financing funds made available. Programme implemented, monitored and evaluated in line with requirements of IPA Regulation, implementing regulation, sectoral and financing agreements.
<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
Administrative structures established to implement the rural development component of IPA and in particular the: identification of structural needs in rural areas; design implementation and management of the IPA rural development component; control of financial flows and implemented measures; monitoring, reporting, auditing and evaluation.  Capacity of a Managing Authority to manage and oversee the implementation of the Rural Development programme in an efficient, effective and correct way established.  Programme drawn up at national level for agriculture and rural development (including agri-environment measures) in partnership with appropriate interested parties covering the entire period of IPA implementation and submitted to the Commission after Serbia becomes a candidate Country.  Ex-Ante evaluation of Rural Development Programme conducted.  Capacity established to certify the accounts of payments made for the implementation of the rural development programme.  Local Action Group(s) established in pilot zones.  Area-based local development strategy/ies for (a) well-identified pilot subregional rural territory/ies.	Accredited Administrative structures in place.  Monitoring Committee set-up with capacity to implement adopted rules of procedure.  Designated Managing Authority has trained staff, systems and procedures to manage and oversee the implementation of the rural development programme.  Rural Development Programme submitted to Commission.  Ex-ante evaluation report.  External organisation appointed to certify the accounts.  Local-Public-Private partnership(s)  Local development strategy(ies).	National decision on accreditation. Documents submitted to Commission.  National decision appointing Monitoring Committee. National decision adopting rules of procedure of monitoring committee  Human resources of managing authority, procedural manuals, systems.  Correspondence  Report  National decision on certification of the accounts.  Legal act(s) establishing Local-Public-Private partnership(s)  Strategy document(s).	SAA signed Candidate Country status achieved.
<b>Activities</b>	<b>Means</b>	<b>Costs</b>	<b>Assumptions</b>
- Capacity building for the implementation, monitoring and evaluation of rural development actions - Supply of information and communication technology and related equipment - Capacity building for the implementation of area-based local development strategies for well-identified subregional rural territories	Twining Contract Supply Contract Service Contract	2 Million EUR 0.5 Million EUR 2 Million EUR	

**Pre conditions**

i) Designation through a Governmental decision of bodies to undertake the tasks of:

- Managing Authority of the programme for the rural development component of IPA
- Administrative structure for the programme implementation which includes inter alia authorisation, execution and accounting for payments (including necessary technical services) made under the rural development component of IPA
- The audit authority that will be responsible for the certification of the accounts of the administrative structure for the programme implementation.

ii) Provision by the national authorities of sufficient staff and financial resources in the national budget for the bodies designated in accordance with point (i).

iii) That the updating of procedures for the collection, use and dissemination of agricultural statistics (including the agricultural census) by the Serbian Statistical Office and the Ministry of Agriculture, Forestry and Water Management is in process.

**ANNEX II: amounts (in €) Contracted and disbursed by quarter for the project**

<b>Contracted</b>	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13
Contract 1.1			2M										
Contract 1.2			0.5M										
Contract 2.1			2M										
<b>Cumulated</b>			<b>4.5M</b>										
<b>Disbursed</b>													
Contract 1.1				0.8M				0.8M			0.2M		0.2M
Contract 1.2				0.3M		0.2M							
Contract 2.1				0.8M		0.33M		0.33M		0.34M		0.2M	
<b>Cumulated</b>				<b>1.9M</b>		<b>2.43M</b>		<b>3.56M</b>		<b>3.9M</b>	<b>4.1M</b>	<b>4.3M</b>	<b>4.5M</b>

## **ANNEX III**

### **Description of Institutional Framework**

The Ministry of Agriculture, Forestry and Water Management is in charge of implementation and monitoring of this project. The work, mandate and authorisations of the Ministry are regulated by the Law on Ministries (adopted on May 15, 2007 (Official Gazette of Republic of Serbia no. 48/07)) – i.e. Article 9.

The Ministry consists of the following main departments, all of which have many sub-units:

- Sector for Analytics and Agrarian Policy
- Sector for Rural and Agriculture Development
- Legal Affairs Sector
- Sector for Implementation
- Inspection Surveillance Sector
- Veterinary Directorate
- Forestry Directorate
- Phytosanitary Directorate
- Water Directorate
- Project Centre
- Internal Control and Monitoring Unit

## **ANNEX IV**

### **Reference to laws, regulations and strategic documents:**

#### **Reference list of relevant laws and regulations**

Key laws, regulations and strategic documents in the area of Agriculture and Rural Development:

#### *General:*

- Constitution of the Republic of Serbia
- Law for the Implementation of the Constitution of the Republic of Serbia
- National Strategy for Serbia and Montenegro's Accession to the European Union
- Action Plan for the Implementation of the European Partnership

#### *Agriculture and Rural Development:*

- Agriculture Strategy
- Poverty Reduction Strategy Paper

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

The European Partnership with Serbia and Montenegro (including Kosovo) of 30 January 2006 (Council Decision 2006/56/EC) identifies the strengthening of the Serbian administrative

capacity to formulate and implement agricultural and rural development policies as an on-going priority. The design and initiation of implementation of a rural development policy was identified as a particular medium term priority.

### **Reference to MIPD**

A main socio-economic objective identified in the MIPD is the promotion of economically, socially and environmentally sustainable rural development through assistance to strengthen the preparation, implementation and monitoring of strategies and programmes for agriculture and rural development. In this regard the strengthening of the organisation and ability of civil society partners to engage in the process of agricultural and rural development is also a priority identified in the MIPD.

Support is foreseen in the MIPD for the partnership based preparation and implementation of sustainable and diversified rural development actions so as to prepare for the implementation of the *acquis communautaire* concerning the Common Agricultural Policy and related policies.

The expected result of this support identified in the MIPD is that by 2012 “Persons engaged in the tourism, agricultural, food and forestry sectors and rural enterprises have been assisted to improve: the competitiveness of the tourism, agricultural and forestry sectors; the environment and the countryside; the quality of life in rural areas including encouraging the diversification of the rural economy; and building local capacity for employment and diversification.”

The achievement of these socio-economic objectives and priorities is inextricably linked with the main priorities objectives identified in the MIPD for the implementation of European Standards in relation to agriculture and rural development which include, “Support in development of capacities to implement Agricultural and Rural Development policies to EU standards and to complete the transition to a market economy”, “Increase the sector’s ability to meet external competition, and adopt the *acquis communautaire*” and “to align agricultural and rural payments to farmers with EU legislation and practice”. In this regard the MIPD includes support for the Ministry of Agriculture in introducing a rural payments institutional framework the expected result of which is the development of capacities to align agricultural and rural payments to farmers with EU legislations and practice.

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

The Poverty Reduction Strategy, EU Accession Strategy and the Agriculture Strategy all identify the need for development and diversification of the rural economy

When drawing up the Poverty Reduction Strategy Paper (PRSP) in 2003, the Ministry of Agriculture noted the correlation between the incidence of poverty and rurality. In 2002 at over 14% the incidence of poverty (defined as the percentage of the population living with consumption of below 4,489 CSD [approximately €68 at the then prevailing exchange rate] per adult equivalent) in rural areas was twice the incidence in urban areas. At over 22%, the most remote rural area – south-east Serbia – had the highest incidence of poverty. By 2004 the gap between urban and rural areas in Serbia had increased further.

In part this higher incidence of poverty is caused by resource-poor farming structures (especially in central and south-Serbia), a lack of alternative off-farm or on-farm non-agricultural gainful activities and the rural population’s limited access to social (health-care,



schooling, etc.) and recreational services. These limited income earning and consumption opportunities in turn exacerbate the out-migration of the younger and more educated who leave behind them the elderly and less educated who have lower levels of employment mobility.

To break this vicious circle, the authors of the PRSP proposed the preparation of a national rural development plan focused upon supporting investment in rural areas, assisting rural communities to take advantage of local comparative advantage, and raising non-agricultural employment. It was noted that social and environmental issues as well as economic ones would need to be taken into account and that there would need to be a joined-up response of Government, the active involvement of decentralised authorities, and the engagement of social and economic partners and civil society.

The 2006-2012 Action Plan for the implementation of the National Strategy of Economic Development of Serbia identifies the need to establish a programme for Rural Development to be funded from national funds and donor contributions as well as the need to establish the required payment systems.

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

Following the December 2003 parliamentary elections the Ministry of Agriculture began a process of agricultural and rural policy reform, decreasing subsidies linked to agricultural prices and production, and increasing support for project based rural development actions.

This reform path was confirmed by the Government's August 2005 adoption of the Agricultural Strategy drawn up by the Ministry of Agriculture (which foresees support for rural development rising to 80% of the agricultural budget in 2008). The Government intention identified in the Agricultural Strategy has been to utilise experience from the European Union which has (and is) itself going through similar reforms of agricultural and rural policy.

Enhanced rural development and environmental protection is also a goal noted in the 2005 National Strategy of Serbia for Serbia and Montenegro's Accession to the European Union which also highlights the need to prepare systems for the financial management of agricultural and rural development support that are consistent with those applicable to agricultural and rural development measures financed by the EU in Member States.

## **ANNEX V**

### **Details per EU funded contract (\*) where applicable:**

#### Activity 1

Capacity building for the implementation, monitoring and evaluation of rural development actions, will be implemented through a Twinning project (Contract 1.1) which will provide support in the following areas:

- The establishment of the administrative structures and the necessary skills, procedures and systems for the: identification of structural needs in rural areas; design implementation and management of the IPA rural development component; control of financial flows and implemented measures; monitoring, reporting, auditing and evaluation.

- The preparation of a rural development programme for submission to the Commission after Serbia becomes a Candidate Country, taking into account the results of an ex-ante evaluation.
- Addressing the basic issues for designing agri-environment measures namely characterising the environmental situation of their agricultural areas, identifying the environment problems to be addressed, establishing their code of good agricultural practices (GAP) and simulating calculations for premiums to be paid to those wanting to establishing agri-environmental commitments.
- On the job-training of the body designated to certify the accounts of payments made for the implementation of the rural development programme.

Provision of information and communication technology and related equipment required by authorities charged with managing, implementing, monitoring and evaluating the rural development component of IPA (including the authorisation, execution and accounting for payments).

### Activity 2

Capacity building for the implementation at a pilot level of area-based local development strategies for well-identified sub regional rural territories will be implemented through a Technical Assistance project providing support in the following areas:

- Animation of rural communities
- Training and capacity building of actors engaged in rural development based in identified sub-regional rural territories.
- Establishment and operation of public-private partnership based Local Action Groups.
- Preparation by the local action groups of area based local development strategies for well-identified sub-regional rural territories.