THE REPUBLIC OF MACEDONIA

EU INSTRUMENT FOR PRE-ACCESSION FOR RURAL DEVELOPMENT (IPARD)

NATIONAL PROGRAMME FOR AGRICULTURE AND RURAL DEVELOPMENT 2007-2013

(Fourth Modification)

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ACRONYMS AND ABBREVIATIONS

ACDF	Agricultural Credit Discount Fund
AFSP	Agricultural Financial Services Project
AI	Artificial Insemination
AIC	Agricultural Investment Centre
AIS	Agricultural Information System
AK	Agro Kombinat
AMS	Aggregate Measures of Support
ASCI	Areas of Special Conservation Interest
ATAM	Association of Tourist Agencies AWU Annual Working Unit
BOD	Biological Oxygen Demand
BoR	Book of Rules
BRC	British Retail Consortium
CAP	Common Agricultural Policy (of the EU)
CAO	Competent Accreditation Officer
CARDS	Community Assistance for Reconstruction, Development and Stability
CEEC	Central - Eastern European Countries
CEFTA	Central European Free Trade Agreement
CMO	Common Market Organisation
COP	Country Operational Programme
CORINE	Coordinated Information on the European Environment
EAR	European Agency for Reconstruction
EARDF	European Agriculture and Rural Development Fund
EC	European Community
EFTA	European Free Trade Association
EIA	Environmental Impact Assessment
EU	European Union
EU 15	European Union of 15 Member States
EU 25	EU of 25 Member States (without Bulgaria and Romania)
EU 27	European Union of 27 Member States
EUR	European Union Currency
F&V	Fruits and Vegetables
FACE	Foundation Agro-Centre for Education
FADN	Farm Accountancy Data Network
FAO	Food and Agriculture Organization (of the UN)
FDI	Foreign Direct Investments
FFRM	Federation of Farmers
FMS	Farm Monitoring System
FOB	Free on board
FTA	Free Trade Agreement
GAP	Good Agricultural Practice
GDP	Gross Domestic Product
GEF	Global Environment Fund
GHG	Glass House effect Gases
GIS	Geographic Information System
GMO	Genetically Modified Organisms
GSM	Global System for Mobile communications
GTZ	German Technical Cooperation

HACCP	Hazard Analysis and Critical Control Points (standard)
HOTAM	Hotel Proprietors Association
I&R	Animal Identification and Registration System
IACS	Integrated Administration and Control System
IBRD	International Bank for Reconstruction and Development
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession assistance
IPARD	IPA for rural development (IPA component 5)
IPCC	Intergovernmental Panel for Climate Change
IPPC	Integrated Pollution Prevention and Control
ISO	International Organization of Standardization
IUCN	International Union of conservation of nature
JBIC	Japan Biological Informatics Consortium
JICA	Japan International Cooperation Agency
LFA	Less Favoured Areas
LRF	Union of Swedish Farmers
LUCF	Land use change and forestry
MA	Managing Authority
MAASP	Agriculture Advisory Support Programme
MAFWE	Ministry of Agriculture, Forestry and Water Economy
MAMA	Agro business Marketing
MCA	Competitiveness Activity Project
MIPD	Multi-annual Indicative Planning Document
MKD	*Macedonian Denar* (currency of the country)
MoC	Ministry of Culture
MoE	Ministry of Economy
MoEPP	Ministry of Environment and Physical Planning
MoF	Ministry of Finances
MoH	Ministry of Health
MoLSG	Ministry of Local Self Government
MoSE	Ministry of Science and Education
MoTC	Ministry of Transport and Communication
MW	Mega Watts
n.a.	not applicable
NAO	National Officer for Authorisation
NARDS	National Agricultural and Rural Development Strategy
NBS	National Biodiversity Strategy
NCEA	National Classification of Economic Activities
NDP	National Development Plan
NEA	National Extension Agency
NEAP	National Environmental Action Plan
NEAP 2	Second National Environmental Action Plan
NEHAP	National Environmental Health Action Plan
NF	National Fund (Ministry of Finance)
NGO	Non-Governmental Organisation
NIPAC	National IPA Coordinator
NPAA	National Programme for Adoption of Acquis
NPC	Nominal Protection Coefficient
NPK	Nitrogen, Phosphorous, and Potash (fertilizer)

NSSD	National Strategy for Sustainable Development
NUTS	Nomenclature of Statistical Territorial Units
OECD	Organisation for Economic Cooperation and Development
OG	Official Gazette of the Republic of Macedonia
PA	Paying Agency
PO	Producer Organization
PPD	Plant Protection Directorate
PSO	Dutch Co-operation Programme with CEEC
PSOM	Dutch Co-operation Programme with Emerging Markets
PWEs	Public Water Enterprises
QS	Quality Standard
RoW	Rest of the World
SAA	Stabilisation and Association Agreement
SAPAAIS	Sector for agricultural policy analysis and agricultural information system
SAPARD	Special Accession Programme for Agriculture and Rural Development
SEUROP	European Carcass Classification System
SFRY	Socialist Federal Republic of Yugoslavia (former Yugoslavia)
SIDA	Swedish International Development Agency
SLR	Structural and Legal Reform Project (EU funded)
SMEs	Small and Medium Enterprises
SPL	State Phytosanitary Laboratory
SSO	State Statistical Office
SWOT	Strengths, Weaknesses, Opportunities and Threats analysis
TA	Technical Assistance
TAIEX	Technical Assistance and Information Exchange
UAA	Utilized Agriculture Area
UHT	Ultra-high temperature (for milk)
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational Scientific and Cultural Organisation
UNFCCC	United Nations Framework Convention on Climate Change
UoLSG	Units of the Local Self-Government
UPOV	International Union for the Protection of New Varieties of Plants
USA	United States of America
USAID	United States Agency for International Development
USD	United States Dollars (currency)
V.D.	Veterinary Directorate
VET	Vocational Educational and Training
VL	Veterinary Laboratory
VMMS	Vineyards Monitoring and Management System
WB	World Bank
WMO	Water Management Organization
WTO	World Trade Organization

PREFACE

The main purpose of the Programme is to act as planning document for implementing Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA) for the period 2007-2013.

The document has been prepared by the Ministry of Agriculture, Forestry and Water Economy (MAFWE) with the technical support provided by the Structural and Legal Reforms Project funded by the EU, in close collaboration with the Commission, other relevant institutions and the economic and social partners at various levels.

This Programme has been prepared according to the provisions set in Commission Regulation (EC) No 718/2007 and based on Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), Council Decision of 20 February 2006 on Community strategic guidelines for rural development (programming period 2007 to 2013)

The drawing-up of the Programme, the implementation and the follow-up mechanisms are in compliance with the Common provisions set in the Commission Regulation (EC) No 718/2007 and in specific with the Principals for Assistance (Article 3) and the provisions for IPA for Rural Development (Title IV) and thus facilitate the transition process of implementation of the *Acquis communautaire*. The Programme is subject of the Commission's approval referred to in Article 6 of the Commission Regulation (EC) No 718/2007.

The Ministry of Agriculture, Forestry and Water Economy has overall responsibility for this Programme.

In the first stage of elaboration, the principal priorities were identified in consultation with various agriculture sector stakeholders. Initially, independent in-depth studies were prepared for four agri-food sub-sectors (milk and dairy, meat and meat products, fruit and vegetables and wine and grapes) to identify the major weaknesses to be addressed and potentials to be boosted. The four sub-sectors were selected based on their importance in the agricultural GDP and according to the process of adoption of the EU Acquis according to the NPAA.

Self-governments, regional agricultural departments, regional offices of the National Extension Agency, Farmers Federation, non-governmental organisations and sector advisory technical committees participated in the Programme definition.

The drafting of the Programme was based on the National Development Plan (NDP), the National Strategy for Agriculture and Rural Development (NARDS adopted by the Government on 29.06.2007) and the National Programme for Adoption of the Acquis (NPAA), as well as the Multi-annual Indicative Planning Document (MIPD), framework of available measures under Instrument for Pre-accession Assistance for Agriculture and Rural Development (IPARD) and the results of the independent sub-sector analysis.

Based on the results of consultations and discussions, the IPARD Programme was elaborated including the assessment of overall situation in the rural economy, development of agricultural and agriculture-related sectors, defining the main problems, possible solutions on the basis of the priorities set forth. Analysis of the regional differences is also included in the Programme as well as the differentiation and prioritisation thereof. A detailed summary of priorities and support measures included, as well as the financing thereof is given in the concluding part of this document (see Part III and Part IV Technical Measure Fiches).

EXECUTIVE SUMMARY OF THE PROGRAMME

The Republic of Macedonia is in the process of acquiring full membership of the European Union and is thus eligible for the pre-accession assistance in accordance with EC Regulation 1085/2006 of 17 of July on establishing an Instrument for Pre-accession Assistance (IPA). Consequently, under the IPA fifth component for rural development (IPARD), the country is entitled to pre-accession financial aid for sustainable agriculture and rural development with focus on preparation for the Common Agricultural Policy and related policies and for the European Agricultural Fund for Rural Development (EAFRD) and adjusting the sector towards the Common Market.

Elaboration of this Programme is supervised by the IPARD working group. The group comprises of representatives from the Ministries of Agriculture, Forestry and Water Economy, Finance, Economy, Environmental Protection and Spatial Planning, Education and Science, the Secretariat for European Affairs and the State Statistical Office.

The overall objective of the Programme is Implementation of the *Acquis communautaire* concerning the common agricultural policy and related policies for competitive and sustainable agriculture; strong, sustainable rural communities and diverse and sustainable rural environment.

The main general objective of the country's IPARD Programme is thus to:

“Improve the competitiveness of agricultural holdings and the food industry developing them to comply with Community standards, while ensuring sustainable environmental and socio-economic development of rural areas through increased economic activities and employment opportunities.”

This shall be achieved through following specific objectives of the Programme:

- Improving the technological and market infrastructure of commercial agricultural holdings and food processing industry aimed at increased added value of agri-food products and achieved compliance with EU quality, health, food safety and environmental standards
- Improved quality of life of rural population, increased income and creation of new employment opportunities,

The following measures have been included in the Programme:

- *Priority 1: Improving market efficiency and implementation of Community standards*

Measure 101: Investments in agricultural holdings to restructure and to upgrade to Community standards,

Measure 103: Investments in processing and marketing agriculture products to restructure and to upgrade to Community standards

- *Priority 3: Development of rural economy*

Measure 302: Diversification and development of rural economic activities,

Measure 501: Technical Assistance

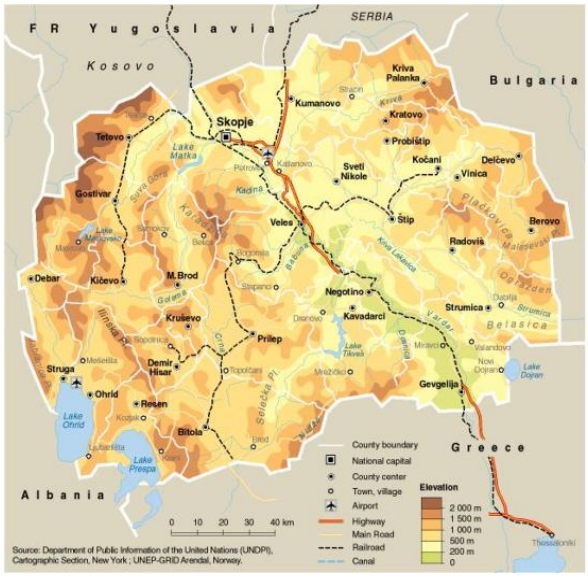
PART I – SITUATION OF AGRICULTURE AND RURAL AREAS

1.1. COUNTRY PROFILE

The Republic of Macedonia is a small land-locked country with diversified natural endowments and climate, "melting pot" of variety of traditions and cultures, rich in history and archaeological and cultural heritage. The country is located in the South Western part of the Balkan Peninsula and in the South-East part of the European Continent. The country shares its borders with two EU member states, Greece to the South (262 km border length) and Bulgaria to the East (165 km border length), and with Serbia in the North (232 km including the UN-Administered Kosovo Territory) and with Albania to the West (191 km).

Geo-strategically positioned, the country is at the crossroads of two major pan-European transport corridors (number VIII and X), which link Central Europe to the Adriatic, Aegean and Black Seas.

The total land area is 25,713km^2, which is equivalent to 6% of EU-25 land area, and about the size of Belgium.



The country is characterised by a great variety of landscapes. Heterogeneous, with numerous relief forms, with different expositions and inclinations, and with great differences of altitude (from 40 to 2,764m above sea level). The division into mountains and basins of lower relief category (undulating-hilly, sloping and flat relief) is of great significance for the regionalisation.

The territory is prevalently mountainous and intersected by large valleys. Hills and mountains account for around 79% of the land area with the balance made up of plains (19%) and natural lakes (2%). The average altitude is 850 meters above the sea level. High mountain regions (above 2,000 meters) take up 38% of the territory. The highest peak is Golem Korab, with 2,764 m metres. The middle mountain regions (ranging between 1,000 to 2,000 meters) take up 29.28% of the territory, while the remaining territory is less than 1,000 meters altitude. The plains amount to 4,900 km^2.

The availability of water resources is made up of natural lakes (tectonic and glacial origin), artificial lakes and river basins. The natural lakes in the country are trans-boundary waters. The largest one is Ohrid Lake (348 km^2, including 118.9 km^2 in Albania) being the oldest lake in Europe at the same time the deepest natural lake in the Balkans, than Prespa Lake (275 km^2 including 49.4 km^2 in Albania and 47.8 km^2 that belong to Greece) and the Dojran Lake (43 km^2, including 15.8 km^2 in Greece). The biggest among the glacial lakes is Bogovinsko Lake on the Shar Planina Mountain, while the biggest artificial lake is the Shpilje Lake[1]. There are around 110 major and minor artificial lakes, of which only 20 with volumes larger than 1 million m^3 are being used for irrigation, water supply and production of hydroelectric power.

In total, there are around 4,410 water springs, and 35 rivers cross the country flowing into four river basins of which three are important in terms of water flow: the Vardar carries 80%, the Crn Drim 13% and the Strumica 7%. The most significant river is the Vardar (301 km).

Soil structures are very heterogeneous (there are more than thirty types of soils) as consequence of the varied natural conditions for the soil creation (topography, climate, flora, geological formation and anthropogenic influence). The mountains are composed of non-calcareous hard rocks, including quartzite, and various silicate rocks: acidic, neutral, basic and ultra basic rocks; as well as calcareous rocks such as pure limestone, marbles and dolomites. Basins are composed of loose and lightly cemented sediments, and a small quantity of young volcanic rocks. Undulating-hilly terrains in the basins are composed of sea and lake sediments. The sloping terrain consists of colluvial and some fluvioglacial deposits.

1.1.1. Climate and its Influence on Agriculture

As a result of its geographic position and topography, the country is at the crossroads of continental and Mediterranean climates. Temperatures, rainfall, atmospheric pressure, wind and moisture vary significantly and influence the overall water regime. Dry and hot periods predominate (summer-autumn), while cold periods are short (winter). Rainfall is irregular, sporadic and in small quantity throughout the country, (average annual precipitation is 733 mm). Therefore, the majority of the territory is dry (the Ovce Pole region is the driest region in the Balkans). Higher precipitation is characteristic from October to December and weaker from March to May. A typical Mediterranean characteristic are the short and intense rain showers that cause soil erosion, landslides and local floods.

The climatic variations deeply affect the agricultural production in the country. Late spring and early autumn frosts, regular hail phenomena in summer and droughts cause severe damage to the agriculture production.

In the table below are presented the lowest temperatures (in Celsius degrees) achieved in the winter period; the earliest dates of early autumn frosts; and; the latest dates of late spring frosts for the different agro-meteorological stations in the last 30 years.

[1] The largest is Shpilje on the Crni Drim and Radika River, with a volume of 520 × 106 m3, followed by Tikvesh Lake on the Crna River, with 475 × 106 m3

Table I - 1 Lowest temperature, early autumn frosts and late spring frosts

No:	Region	Lowest in C	Early autumn freezing	Late spring freezing
1	Delcevo	-29	07 Sept	05 May
2	Mavrovo	-28	08 Sept	05 May
3	Pretor	-27	09 Sept	20 May
4	Resen	-27	09 Sept	20 May
5	Berovo	-27	14 Sept	05 May
6	Krusevo	-26	23 Sept	15 May
7	Skopje	-25	26 Sept	15 May
8	K.Palanka	-24	29 Sept	15 May
9	Kumanovo	-24	30 Sept	15 May
10	Bitola	-23	30 Sept	15 May
11	Prilep	-22	02 Sept	10 May
12	Strumica	-21	02 Oct	30 Apr
13	Gevgelija	-20	02 Oct	15 Apr
14	Ohrid	-20	03 Oct	10 May
15	Struga	-20	03 Oct	11 May
16	Stip	-19	16 Oct	30 Apr
17	D.Kapija	-18	19 Oct	20 Apr

Source: MAFWE, Hydro-meteorological Directorate

All agricultural areas of the country are prone to early autumn frosts from early September to the second decade of October, whereas late spring freezing occurs from mid April to the second decade of May. Both early autumn frosts and late spring freezing affect fruit production (apples, plums, cherry) located in Delcevo, Berovo, Resen, Pretor, Ohrid and Struga, open-field early vegetables (salad, peppers, tomato, cucumber) located in Strumica, Gevgelija, Demir Kapija and grape production in the three vine-growing areas (Povardarie, Pelagonija-Polog and the Pcinja-Osogovo).

Hail is another negative weather phenomenon that causes huge damages to agricultural production. Since 1971, an operational hailstorm protection system existed in the country (based on rockets) but the system experiences difficulties in timely protection and it is considered as obsolete.

In the table below are reported the hailstorm days from the 17 agro-meteorological stations:

Table I - 2 Hail storm days

No:	Region	Hail storm days	No:	Region	Hail storm days
1	Krusevo	71	**10**	Mavrovo	32
2	Berovo	64	**11**	Strumica	31
3	K.Palanka	63	**12**	Bitola	27
4	D.Kapija	39	**13**	Prilep	26
5	Kumanovo	38	**14**	Resen	24
6	Gevgelija	37	**15**	Pretor	15
7	Delcevo	35	**16**	Struga	15
8	Ohrid	35	**17**	Skopje	2
9	Stip	35			

Source: MAFWE, Hydro-meteorological Directorate

Based on a 20 years data analysis, places and regions with highest frequency of hailstorm appearance in the period between mid-April and mid-October have been identified as follows:

- Probability of hail storms is higher in east part than in the west part of the country;
- Berovo, Demir Kapija, Stip, Strumica, on the eastern side i.e. regions predominant producers of fruit, vegetable and grape, are frequently affected, whereas Ohrid and Resen (predominant apples and cherries producers) are affected on the western side;
- May is the month where the frequency of hail is biggest followed by June and July.

Crop water deficiency (drought) is a very common phenomenon in the country, appearing during the vegetation period when soil humidity and rains are not sufficient for normal growth and development of plants and fruits. Overall, annual precipitation is low ranging from 970 mm in Mavrovo mountainous area to 490 mm in Skopje and Stip areas.

Table I - 3 Average rain falls

No:	Region	Rain falls (mm/year)	No:	Region	Rain falls (mm/year)
1	Krusevo	730	**10**	Mavrovo	970
2	Berovo	600	**11**	Strumica	550
3	K.Palanka	610	**12**	Bitola	610
4	D.Kapija	550	**13**	Prilep	580
5	Kumanovo	500	**14**	Resen	730
6	Gevgelija	650	**15**	Pretor	730
7	Delcevo	550	**16**	Struga	790
8	Ohrid	730	**17**	Skopje	490
9	Stip	490			

Source: MAFWE, Hydro-meteorological Directorate

The total amount of rainfall is higher in agricultural areas in the west side of the country (Resen, Pretor (Prespa), Struga, Ohrid) regions with fruit production than in the east side of the country (Stip, Skopje, Strumica, Demir Kapija, Gevgelija) agricultural regions with open field early vegetable and grape production.

The table below shows the highest temperatures in the country in the last 30 years. It is obvious that agricultural areas Gevgelija, Strumica, Stip, Skopje, Kumanovo with open field vegetable production (salad, peppers, tomato, and cucumber) and grape production are affected by temperatures above 40C°.

Table I - 4 Highest temperature measured in last 30 years

No:	Region	Highest temp (C°)	No:	Region	Rain falls (mm/year)
1	Krusevo	35	**10**	Mavrovo	34
2	Berovo	36	**11**	Strumica	43
3	K.Palanka	37	**12**	Bitola	41
4	D.Kapija	44	**13**	Prilep	42
5	Kumanovo	40	**14**	Resen	37

6	Gevgelija	42	**15**	Pretor	37
7	Delcevo	38	**16**	Struga	37
8	Ohrid	37	**17**	Skopje	42
9	Stip	42			

Source: MAFWE, Hydro-meteorological Directorate

The provision of supplemental irrigation during the crop water deficiency periods (combined often with high temperatures) is a necessary to preserve the crops from failures and/or from quality degradation.

1.1.2. Population

According to the latest census, in 2002, the country had a total population of 2,022,547 in 564,296 total numbers of households (3.6 persons per household); with an average population density of 79 persons per km^2 compared to EU average of 115.

The population is mainly concentrated in the urban centres, with 23.1%, in Skopje-the capital city, 5% in Kumanovo, 4% in, Bitola, 3.5% in Tetovo, 3% in Veles, and in 24 other smaller cities-towns (most of which are up to 15,000 inhabitants).

According to the Census 2002, the gender structure of the population is 50.2% men (68.8% are between 15-64 years of age) and 49.8% are women (67.7% being between 15-64 years of age).

The country's population has a multi-ethnic structure. In 2002, it consisted of the following major ethnic groups: Albanians (25.17%), Turks (3.85%) and Roma (2.66%). The balance of 4.14% is made up by other ethnic groups-Serbs, Vlachs, Boshnjaks etc.

The average age of the population in the country is approximately 33 years, and almost 68% of the population is between 15 and 64 years of age, i.e. is of able-bodied age. The average rate of population growth is estimated at approximately 0.4%, while the birth rate is almost twice as big as the mortality rate. Still, the country has an unfavourable net average migration rate - 1.45/1,000 inhabitants.

1.1.3. Political situation, Governance and Administrative system

1.1.3.1. Political profile

The country became independent in November 1991 and it is a parliamentary democracy with elections held every four years.

The country is committed to the challenges of acquiring membership in the EU. The country is a member of the UN (since 8th of April 1993), member of the IMF (14th of December 1992), of the World Bank (25th of February 1993) and of the European Council (since 9th of November 1995). On 15 October 2002, it was officially accepted as a member of the WTO. The Parliament of the country ratified the Agreement for joining the WTO in January 2003, thus opening up the way to the country becoming a full member in April 2003. Following the Agreement for cooperation with the EU in 1997, in April 2001 the country signed a Stabilization and Association Agreement with the EU,

enabling it to get almost tariff-free access to European markets. After its ratification in the parliaments of all EU member-states, SAA entered into force on 2 April 2004.The country's application for EU membership was formally submitted in Dublin on 22 March 2004, followed by the submission of the responses to the EU questionnaire to the EC in Brussels on 14 February 2005. In October 2005, the EC made positive recommendations regarding the country's candidate status, and in December 2005, the recommendations were accepted by the European Council and the country was given the status of candidate for EU membership.

1.1.3.2. Governance context

In the governance context, the state powers are separated into legislative (the Parliament), executive (the President of the Republic and the Government) and judicial (Judicial Council of the Republic). The Government of the Republic is located in the capital Skopje.

1.1.3.3. Administrative system and territorial organisation

According to the EU Nomenclature of Statistical Territorial Units (NUTS), the Republic of Macedonia as a country is classified in the NUTS I and II, and it is divided into 8 Statistical Regions (corresponding to EU Classification NUTS III), and into 34 groups of Municipalities (equivalent to districts - corresponding to EU classification NUTS IV) and into 84 Municipalities including the city of Skopje (corresponding to EU classification NUTS V) [2].

Local issues are decided and organised by Local Governments. Local self-government units are Municipalities settled (headquarters) in towns or in rural centres (villages). The city of Skopje is a separate unit of local self-governance because of the specific character of the city as capital of the country.

The settlements and towns within the Municipality can establish forms of self-governance of Urban Communities or Local Communities,

The Law on Local Self-Government[3] stipulates, among others, the following competencies of the Municipalities:

- Urban and rural planning.
- Protection of nature and of the environment (from pollution, noise and ionizing radiation).
- Local economic development (determining development priorities, running of local economic policy; support the development of small and medium size enterprises and entrepreneurship at local level, participation in the

2 Law on Territorial Organisation of Local Self Governments (OG 55/2004, 12/2005)
3 OG 5/2002

establishment and development of local network of institutions and agencies; promotion of partnership).

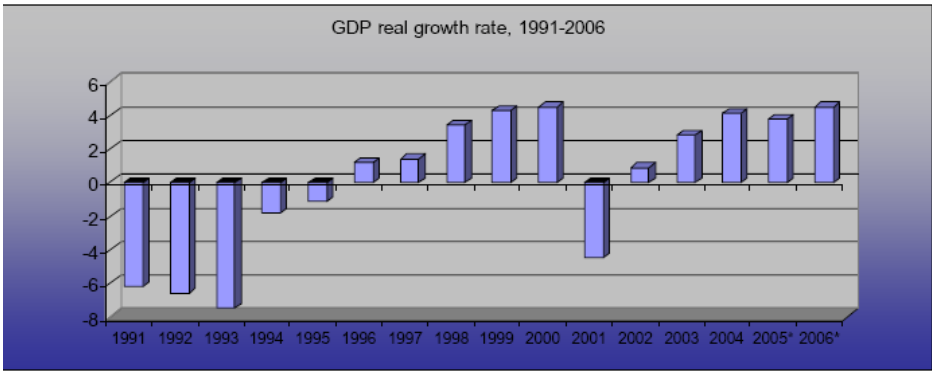
- Communal activities - water supply (including potable); water drainage and waste water purification; maintenance of public hygiene; solid waste management; regulation and organization of public local transportation; supply of natural gas and heating energy; construction, maintenance of local roads, streets and other infrastructure facilities (parking spaces, markets; parks, park-forests and recreational spaces).
- Culture - preserving of cultural heritage; celebration of events and persons of importance for the culture and history of the municipality.
- Recreation - development of recreational activities of the citizens; maintenance and construction of recreation facilities of public interest for the municipality.
- Social welfare and child protection – kindergartens and homes for the elderly.
- Healthcare – governance of the network of public health organizations and primary care.
- Education – establishing, financing and administering of primary and secondary schools, in cooperation with the central government.

1.1.4. Macro-economic Situation

The Republic of Macedonia is a small economy in transition. Since independence, the economic development of the country has gone through three major processes: transition to market economy; macro-economic stabilisation and structural adjustment; and maintaining macro-economic stability.

The early years of transition to market economy (1991-1994) were accompanied with continuous regional instability. The break-up of Yugoslavia and the loss of the traditional markets and economic linkages led to deterioration and oversize of the production capacities. UN sanctions against Yugoslavia and Greece's economic embargo significantly impeded economic development opportunities until 1995. In the period 1991-1995, the GDP dropped by more than 30%. Due to the constant decline of the economy, in 1994, with the support of the IMF and the World Bank, the Government adopted a Stabilization and Structural Adjustment Programme. The process of privatisation was initiated and was followed by reforms in the financial sector.

Figure I - 1 *GDP real growth rate 1991-2006* (preliminary estimations)*



Source: Central bank, 2006

In the period 1995-2000, the overall economy grew by 16% while inflation and the budget deficit remained low. However, the rate of unemployment remained at over 30%, representing one of the highest unemployment rates in Europe. The five years of continued economic expansion were put to a halt by the 2001 crises, which led to a 4.5% drop in GDP in 2001.

After this significant drop, the real growth rate started to rise in 2002 (0.9%), in 2003 (2.8%), and continued into 2004 and 2005 at around 4% annually. Estimated growth rate in 2006 (4.5%) reached the level of the growth peak as in 2000.

The conservative fiscal and monetary policies have provided a significant degree of macroeconomic stability. Inflation was reduced by less than 1%. The continuous gradual liberalisation of exports, and. the process of continued decrease in average tariff rates played a key role in keeping inflation at a relatively low level.

However, low incomes and standard of living, increasing poverty, high unemployment rate (at 37.3% of the workforce in 2005), low growth rate, external trade imbalance and a low foreign direct investment remain central economic issues.

Table I - 5 Main Macroeconomic Indicators

	2000	2001	2002	2003	2004	2005	EU-25 (2005)
GDP (€ current Million.)	3,893	3,839	4,001	4,105	4,324	4,500	10,864,500
GDP per capita (€ current)	1,921	1,886	1,981	2,025	2,147	2,235	23,543
Real GDP development	4.5	-4.5	0.9	2.8	4.1	3.8	1.8
Exports of goods and services (% of GDP)	36.81	33.62	29.51	29.42	31.15	36.44	9.87
Imports of goods and services (% of GDP)	56.06	48.93	5.85	47.73	51.87	55.34	10.9
Inflation, GDP deflator (annual %)	5.8	5.5	1.8	1.2	-0.4	0.5	2.2
Registered unemployment rate (%)	32.2	30.5	31.9	36.7	37.2	37.3	8.9
€-Exchange rate (1 € = x units NC)	60.8	61	61.1	61.3	61.3	61.4	

Source: SSO, Central Bank of the country, EuroStat pocketbooks

Despite challenges and difficulties during the transition period, the country has stood firm on the road of political and economic reform and open-market economy, which has resulted in a modest, yet continuous growth. The basic goals of the country's economic development programme include economic growth and development, active involvement in regional and global integrative processes, maintaining macroeconomic stability and continuous structural reforms, especially targeted at promotion of small and medium-sized enterprises (SMEs) and attracting foreign direct investments (FDI) which would lead to economic growth and reduced unemployment and poverty

1.2. DESCRIPTION OF RURAL AREAS

1.2.1. Administrative definition of rural areas

For administrative purposes, the differentiation between rural and urban areas in the country is based on the local territorial organisation of the local self-governments where settlements are divided into towns and villages in accordance with the number of inhabitants, predominant economic activity and employment structure per economic activity, physiognomy of the settlement and social and technical infrastructure development. According to these criteria:

- The towns are compactly built up residential areas with a population exceeding 3,000, has a developed structure of various economic activities, above 51% of the employees are working in the secondary and tertiary sector, has an urban physiognomy of zones for residence, recreation and green area (parks), town, square, street infrastructure, communal services and acts as a functional centre for the surrounding populated places.
- Villages are defined as mono-functional populated areas, in which one business activity is prevalent and whereas the area has agricultural physiognomy and function.

Total number of towns in the country (excluding the city of Skopje) is 33 towns and the total number of villages is 1,715 out of which only 1,570 are populated.

Based on this administrative differentiation criterion, 43% of the total country's population (according to census data 2002) are living in villages and the remaining 57% is settled into towns (including the city of Skopje).

1.2.2. Definition of the rural areas for RD policy implementation

1.2.2.1 Designation of Rural Areas

For the purpose of efficient implementation of the Rural Development Policy in the country (as well as implementation of the Programme), the need of designation of rural areas has been addressed in the Law for Agriculture and Rural Development (OG 49/2010 and 53/2011) by establishing general compass for further differentiation of rural areas.

Therefore, the rural areas are defined as area on the level of Municipality (NUTS V) in which the number of inhabitants per settlement does not exceed 30,000 inhabitants in accordance to the national population census or the population density is bellow or equal to 150 inhabitants per square km of the Municipality area.

In the Municipalities in which one or more settlements are populated with more than 30, 000 inhabitants or the population density is higher than 150 inhabitants per square km, as rural areas are considered only the settlements which are populated with less than 30,000 inhabitants or the population density is bellow or equal to 150 inhabitants per square km of the settlement area.

Based on the Law on Agriculture and Rural Development (OG 49/2010), the Minister for Agriculture, Forestry and Water Economy has adopted the "List of the rural areas and rural communities in the Republic of Macedonia" which is published in the OG No. 89/2011. The "List of the rural areas and rural communities in the Republic of Macedonia" adopted by the Minister for Agriculture, Forestry and Water Economy shall be applicable for the purpose of the Programme implementation.

The indicators for designation of the rural areas within the scope of the specified criteria are identified on the basis of the available data from the Population Census 2002. By means of geographical area, the rural area is defined in the boundaries of cadastre territory per towns and villages based on the country's territorial organisation.

Therefore, the Rural Development Policy targets 57.5% of the total country's population (according to census data 2002) which are living in rural areas.

Analysis of the Rural Areas as well as continuous studies on characteristics of the rural areas shall be performed, as to provide further basis for efficient implementation of the Rural Development Policy and effective use of the available instruments and assistance to mitigate the problems and boost the development.

1.2.2.2 Designation of Mountainous Areas

The designation of Mountainous areas in the country has been addressed in the Law on Agriculture and Rural Development (OG 49/2010, 53/2011) by establishing baseline criteria for designation of 'mountainous', areas.

'Mountainous' areas are defined as areas above 700m of altitude where natural handicaps and climatic conditions as well as steep slopes are limiting the opportunities for efficient agriculture activity.

The 'mountainous' areas are delineated on a settlement level. Settlements listed as 'mountainous' areas are 734 with total population 244,460 inhabitants according to Population Census 2002.

For the purpose of the Programme implementation, the List of 'mountainous' areas is included in Annex 15.

1.2.3. Rural Demography and Education

From 1981 to 2002, the number of young people (0 to 19 years) declined from 41 to 32.2%, while population aged 65 and above increased from 8% to 10.6%. Unsatisfactory rural age structure is particularly found in the Pelagonija (18.8%), East (15.5), Vardar (12.9) and Northeast (12.7%) regions.

Table I - 6 Population development within different statistical regions

Region	Total	Change increase 1994-2002	Growth rate		Migration balance		Population density	
	1994	2002	No	%			1994	2002
National level	1,945,932	2,022,547	76,615	3.94	0.48	-30,992	76.0	79.0
Pelagonija	242,614	238,136	-4,478	-1.85	-0.23	-5,297	49.7	48.8
Vardar	131,035	133,180	2,145	1.64	0.20	-1,670	40.7	41.4
Northeast	163,841	172,787	8,946	5.46	0.66	-1,557	70.6	74.4
Southwest	211,226	219,741	8,515	4.03	0.49	-6,191	64.2	66.8
Skopje	545,228	578,144	32,916	6.04	0.73	243	314.6	333.6
Southeast	168,481	171,416	2,935	1.74	0.22	-4,743	64.8	66
Polog	281,982	305,930	23,948	8.49	1.02	-8,472	116.8	126.7
East	201,525	203,213	1,688	0.84	0.10	-3,305	48.3	48.7

Source: J. Jakimovski (Institute for Sociological Political and Juridical Research, Skopje)

Regarding the other regions, the population increase is marked with large deviations. Namely, in accordance with the population growth rate, it is lowest in the East, Vardar and Southeast region, equal with the average in the country in the Southwest region, somewhat higher in the Northeast and Skopje region, and highest in the Polog region.

In the country, 96% of the total population of over 10 years is literate. There is gender equality in the literate population, but around two thirds of the illiterate population is female[4].

If the overall literacy situation is good, there appears to be a difference between urban and rural areas in the educational structure. According to the 1994 census, a sizeable share (37.9%) of village and farming population above the age of 15 have insufficient or total lack of primary education: 10.5% are illiterate and 27.4% have not completed primary education. The low rate of education in the rural areas is due to the: "*moving out of young and capable population for work, … the lack or small number of education facilities, not sufficient care for improvement of the school education of the young population, isolation of the undeveloped villages, etc*"[5].

The educational problem is obvious among the unemployed, since only 8% of them have higher or university education, the majority (54%) has secondary education, and the remaining 38% are unskilled. Young population (age 15-25) participate with 23% of the unemployed, however this percentage amounts up to 82% among the young working capable population[6].

Education is a driving force of the economic and social development. It is also a factor for innovative readiness. The educational system certainly plays an important role in the young people's ability to value the local product and the local tradition. The quality of education and life-long learning could reduce the disparities between urban and rural areas, which are striking.

Smallholder farmers (especially in backward areas) have the weakest educational and professional level among agricultural producers. In the

4 Source: State Statistical Office, 2002 Population Census, Book 13
5 Rural Social Structure, J. Jakimovski 2004
6 Statistical Yearbook, 2005

country, apart from formal secondary and university education, there is a lack of additional (informal) education and training for farmers. Existing media programs (radio and television) relating to agriculture are limited in duration and are very general in scope. There are no specialised agricultural magazines. The country's agro-web (all official national web pages supplying useful information for agricultural stakeholders) is very poor and offers obsolete information. There are also a limited number of programs teaching about local culture and history, especially about the local public resources, which can encourage and improve the quality of life[7].

1.2.4. Employment and Unemployment structure of Rural Population

According to the latest statistics[8], out of the total active population (885,609) of the country, 36.1% are unemployed (of which 82% are long-term unemployed[9]). This does not compare favourably with the EU-25 average of 8.6% in 2005. Unemployment is worse in urban (68%) than in rural areas (32%)[10] but the gap is narrowing. Furthermore, 44%[11] of the poor live in rural areas.

Available statistics do not provide adequate details on rural employment by branches. Indeed the majority of rural population is engaged in the agricultural sector (mainly subsistence/household farming) and other activities, if any. Agricultural wages tend to be significantly lower than in other sectors, and almost half of all agricultural workers are unpaid family workers. Agricultural employment is also highly seasonal. The 2005 WB Poverty Assessment report concludes that agricultural employment serves as a social buffer, helping alleviate poverty and unemployment particularly in times of high off-farm unemployment.

A comparison of exclusively agricultural households[12], mixed households[13], and non agricultural households[14], shows that mixed households have the highest incomes, followed by agricultural households and then by non-

7 MAFWE- Annual Agricultural Report 2005

8 Survey for labour force N; 2.1.6.26 of 9 Oct 2006 SSO

9 The standard definition of long-term unemployment is all unemployed persons with continuous periods of unemployment extending for a year or longer (52 weeks and over); it is expressed as a percentage of the overall labour force (long-term unemployment rate) or of total unemployment (incidence of long-term unemployment). For more details on the international definition of unemployment, users should refer to the resolution adopted in 1982 by the 13th International Conference of Labour Statisticians (ICLS)

10 Unemployment report from 31 August 2006 published 18 Sept 2006 from the Agency for Employment

11 Growth and Poverty, 2002-2004. Western Balkans Programmatic Poverty Assessment (World Bank).

12 Agricultural households are considered those, which have their own agricultural holding and where all the work age members of the household are engaged at the holding as agricultural workers. None of the household members is officially employed outside the holding and none of them owns trade premises. According to the 2006 Statistical Yearbook, there are 17,362 in 2005.

13 Mixed households have their own agricultural holding where, besides the workers at the holding, one or more members are permanently employed in the public or private sectors or perform some non-agricultural services. According to the 2006 Statistical Yearbook, there are 127,612in 2005

14 Non-agricultural holdings are those which own no holdings but where one or more members are permanently employed in the public or private sectors, or perform certain non-agricultural services. According to the 2006 Statistical Yearbook, there are 362,516 in 2005

agricultural rural households[15]. Studies have shown a trend towards diversification into non-farm employment as a result of economic need (and, to a lesser extent, attitudes towards farming), and confirm a positive correlation between income and the number of non-farm activities households engage in.

1.2.5. Rural Infrastructure Development

1.2.5.1. Social and Health Care Infrastructure.

Rural social care infrastructure (kindergartens, schools, public community centres – libraries, clubs) was developed in the past, but in the majority of cases is in serious disrepair and or abandoned.

Most of the population from rural areas, especially those living in high-mountainous villages, are lacking fundamental health services, including primary health services. All activities of the primary health care are included in each healthcare centre, which correspond to the distribution at a level of 30 municipalities (NUTS 4). Primary health care is provided in 293 villages. Within the healthcare centres, there are special medical units in the villages, with a total of 152 permanent and 121 with temporary physicians available.

1.2.5.2. Technical Infrastructure

The country's road infrastructure (including the network of feeder roads) contains 9,573 km of roads in a categorised road network of which 909 km are motorways, 3,058 km are regional roads and the remaining 5,606 km are local (unclassified) roads. Of the latter around 50% are either soil based or unimproved at all and regular maintenance and extraordinary repair are a problem. Railroad transportation is poorly developed and includes network of 699 km of open railway lines, 226 km of rail yards and 102 km of industrial tracks.

In the country, water quality has the highest national and public health priority. Safe sanitation is a top priority for urban areas, but in rural areas there is still much to be done. The percent of the rural population with public water pipeline installation is 72.3% (compared to 87.7% of the total population), 18.7% have access to water under pressure from cisterns (compared to 8% of the total population), and 8.96% of the rural population lack water supply installation (4% for total population). The state of water supply, even though there has been considerable construction, is not yet satisfactory. The existing water supply capacities cannot supply sufficient quantities of high quality water, which is particularly noticeable in the highly populated Eastern areas of the country. Generally, waterworks are poorly equipped and there is insufficient protection of the sources and hygiene.

There was a National Action Programme for improvement of the sanitary-hygienic situation in rural areas from 1971-1991. It was led by the Institute for Health Protection-Skopje, financed by the Water Economy Secretariat and the Health Insurance Fund. During this action programme, water-supplying

[15] Source: State Statistical Office mentioned in WB document *Agriculture and EU Accession: Achieving Macedonia's Agricultural Potential* (November 2006).

networks were built in 850 villages, as well as 25 sewerages. Since 1991 to the present, new water-supplying networks have been built in 90 villages. In 1971, access to safe drinking water in the country was at 64%, and after the 1971-1991 National Action Programme and efforts from 1991-2003, access to safe drinking water in 2003 has increased to 93%.

Improvement of the water supply is the responsibility of the Ministry of Environment and Physical Planning, MAFWE and Ministry of Transport and Telecommunications. The role of the Ministry of Health, through the Institute for Health Protection-Skopje, is to monitor the quality of drinking water from new sources, and Regional (10) Institutes for Health Protection have the responsibility to monitor water quality during the year according to the Preventative Health Programme.

The MAFWE in cooperation with the Ministry of Environment and Physical Planning, Ministry of Health, Ministry of Local Self-Government and other relevant stakeholders, supported by JBIC and JICA, are working on the improvement of water supply systems and irrigation in the north-eastern part of the country for seven municipalities - Kratovo, Probistip, Zletovo, Lozovo, Stip, Karbinci and Sveti Nikole, around 100,000 inhabitants. Process started in 2005, but there were some previous investigations in 2001 as well. Special consideration is put on children' health and drinking water quality.

There is a high level of political support, and a high level of public awareness, but the finance for construction of new water supply networks, as well as maintenance of those already built, is a big problem.

Sewerage systems exist only in the cities and major settlements. The remaining settlements (i.e. the rural villages) for the great majority do not have any sewerage system and utilise septic tanks or uncontrolled wastewater discharge. The share of rural population with a public sewage installation is low and is estimated at 17.7% (for total population it is 60.1%). Total rural population without any installation for sewage is 8.9% (total population 4%).

The supply of electrical power is available to 99.75% of rural population and provided through well-developed transmission and distribution network with sufficient capacity of electric energy sources (1,430 MW) to provide regular supply. The electric network inside the rural dwellings is not modernised to sustain the regular uninterrupted supply of the energy to the domestic appliances.

In the country, there are only 6 wastewater treatment plants. They are located in Ohrid/Struga, in Dojran, in Resen/Prespa, which are of the highest priority on natural protection, and in Makedonski Brod, Krivogastani and Kumanovo. The wastewater treatment plants at the lakes are outdated and insufficient in terms of effluent quality. In addition, only 10% of rural population is covered by public municipal collection of solid waste (against 70% of total population).

Residents of many rural settlements, especially in mountain and remote villages, experience poor public transportation services (bus lines) to modern roads and thus to stores, schools, markets, etc. The telephone network (both fixed lines and GSM) covers the great majority of the territory; however, access to information and communication technology is low in rural areas. Postal services have degraded in the recent years and small villages are often

uncovered. National and local television, including cable and satellite, and radio are available throughout the country.

Municipal centres and larger villages generally have retail (green) market infrastructure working. Access to market (for selling agricultural produce or handicrafts or for purchasing raw materials) is more time consuming and costly for people living in isolated villages.

1.2.6. Regional development disparities

The regional development disparities among the statistical regions in the country are illustrated in the Table presented below using four development indicators: GDP per capita, change in population, share of population with higher education and unemployment rate.

1. GDP per capita on a regional level reveals huge discrepancies as regards the level of economic activities between the Skopje region and the rest of the country. The Skopje region, with per capita GDP of USD 11,964 (PPP) in 2002 is way above the national average (6,850) which is equivalent to 50% of the EU average.

Account should be taken of the fact that the regional GDP values are with reference to production generated on the territory of the region, rather than on the average income of citizens in a given region. This means that many citizens from the other regions contribute to the generation of Skojpe region GDP, though they transfer their incomes to the regions in which they live.

The Skopje and Pelagonia regions are the only regions with a GDP per capita higher than the average in the country (USD 6,850 $). The Polog region exhibits the lowest level of economic activity, with only USD 3,076 per capita.

With the exception of the Northeast region, all other seven regions have generated an average real per capita GDP growth during the period 1998-2002, ranging between 1.4% in the Polog to 8.7% in the Skopje region.

The Skopje region is the only region with a positive average annual growth rate of 7.7% between 1998-2002. All the other seven regions have seen a decline in the average value added per capita over the five year period under observation. The reason for that may be found in the unsuccessful restructuring of large socially owned enterprises which failed to find its place in the market under changed economic and political conditions. It seems that the Skopje region, which covers the largest urban part of the country and is populated with people with higher incomes, offers better opportunities to set up and conduct business than the rest of the country. The large concentration of the population with high incomes gives a very conducive environment to the development of market based services which generate high economic growth rates in the Skopje region. On the other hand, the service sector in the other regions could not generate sufficient growth to make up for the closure of formerly large socialist enterprises. The most severe decline was experienced in the Polog (-7%) and Northeast (-6.6%) region.

2. The regional disparity analyses shows an increase of the population in the inter-census period 1994-2002 in all regions except in Pelagonija, where the number of inhabitants decreased by 4,478 (1.8%), and the average annual

population growth rate is negative 0.23%. The population increase in the other regions shows large deviations, the population growth rate being the lowest in the East, Vardar and Southeast region, equal with the average in the country in the Southwest region, somewhat higher in the Northeast and Skopje region, and highest in the Polog. The Skopje region stands out for its huge absolute population increase, as it accounts for as much as 43% of the total population increase in the country, while Polog has the highest relative – as well as a large absolute – population growth, as it participates in the total population increase in the country by 31.3%.

The Skopje and Polog regions, account for three-fifths (60.5%) of the total natural population increase in the country. Together with the Southwest and Northeast, these four regions account for about 84% of the total natural population increase.

The population density increased for 3.9%, ranging from 0.8% (East region) to 8.5% (the Polog region). The Pelagonija region is the only one in which the density is on the downward line. The Skopje region was and remains the area with the highest density in the country with municipality of Chair being characterised with highest population density in the region. Only the Skopje and Polog regions have a population density higher than the average. Furthermore, the population density of the Skopje region is eight times bigger than the region with the lowest population density and 2.6 times bigger than the Polog region.

3. Significant disparities exist among the statistical regions concerning the level of educational attainment. The highest proportion of the population with higher school, faculty or academy lives in the region of Skopje (48.1%); which is four times more than Pelagonija as a second most significant region according to this indicator (12.3%) and nine times more than the share of the population with higher school, faculty or academy that lives in the Northeast region (5.2%). The concentration of educated people in the City of Skopje is outstanding; almost 50% (49,554) of the highly educated people in the country live in the city.

4. The regional unemployment rate in 2002 varied between the ranges of the lowest of 30.4% in the Skopje region to 49.9% in the Polog region. Three regions: Skopje, Southeast (34.4%) and East (34.5%) had an unemployment rate bellow the national average (38.1%). In Skopje region, the service industry is the most dominant, engaging 66% of the employed in that region. Also, this is one of the regions where the unemployment rate of women (28.4%) is lower that that of men (31.8%) due to the high presence of women in the service industries. The industrial sector is the most dominant in the East region, covering 49% of the employed in the region, much more than any other region. This is also a region with equal rates of unemployment of men and women. The Southeast region is mainly an agricultural region with agriculture employing 36%. The unemployment rate of men is 31.9% whereas the unemployment rate of women is significantly higher (38.2%).

The extremely high long term unemployment (80% of all the unemployed registered with the Employment Agency) is a feature which can be found in all regions without an exception. It also shows an ascending line in the record of unemployed at the Employment Agency. However,even if we were to take out

100,000 unemployed who are registered in order to be entitled to health insurance, long term unemployment would still be very high, i.e. 75% of the total number of unemployed. This is a clear sign on the structural characteristics of the unemployment phenomenon and insufficient creation of new jobs.

Table I - 7 Development disparities among the statistical regions of the country

Region	Surface area (km^2)	Population 2002 census	Population density 2002	GDP per capita PPP 2002 USD	GDP per capita PPP 2002 USD country=100	Unemployment rate % 2002	Unemployment 2002	Population with higher education, 2002	Share of population with high education, 2002
Total	**25,713**	**2,022,547**	**79.0**	**6,850**	**100**	**38.1%**	**283,469**	**104,083**	**100**
Pelagonija	4,719	238,136	50.5	6,905	100.8	39.9%	41,527	12,788	12.3
Vardar	3,346	133,180	39.8	5,591	81.6	43.9%	24,784	5,717	5.5
Northeast	2,306	172,787	74.9	3,541	51.7	48.6%	29,161	5,377	5.2
Southwest	3,280	221,546	67.5	4,192	61.2	42.4%	29,142	8,673	8.3
Skopje	1,818	578,144	318.0	11,964	174.7	30.4%	67,664	50,112	48.1
Southeast	2,741	171,416	62.5	6,050	88.3	34.4%	26,513	5,765	5.5
Polog	2,479	304,125	122.7	3,076	44.9	49.9%	35,496	6,875	6.6
East	4,188	203,213	48.5	5,104	74.5	34.5%	28,853	8,776	8.4

Source: UNDP study on Disparities among Municipalities, 2004

1.3. OUTLINE OF THE SITUATION IN THE RURAL ECONOMY

1.3.1. General description of the economic activities and legal basis

The State Statistical Office delineates business subjects by main activities in accordance with the National Classification of Economic Activities-NCEA (OG 20/98). According to the Law on One - Stop - Shop System and maintaining of Trade Register and Register of other legal entities (OG 84/05), starting 01.01.2006 determination of business subjects by main activities is carried out by the country's Central Register.

In the Evidence of the business subjects, maintained by the State Statistical Office, in 2005 a total number of 175,557 businesses were recorded. From the total number 38.2% are enterprises, 41.4% are trade companies, 11.9% are sole proprietors and 8.5% are others (bodies of state administration, units of the local self-government, political parties, association foundation and other). According to the main activity, most of the recorded business subjects in the Evidence are registered in the section wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods 50.8%, in manufacturing section 12.0%, in transport, storage and communication section 9.6%, in the section other community, social and personal service activities 7.3%, in the section hotels and restaurants 4.7%, in the section real estate, renting and business activities 4.5%, in the section construction 4.5%, in the section agriculture, hunting and forestry 2.8% etc.

Private enterprises play an important role in the economy as evidenced by their (a) contribution to GDP, (b) the effects they have on the creation of employment, (c) as well as the value of exports.

The enterprise sector in the country does not substantially differ from the sector in other countries in terms of its importance for the economy. Almost in

all countries in the region SMEs represent between 98% and 99% of the total number of enterprises in the private sector. Similarly, the number of registered enterprises continuously is increasing, and so is their contribution to the economy. Still, the number of registered enterprises is not always a sufficient indicator: of the approximately 180,000 registered enterprises, only 1/5 is active meaning that they perform some business activities during the year. Most active enterprises are small in size. For example, in 2005, this size category of active enterprises represented 98.7% of the total of active enterprises, reflecting the importance of these enterprises for the economy of the country.

In 2005, the number of active enterprises was 44,424. The number of small enterprises was 43,877; the number of medium-sized enterprises 463 and the number of large enterprises was 84.

Table I - 8 Number of active enterprises by sectors (2005)

Sector	Small	Medium	Large	TOTAL
Agriculture, hunting and forestry	934	30	2	966
Fishing	28	0	0	28
Mining quarrying	86	6	1	93
Manufacturing	7 069	183	39	7 291
Electricity, gas and water supply	57	16	6	79
Construction	3 061	43	9	3 113
Wholesale and retail trade	21 511	109	12	21 632
Hotels and restaurants	1 937	18	1	1 956
Transport, storage communication	4 468	23	9	4 500
Financial intermediation	34	1	1	36
Real estate, renting and business activities	2 150	16	2	2 168
Public administration and defence	2	1	0	3
Education	294	0	0	294
Health and social work	1 387	3	0	1 390
Social and personal services	859	14	2	875
TOTAL	**43 877**	**463**	**84**	**44 424**

Source: Central Registry (Ministry of Economy), 2005

Small enterprises are mostly active in the wholesale and retail sector. Their number in 2005 was 21,511, which represents 49.0% of the total number of small active enterprises. Other important sectors in respect to the number of small enterprises were manufacturing with 7,096 enterprises, transport, storage and communication with 4,468 enterprises and construction with 3,061 enterprises. Agricultural enterprises account for 2% of the total.

The SMEs sector is made up largely of micro and small enterprises concentrated in low value added operations in the service, wholesale and retail, transport and construction sectors.

The number of enterprises by towns is also an important indicator that shows the density of enterprises in specific regions or towns. Actually, as the number of enterprises in a given region increases, the same region is more developed and competition among enterprises is enlarged. Besides Skopje, where most of the enterprises are located, there are other regions in the country in which the number of enterprises is relatively high compared to the population of that region. The number of active enterprises in Skopje is 17,228, which

represents 38.8% of the total number of enterprises. Towns that also have large numbers of enterprises are Bitola (3,067), Stip (2,290), Tetovo (2,167), Kumanovo (2,153), Prilep (2,081), Strumica (2,041) and Ohrid (2,010). For details, see table 1, Annex 1.

The average number of businesses per thousand inhabitants in rural municipalities (municipalities with a seat in a village) is 36.8 compared to 99 in urban municipalities (with a headquarter in town). The national average is 86.8 businesses per thousand inhabitants.

In 2005, according to the State Statistical Office 10% of total number of business entities' headquarters was located in rural municipalities and 2.9% of the total number of registered enterprises is in the area of agriculture, hunting, forestry and fishery (5,024) – of which 21.4% are based in the rural municipalities. (Table 2, Annex 1)

Status of Legislation. The establishment and the operation of SMEs are defined by more than 60 laws, which – among others - regulate (a) the registration of companies, (b) commercial and financial operations, (c) employment relations or (d) taxation. In this context, laws that were newly adopted or amended during 2005 included the following:

Classification of Enterprises. According to the Law on Trade Companies, enacted in 2004, enterprises may take one of the following legal forms: General Partnership Companies, Limited Partnership Companies, Limited Liability Companies, Joint-stock Companies and Limited Partnerships by shares.

Most of the enterprises are registered as limited liability companies (LTD). This means that one or more natural or legal persons establish them, and that the number of founding shareholders does not exceed 50. In addition, the founding (initial) capital of the enterprise should be at least € 5,000 in MKD equivalent. Enterprise definitions also take into account the size, turnover and activities of the enterprises.

Table I - 9 Classification of enterprises

	EU Definition for Enterprise	Law on Trade Companies (2004)
Micro	Up to 10 employees Annual turnover ≤ EUR 2 Mio. and/or Balance sheet total ≤ EUR 2 Mio.	2/2[16] Up to 10 employees Annual turnover ≤ EUR 50.000
Small	Up to 50 employees Annual turnover ≤ EUR 10 Mio.and/or Balance sheet total ≤ EUR 10 Mio.	2/3 Up to 50 employees Annual turnover < EUR 2 Mio.; or Balance sheet total < EUR 2 Mio.
Medium	Up to 250 employees Annual turnover ≤ EUR 50 Mio.and/or Balance sheet total ≤ EUR 43 Mio.	2/3 Up to 250 employees Annual turnover < EUR 10 Mio. or Balance sheet total < EUR 11 Mio.
Large	All others which do not fall under the above	All others which do not fall under the above

Source: Law on Trade Companies, 2004, Ministry of Economy

The classification of enterprises in the Law on Trade Companies was prepared in accordance with EU definition. However, bearing in mind the size of the economy and the corresponding size and economic capacity of the

[16] 2/2 – two out of two conditions should be met; 2/3 – two out of three conditions should be met

economic actors in the country, the turnover/income and assets value comparing to EU definition are adjusted (decreased) by ¼.

Sole Proprietors. The Law on Trade Companies regulates the legal framework for sole proprietors. The difference between a LTD and sole proprietors lies in the personal responsibility of the sole proprietor for his/her liabilities with his/her property. The name of the firm (legal entity – sole proprietor) consists of the name, the father's name and the surname of the sole proprietor. Such a legal form shortly is termed "TP".

Table I - 10 Number of Sole Proprietors by Sectors (2002-2005)

Sector	2002	2003	2004	2005
Agriculture, hunting and forestry	10	23	31	30
Fishing	0	0	0	1
Mining quarrying	0	0	0	0
Manufacturing	978	957	915	910
Electricity, gas and water supply	0	0	0	0
Construction	181	172	168	159
Wholesale and retail trade	3,634	3,565	3,602	3,501
Hotels and restaurants	901	873	873	818
Transport, storage communication	574	540	529	509
Financial intermediation	2	1	2	1
Real estate, renting and business activities	1,007	1,077	1,182	1,262
Public administration and defence	0	0	0	0
Education	25	21	21	21
Health and social work	160	150	130	81
Social and personal services	578	578	584	601
TOTAL	**8,050**	**7,957**	**8,037**	**7,894**

Source: Central Registry (Ministry of Economy)

In 2005, the number of sole proprietors was 7,894. Compared with the previous three years, this was the lowest number. Still, the difference is insignificantly small, i.e. the number of sole proprietors varies only slightly (by no more than 2-3%). For example, in 2005 the number of sole proprietors was by 1.9% lower than the number in 2002 or by 1.8% compared with 2004.

Sole proprietors are mostly found in the wholesale and retail trade sector. In 2005, 44.3% of the total number of sole proprietors was operating in this sector. Other significant sectors that have a larger number of sole proprietors are real estate, renting and business activities (15.9%), manufacturing (11.5%) and hotels and restaurants (10.3%). These four sectors together represent a share of 82.2% in the total number of sole proprietors in 2005.

Throughout the years, some sectors have increased in importance as far as the number of sole proprietors is concerned. For example, in the sectors agriculture, hunting and forestry, real estate, renting and business activities and social and personal service the number of sole proprietors is increasing continuously since 2002. On the other hand, the number of sole proprietors is decreasing in sectors like manufacturing, construction, hotels and restaurants, transport, storage and communication, as well as health and social work.

1.3.2. Craftsmen sector

A new Law on Craftsmen Activities was adopted in 2004, replacing an old law dated 1998. The Law defines craftsmen as any physical person that is registered in the Registry of Craftsmen in the Regional Craft Chamber. The Registry of Craftsmen includes the information of the craftsman, the activities undertaken, description and codes of these activities in accordance to National Clasification of Economic Activities (NCEA), and Company name, abbreviation of company name (if applicable), location and address of the premises. There are four groups of activities that are considered as a craft activities:

- Manufacturing and small scale production
- Services
- Artistic craft
- Home base hand craft

In May 2007, the Law on Craftsmen Activities was amended and from September 2007, all craft micro and small enterprises registered by Law on Trade Companies are obligated to register in Regional Craft Chambers. This amendment improves the control (and statistics) and gives a better overview of the situation of this sector in term of number and activities of all craft micro and small enterprises in the country.

Table I - 11 Micro enterprises registered by Law on Craftsmen Activities (2007)

Cities	Micro Craft Enterprises	Services	Production	Artistic craft	Home based Hand craft	Craftsmen based in villages
Skopje	3,518	1,799	1,105	293	323	2% (70)
Strumica	179	135	35	5	4	2% (4)
Gostivar	310	120	180	0	10	10% (31)
Tetovo	130	49	78	0	3	7% (9)
Veles	96	77	10	4	5	10% (9)
Total:	**4,137**	**2,180**	**1,486**	**298**	**345**	**3% (123)**

Source: Regional Craft Chambers of Skopje, Strumica, Gostivar, Tetovo and Veles

Almost 90% of all craft activities in rural areas are services, 6% are home-based handcraft activities, 3% are small-scale production and 1% is artistic craft activities. The Regional Craft Chambers of Ohrid, Kumanovo, Debar, Vinica, Gevgelija and Stip are in a stage of establishing their Craft registers and are excluded from the table. The above figures are most probably underestimated considering the fact that a large number of micro and small craft enterprises is still not registered under the Law of Craftsmen Activities and they still operate according to the previous Law from 1998 and are registered in Ministry of Economy (For example Gostivar had 2,500 craftsman, Veles had 1,200 craftsmen and Strumica had 1,640 craftsmen). Also, a number of micro and small craft enterprises are registered under the Law on Trade Companies and this data is not still available in the Regional Craft Chamber Registry.

At last, the contribution of the informal sector should not be under estimated. Field research conducted by different Regional Craft Chambers (Strumica and Gostivar) showed that in some regions the informal craft sector is bigger than the formal one.

In addition to this, for example the USAID project *Made in Macedonia* has identified 430 home base handcraft & art craft enterprises and only 10% of those are registered under the Law of Craftsmen Activities or Law of Trade Companies.

Craft activities in rural areas*.** The major areas of home manufacture in the craft sector in ***rural areas in the country are:

- Weaving (Eastern Part of the country, in villages around Delcevo, Berovo, Pehcevo, Kocani Vinica, Western part of the country, in villages around Tetovo);
- Embroidery, knitting and sewing (Central area of the country, villages around Krusevo, Bitola, Resen);
- Pottery, (villages around Kicevo, Veles, Strumica);
- Woodwork, woodcarving and wood processing (Eastern Part of the country, in villages around Delcevo, Berovo, Pehcevo, Western part of the country, in villages around Tetovo and Gostivar);
- Blacksmiths (South of the country, villages around Strumica);
- Felt production (Eastern Part of the country, in villages around Delcevo, Berovo, Pehcevo, Kocani, Vinica, Probistip);

The Craft Sector established centuries ago and with long traditions in the country, is perceived as a sizeable contributor to the social, economic and cultural life of the rural areas of the country. The transition period influenced this sector and especially the group of crafts related to the rural areas. Trend of losing the markets continued for the main reason -changes resulting from the technological advancement of the society, which has led to the complete waning of most of them. Another reason for these crafts dying out is that this layer of the handicraft sector characterizes itself with a low level of entrepreneurship and lack of business skills (product development, marketing and sales). In the last 5 years the crafts sector has shown some growth in terms of export and domestic sales also accelerated by international technical assistance (*Made in Macedonia*, USAID Project 2002-2005). Main export product is the traditional woven rug “jambolija”. Although domestic sales have been lower, local marketing efforts resulted in a high level of return on investment and now appear to be the most sustainable market option.

1.3.3. Micro and small enterprises in specialty/niche food products sub-sector

The definition of the speciality/niche food products sub-sector is difficult as it covers several agriculture sub sectors (fruit & vegetables, herbal, (medical and aromatic plants & wild mushrooms, apiculture, mushrooms cultivation and dairy).

The main criteria defining this sub-sector are that it includes micro and small enterprises located in rural areas that support the characteristic life style, that sell products based on raw materials partly related to own-farm resources and use traditional production techniques/recipes. Main sales are on local markets, “food boutique” oriented retail outlets, gifts and souvenir markets. Packaging and labelling are “additional value”.

This sub - sector of micro and small enterprises is including enterprises, which are using mostly local on- farm resources for production/processing of niche food products such as: Honey products, Fruit jam and preserved fruit; Traditional vegetable products-pepper powder, “ajver”, “pindzur”; Preserved vegetables; Fruit-berries processing products; Medical/oil herbs and spices; Mushroom cultivation and processing; Home made vinegar; Dried fruit and vegetable; Milk products (cheeses such as: ”ovco sirenje”, “kaskaval”).

The typical enterprise in the speciality/niche food sub sector, could be described as a small-scale, newly founded, private local entrepreneur-owned company registered under the Law of Trading Companies, fulfilling the minimum hygiene standards for processing and trade, local market oriented and with capital inflow from domestic sources.

This sector is currently a small one in terms of number of enterprises. In the Fruit and Vegetables, the Chamber of Commerce Registry[17] there are 35 micro and small fruit and vegetable processing enterprises. Four of them (12%) are registered in villages and 40% (14 enterprises) are specialising in producing special niche products like “ajver”, “pindzur” and “lutenica”.

In the mushroom cultivation sub-sector, the number of registered micro and small enterprises for mushrooms cultivation is around 30 (Source: Central Register and Chamber of Commerce), but assumption is that this number is bigger because of presence of “unregistered” producers who are selling on “open green” markets in big cities.

In the apiculture sub-sectors, most of the producers (12.000 beekeepers) are in informal economy and according from the data (National Association of Beekeepers) approximately 500 – 600 are registered as a legal entity. In Chamber of Commerce Registry there is only one honey producer registered. They are registered mostly under Law for Trading Companies, but several beekeepers registered under Law for Craftsman activities have also been identified.

In the medical/oil herbs and wild mushrooms sub sector, the Chamber of Commerce Registry includes 17 micro and small fruit and enterprises for production, collecting and processing of medical and aromatic plant and wild mushrooms. 18% (3 enterprises) of them are registered in villages and 100% (17 enterprises) of them have collecting points in different villages in the country. The challenges related to development of this sector are high because of the complexity of this sector and short time of existence (lack of analyses about the sector, no developed strategies, no data of lessons learned etc). This sector needs to establish basic technology level, so the

[17] Catalogue of Chamber of Commerce 2006 (issued with cooperation and of GTZ and Land O’Lakes” USAID Project

possible investments should be focused on investments in buildings and equipment.

Generally, rural areas are not attractive to businesses for several reasons: lack of concentration of population, poorer educational levels, lesser flexibility of the potential workforce, and distances from potential markets (for both inputs and outputs), all putting businesses in rural areas at a cost disadvantage. Poorly developed and diversified economic infrastructure and the consequent lack of quality jobs are common features of rural areas in the country. These are also the main causes of development lag typical of these areas.

1.3.4. Rural Tourism

Rural tourism in all its forms (agri-tourism, eco-tourism, cultural/monastery, wilderness sports, eno-gastronomic, hunting, spa, etc.) and, more in general the tourism industry is small and well below the potential. Tourism is regulated by the Law on Tourism (OG 62/2004) and its bylaws. The Law on Tourism defines ethno-village tourism services as visit of tourists in village households for the purpose of vacation and recreation. Tourism services in ethno-village tourism are renting horses for horseback riding, photo-safari, producing and selling of local handicrafts, souvenirs, instruments and other products and services in the village household. The Law on tourism (OG 62/2004) defines services in eco-tourism (art.51) as visiting regions with special natural characteristics, as well as in protected areas for the purpose of vacation, recreation and site seeing of the natural beauties on a manner determined by law. Tourism services in eco tourism are renting of vehicles for site seeing of natural beauties, selling of natural fruits, describing the natural beauties, photo safari and other services that do not harm the nature on a manner determined by law (art.52).

In addition, the Law on Catering (OG 62/2004) mentions Catering services in village households (Article 53), as follows: "*Services related to renting rooms and apartments may be provided in the households in the villages (hereafter referred to as: village households), the owner of which or the person having the right of utilization is a member of the village household, up to 10 rooms, or 20 beds. The services under paragraph 1 of this Article may be provided if the conditions stated in Article 5 of this Law have been fulfilled. In addition to the services under paragraph 1 of this Article, hot and cold meals, beverages and drinks mainly from own production may be prepared and served in the village households for not more than 50 persons (travellers) at the same time. Services of wine or brandy tasting may be provided in the village households, as well as serving home made food, in a furnished section of the residential or business facility, in a closed, covered by a tent, or open space, for not more than 50 persons (travellers) at the same time. For the purpose of improving the quality of the catering offer, in the village households the travellers (persons staying in the village households) may prepare meals, drinks and beverages for their own needs."*

The competent government authority for tourism is the Tourism and Catering Department in the Ministry of Economy, which has recently announced an open tender for updating the Tourism Master Plan of 2002. In addition, a draft

Strategy for Tourism and Action Plan has been prepared by the Ministry of Economy and is in a process of consultations with the social and economic partners and line ministries.

The knowledge transfer system for tourism is within the Faculty of Tourism and Catering placed in Ohrid, Faculty of Tourism in Skopje and an Institute for Tourism Researches.

Table I - 12 Number of tourists and number of nights spent (2000-2006)

Year	Number of tourists			Number of nights spent		
	Total	domestic	foreign	total	domestic	foreign
2000	632,523	408,507	224,016	2,434,639	1,940,772	493,867
2001	333,308	234,362	98,946	1,254,582	1,041,831	212,751
2002	441,712	318,851	122,861	1,850,384	1,575,664	274,720
2003	483,151	325,459	157,692	2,006,867	1,660,667	346,200
2004	465,015	299,709	165,306	1,865,434	1,504,845	360,589
2005	509,706	312,490	197,216	1,970,041	1,527,053	442,988
2006	499,473	297,116	202,357	1,917,395	1,474,550	442,845

Source: SSO Yearbooks, 2006

Tourism experienced drastic changes in the early 1990's, with the break-up of Yugoslavia. Although in the first years from the statistical viewpoint the share of foreign tourists seemingly increased, it was due to the fact that the guests from the other former republics of Yugoslavia were considered as foreign. There were also years when the country's internal tourists were almost the only users of tourist capacities, but in the recent years, even their number decreased due to the low living standard of a great part of the population.[18]

The conflicts in the region contributed to a bad media image. The comparison of data from 1987 and 2001, shows that the number of nights spent by foreign tourists decreased for 86%, from 1.55 million to merely 0.21 million, and the number of nights spent by domestic tourists decreased for around 57%, from 2.43 million to 1.04 million.[19] After halving in 2001 compared to the previous year, the annual number of tourists has been growing gradually but slowly. In the period 2000-2006, the official statistics show that the average number of tourists (both inbound and domestic) is around 480 thousand per year, of which only one third (around 150 thousand/year) is from foreign countries. Of these, 50% is from the neighbouring countries.

The average number of nights spent per tourist is four, but foreign tourists spent about half of this figure. Tourism contributed with 1.5% to the GDP in 2005 and the average number of employed in the sector in the period 2000-2005 was 10.192 reaching 10.671 in 2005.[20]

Official statistics do not provide data focused specifically on rural tourism in all its forms. During the period 2000-2006, the leading tourist destinations are the lake areas, the most important one being the lake of Ohrid, followed by Skopje (20%), mountain areas (9%) and Spas (4%).[21] According to a study carried

18 GTZ

19 Ministry of Economy – *Master Plan for tourism in Macedonia*, Louis Berger S.A, April 2003. The study is being currently updated and reviewed

20 SSO

21 SSO

out in 2002[22], the main reasons for coming to the country are business trips, mainly in Skopje and seminars mostly in Ohrid, vacation and recreation and cultural tourism.

Table I - 13 Nights spent by tourists according to type of tourism site (2001-2006)

	Total	Skopje	Spas	Climate areas		Non-tourist areas
				Mountain areas	Lake areas	
Total						
2001	1,254,582	147,426	122,698	106,559	772,487	105,412
2002	1,850,384	159,371	136,129	119,369	1,326,885	108,630
2003	2,006,867	189,014	122,737	119,800	1,493,006	82,310
2004	1,865,434	177,470	131,993	117,443	1,345,217	93,311
2005	1,970,041	195,825	125,539	122,761	1,417,306	108,610
2006	1,917,395	191,314	120,298	110,337	1,369,428	126,018
Domestic						
2001	1,041,831	29,958	119,230	98,481	730,074	64,088
2002	1,575,664	27,843	129,034	114,148	1,230,932	73,707
2003	1,660,667	34,067	114,203	113,751	1,355,619	43,027
2004	1,504,845	31,164	123,340	104,783	1,199,461	46,097
2005	1,527,053	33,622	111,787	98,203	1,231,869	51,572
2006	1,474,550	32,913	104,253	89,200	1,179,950	68,234

Source: SSO, 2006

Foreign tourists arrive mainly by road or regular air flights. In 1998, foreign tourists spent an estimated average of €72.5 per day.

The tourism activities are organised and supported by different organisations and associations, the most important one being the Services Chamber within the Chambers of Commerce that deals with trade, tourism and catering; and the Chamber of Tourism that was established in 2002[23]. Two tourism associations function within the Services Chamber, the Association of Tourist Agencies (ATAM) and of the Hotel Proprietors Association (HOTAM).

The National Development Plan (2007-2009) states that the development of tourism is regarded as an important development priority both because it offers numerous business opportunities and jobs, but also because it supports the country's objectives in the area of trade, export and investment. The NDP further states that rural or country tourism is often considered an indicator of good quality regional development and that the country does have the potential for development of this tourism, because of the characteristic traditional architecture, favourable environment, diversity of sites to see, visit and do and the hospitality of people. According to the National Development Plan (2007-2009), the planned investment needs for rural tourism development for the three year period total € 3 million (or about 2.8% of the total planned investments - still to be determined).

The National Agricultural and Rural Development Strategy 2007-2013 (NARDS) states that it is a priority to promote the integrated development of a sustainable rural tourism in the country, which should be carried out in

22 Ministry of Economy - *Master Plan for tourism in Macedonia*, Louis Berger S.A, April 2003. The study is being currently updated and reviewed.

23 Ministry of Economy - *Master Plan for tourism in Macedonia*, Louis Berger S.A, April 2003. The study is being currently updated and reviewed.

cooperation by all relevant Ministries and stakeholders (private sector, associations, etc). NARDS considers rural tourism an important factor for off-farm employment in rural areas that suffer from weak number and strength of enterprises (in particular SMEs), a lack of alternative off-farm opportunities and mainly agricultural rural population, often subsistence oriented, with low incomes and value added. Therefore, NARDS supports rural tourism as a sub measure of the measure Development and diversification of rural economic activities.

From a point of view of the tourism industry, a study conducted in 2002[24] detects that some of the priorities of the tourism sector are increasing the export of tourism services, better employment situation, improvements in the distribution of tourists throughout the year and better geographical distribution of tourists throughout the country (tourists are currently concentrated in the capital and in the lake region of Ohrid). The development of rural tourism would contribute to these objectives as well.

Eco tourism. The natural conditions of the country (geological content, relief, climate, hydrography, soil, flora, and fauna) make it one of the countries in Europe with wealth of natural values. In the past five decades of organized protection of natural rarities in the country, 74 objects of nature have been included in the protected areas network, with a total area of 187,895 ha, or 7.30% of the national territory. According to the Law on Nature Protection (OG 67/04; 14/06 and 84/07), the following have a status of protected wealth:

- 3 national parks, with an area of 108,338 ha, or 4.2%;
- 4 strict natural reserves, with an area of 12,855 ha, or 0.50%;
- 3 landscapes with special natural characteristics, with an area of 2,338 ha, or 0.09%;
- 14 distinct plant and animal species outside the natural reserves, with an area of 2,709 ha, or 0.10%;
- 33 nature parks protected (category of nature monuments), with an area of 61,655 ha, or 2.4%.

The law regulates the nature protection by protecting the biological and landscape diversity, and the protection of the natural heritage, in protected areas and outside of protected areas. The system of protected areas is established for the purpose of protection of the biological diversity within the frames of the natural habitats, the processes occurring in the nature, as well as the abiotic features and the landscape diversity. By proclamation of the area as protected, it acquires status of natural heritage. Categories of natural heritage, within the meaning of this Law are:

1. Strict Natural Reserve. Strict Natural Reserve is an area, which, because of its significant or characteristic ecosystems, geological or physical and geographical features and/or species, as well as originally preserved wilderness, acquires the status of natural heritage, primarily for the purpose of carrying out scientific surveys or monitoring of the protection.
2. National Park, The National Park is a large, mainly unchanged area of land or water with particular multiple natural values, which encompasses one or

[24] Ministry of Economy - *Master Plan for tourism in Macedonia*, Louis Berger S.A, April 2003. The study is being currently updated and reviewed.

more, preserved or insignificantly changed ecosystems, primarily designed for the conservation of the original natural, cultural and spiritual wealth. The National Park is intended for scientific-research, cultural, pedagogic-educational and tourist-recreational purposes.

3. Natural Monument, Natural Monument is a part of nature with one or more natural characteristics and specific, threatened or rare features, characteristics or forms, and has special scientific, cultural, educational and spiritual, aesthetic and/or tourist value and function. Natural Monuments include: lakes, rivers, gorges, waterfalls, springs, caves, rocks formations, geological profiles, minerals and crystals, fossils, rare or indigenous trees and bushes characterized by great age and specific habitual characteristics, as well as limited small areas of endemic and rare animal or plant communities significant for their scientific value.
4. Nature Park, Nature Park is an area that has one or more authentic, rare and characteristic components of nature (plant, fungi and animal species and communities, relief forms, hydrological values etc.).
5. Protected Landscape and Protected Landscape is an area where the interaction of the people with the nature has created over time a landscape with particular characteristics and aesthetic, environmental, cultural and historical or ethnographical importance, characteristic for that area only, which at the same time has a significantly high biological diversity.
6. Multipurpose Area. Multipurpose Area is an area, which is usually spreading on a relatively wide territory of land and/or water, rich in waters, forests or meadows, and may be used for hunting, fishing or tourism, or reproduction of wild animals.

In the specific mountain/climbing tourism segment, the French, Polish, Slovenian, German, Dutch nationalities seem to be the most reported (all with rising figures in the last three years). The situation for what concerns Eco-tourism in the country appears an interesting one, taking into account that:

-a large number of NGOs appear operating in some form in this sector, in many rural areas of the country. This appears to be the result of the many small-to-medium scale capacity-building projects funded since 2000;

-since 2004 a magazine about mountain tourism named *Korab-Tough* has been published twice a year as in inter-Balkan initiative that is now involving 7 different countries (Albania, Bulgaria, Croatia, the Republic of Macedonia, Greece, Serbia and Montenegro);

-visits in various parts of the country enabled to assess that hiking and climbing are among the most favourite activities by foreign tourists, arriving in the country either with organized-tours, or by self-initiative (in couples or small groups). These activities are already interesting some rural areas that provide suitable food and accommodation.

Unfortunately, there is no nationwide system for accreditation of guides in specific sectors (e.g. climbing, horse riding, etc), so standards cannot be checked and guides that are already recognized according to European and/or International standards can be out-placed in their activity by local people that just have some knowledge of the sites being visited by tourists.

This situation is likely to produce some negative effects on the state and development of eco-tourism activities (e.g. lack of security, grey market, etc).

Cultural and Monastery Tourism. The cultural tourism in the country has the biggest development potential considering the diversity and quality of cultural and historical treasures and archaeological sites in the country and the increasing interest in cultural tourism on the market. There are 10,974 buildings registered as part of the immovable cultural heritage[25] (4,361 archaeological sites; 1,726 churches and monasteries with over 150,000 square metres of mural fresco paintings; etc.) and 500,000 museum relics. Institutional responsibility for cultural heritage (by types) rests with the Bureau for the protection of cultural monuments (immovable cultural heritage) and museums, libraries and the national cinématheque (moveable cultural heritage).

Cultural sites in the country already attract tourists, mainly as a package offer along with the visits of neighbouring countries. The country is rarely the initial motive to visit the region, but it is a very common reason to extend the stay, which represents a potential market for other tourism segments. Data concerning the visits to cultural sites need often still to recover up to the figures recorded in the former Yugoslavia period.

Cultural tourism is one of the priorities in The National Programme for Culture 2004-2008 (OG 31/98; 29/2003) where it is considered an important factor for sustainable development of culture. A part of this programme focuses on creating conditions for development of cultural tourism as a factor of social and economic development; affirmation, presentation and usage of cultural and natural sites for the purpose of cultural tourism.[26] Some of the projects of the Ministry are the finalised World Bank project *Development of Municipalities through Culture* that was implemented for strengthening local economies and cultural industries, reduction of poverty, increased and sustainable employment and socio-economic development, the current UNESCO project on promotion of cultural tourism with a purpose of devising four publications on the cultural heritage and other projects.

The cultural heritage is regulated according to the Law on Cultural Heritage Protection (OG 20/04, 115/07), passed on 19 March 2004 and effective from 1st of January 2005. According to the Law, the term cultural heritage includes the material as well as the spiritual cultural heritage, defining their meaning as an expression and/or a testimony of the human creation in the past and the present, or a representation of the interaction between the man and the nature, with cultural and historic importance of their feature, significance and function, under special legal regime on their protection. According to its features the cultural heritage can be immovable, movable and intangible; according to its cultural importance it can be heritage of special importance

[25] According to UNESCO cultural heritage is defined as term which encompasses several main categories of heritage: **Tangible cultural heritage** [movable cultural heritage (paintings, sculptures, coins, manuscripts, etc.), immovable cultural heritage (monuments, archaeological sites, and so on), underwater cultural heritage (shipwrecks, underwater ruins and cities and so on)]; **Intangible cultural heritage** (oral traditions, performing arts, rituals, and so on); **Natural heritage** (natural sites with cultural aspects such as cultural landscapes, physical, biological or geological formations, and so on) and **Heritage in the event of armed conflict**. This definition is applied in the Law on Cultural Heritage Protection (OG 20/04,115/07).

[26] Source: National Programme for Culture 2004-2008

(cultural heritage of outstanding national importance and cultural heritage of great importance) and important cultural heritage; and considering the condition of risk it can be cultural heritage in danger (when a special legal mechanism for urgent conservation has to be provided) and not endangered cultural heritage. Any good that has the highest national importance and universal values for the mankind and its history, culture, art, science or technological progress is considered to be of “outstanding national importance”. Any good that has big value for national history, culture, art, science or technological progress is considered a “cultural heritage of significant, special importance”. The cultural heritage that is not classified as heritage of special importance is called “important cultural heritage”.

A cultural heritage threatened by destruction, damage or with serious attack on its integrity is considered a “cultural heritage in danger”. The purpose of the protection is to preserve the cultural heritage in its initial form, to preserve the integrity of all data that it carries, to raise awareness of its values and importance for cultural identification, to enable its use for satisfying cultural, scientific, educational, religious, economic, tourism and other needs and finally to be transmitted to future generations. As a basic value of the country and a public interest, it is to be protected under any circumstances according merely to its cultural value and the conditions of risk. The immovable cultural heritage and the immovable goods are protected together with their surrounding, or so called contact zone defined as the area surrounding the immovable cultural heritage that is important for preserving its historical context and is protected in a manner different of the manner for protecting the immovable property. A protected area is the area of the protected good and its contact zone.

In the following table are shown the villages that are protected as Monuments of Culture and have the status of Cultural Heritage (according to Article 175 from the Law for Protection of Cultural Heritage).

Table I - 14 Villages Listed as National Cultural Heritage

Village	Municipality / Region
Galichnik	Mavrovo and Rostusa / Polog
Kicinica	Mavrovo and Rostusa / Polog
Gari	Debar / Southwest
Smilevo	Demir Hisar / Pelagonija
Zeleznec	Demir Hisar / Pelagonija
Konjsko	Resen / Pelagonija
Gorno Vranovci	Caska / Vardar

Source: Ministry of Culture

The competent Government authority is the Ministry of Culture and special professional service – Directorate for Protection of the Cultural Heritage, as an independent legal agency within the Ministry of Culture. The Directorate for Protection of the Cultural Heritage is responsible for managing the National Register of Cultural Heritage following the national classification that represents a standard form of typological definition or identification and systematization of various cultural heritage of the country. This classification was adopted as Book of Rules (OG 37/06) to ensure a single approach to identification of the cultural heritage and development of an information system for cultural heritage with good comparability and usage of data.

The Ministry is currently working to adapt the new classification system to the sites/monuments previously classified, which process requires a substantial amount of time.

The new Law establishes, for the first time, the category of “Intangible cultural heritage”, which refers to the oral traditions, performing arts, rituals expressions of folklore-habits, rituals, tales, mental creations, folklore songs, stories, legends, adages, riddles, dances, plays, old and rare crafts, traditional crafts and other expressions of the non-material national creation, language and toponyms. Cultural heritage may be publicly or privately owned. Private owners have an obligation to care and maintain cultural heritage and property and to provide access for scientific and cultural research purposes and in some cases to provide access to the general public.

A study was conducted in 1998 on the tourism valorisation of monasteries in the country that emphasizes that an appropriate tourism offer would contribute to their preservation and will help their maintenance. According to such study, there were 155 monasteries in the country, offering 148 rooms for accommodation of visitors, some with emphasised tourism potential due to the favourable natural and geographic characteristics, peaceful locations and availability of tourism accommodations. The monastery tourism in the country is mostly transit and weekend tourism, and much less stationary tourism. Some monasteries have facilities that cannot be used for tourism purposes without prior reconstruction and adjustment, which should be done by preserving their authentic elements from the period when they were built, while others accept visitors only in the periods of religious holidays. There is also the problem of accessibility, road infrastructure and signalization and information brochures, as well as better tourism promotion of monasteries on national level.

The study, however, does not provide many detailed and comparative figures concerning the provision of accommodation and other services that could have been used as an important benchmark to monitor the development of these tourism activities in following years. In overall terms, this sector appears well placed to be further promoted towards both the domestic and the foreign market, and several tourist agencies are already doing it.

Wine tourism. Because of the climate and natural eco-characteristics, the country produces some high quality wines and production tends to be concentrated in a few areas. The sector has been increasing its dimension in the last 3-4 years. Unfortunately, the country's vineyards are not treasured at all and they are not fully included in the country’s tourism profile. The main reason that many wineries are still not developed in the sense of tourist product is that, until a few years ago, their primary goal was to invest in the modernization of the production infrastructure, new technologies and equipment, in order to replace the production of bulk wine and offer to the market high quality bottled wine.

It is a fact that there is no quality tourism without a wide selection of excellent local wines or without beautiful vineyard landscapes, but the development of wine tourism is also closely related to modern accommodation, tasting facilities as well as with a sustainable marketing strategy. The wine areas in the country are concentrated in three regions situated mostly along E-75-

Corridor X, where there is big fluctuation of transit tourists. It is crucial to integrate these potentials and advantages of the wine tourism in the entire tourist offer of the country. As for the weaknesses, there is no detailed analysis of the potentials of wine tourism; there is a lack of accommodation facilities, lack of government initiative and not sufficient marketing and promotion.

During the last few years, the number of new private wineries (mainly small and medium-sized plants) has considerably grown from 28 in 2003 to 50 in 2007, and some of them are starting to adapt and diversify their activities in the direction of wine tourism. A few of them are in the process of preparing accommodation facilities and around 10 wineries have wine tasting facilities.

In December 2005, an association named “MakVino” has been created (with the assistance of Wine Cluster Project of the USAID) with the aim to organise the wine processing industry, promote the country's wines and assist in defining a wine strategy. So far, this association gathered 11 companies out of the 50 registered.

The Tikvesh Wine Route Foundation was founded by 4 municipalities (Kavadarci, Negotino, Demir kapija and Rosoman) and two wineries, and officially established on the 29/11/2006, it now has 11 member wineries in the Kavadarci-Negotino area, the support of Association of MAKVINO (wine producers), of three NGOs from Negotino and three Mountain Associations. The goal of the Foundation is to gather all stakeholders from the region and provide basis for continued development of attractive tourism products and promoting the region as an attractive tourism destination. The Foundation is currently working on a project for creating a new tourism product for valorisation of the potentials of the region for wine, agri, winter, hunting and fishery tourism. The Foundation has so far promoted awareness on wine tourism at regional level, and contributed to institutional building, providing also services (e.g. educational tours in Italy). In addition, other wineries, are already independently attracting a remarkable number of tourists in their cellars, and plan to be able to further enlarge their activity, adding restaurants and rooms, by the end of 2007. Smaller wineries tend to show the same plans, but do not appear to have proper funding. Another large winery interestingly stated that it is considering setting-up a sort of Wine Academy in the area, in order to create a wine-archive and organize specialised training workshops.

In the case of Wine Tourism, visitors mainly arrive from neighbouring countries, plus some from Czech Republic, and also from Germany and Israel. A market for wine-tourism in the Tikvesh area appears to have been already started (all the visited wineries had established links with more than one tourist agency), although some problems do persist (quality of facilities, limited incoming service, limited number of groups arriving/year, lack of promotional materials such as map of wineries offering tasting/catering opportunities, etc).

Farm-Tourism and Village tourism. Currently information on the state of development of rural tourism activities in single farms/properties is unavailable, whereas some indications are provided at village level. A number of rural villages have been interested, in the last 5/7 years, by pilot research

works/projects mostly funded by foreign donors (e.g. USAID, GTZ, Swiss Aid, Dutch Aid, UNDP, World Bank, SIDA, etc).(elaborated in Annex 13)

These projects have addressed mainly the Southern (Ohrid and Prespa lakes) and Eastern (Berovo) parts of the country. The majority of these projects was focused on institution building and on the definition of strategies/plans, and did not include monitoring of the actual development of new business activities (including rural tourism ones).

Moreover, some villages have already been included in tour operators programs, and others are displayed on the official *Exploring Macedonia* and *Go Macedonia* web sites. In addition, the Tourism Department of the MoE started in 2007 a project aimed at assessing the development potential of some rural villages for developing tourist activities but is at preliminary stage.

From the preliminary results of a recent survey, it appears that many NGOs in the country are involved in the organization of activities affecting both the rural environment and rural tourism (usually eco-tourism).

In the case of farm/village tourism, visitors mainly arrive from Holland, Germany and the US.

Foreign investment is for the moment very low but interest has been shown by Dutch (for a number of localities), USA (for a number of localities), Swiss, Portuguese (Prespa lake), Finland (Mariovo area), Italy (Ohrid and Prespa area).

The number of tourist agencies including visits and/or activities in villages can be reasonably estimated in 5/10, mainly based in Skopje and Bitola.

Spa tourism. The territory of the country is characterized by high geothermal activity, mostly with low-enthalpy geothermal energy. The country is situated along the very favourable geothermal zone that starts in Hungary to the North and Italy to the West and stretches through Greece down to Turkey. However, there has not been a systematic measurement of terrestrial heat flow neither organised use of the natural resource for medical/tourist purposes.

Even with a long tradition in medical use of thermal waters, the country has a limited number of active thermal spas. It is evident from the potential of the thermal resources that the approach to this economy sector should be changed in order to reach possible benefits. Orientation towards introduction of recreational activities appears as one of the feasible and economically justified solution.

The country is rich with geothermal resources offering possibilities for development of a large spa business. However, presently, only 8 spas exist in the country. Temperature of the thermal waters differs, depending on the location and geothermal field in question. Highest is the temperature of the water in Bansko thermal spring (73ºC), then in Banja – Kocani (55ºC), Kezovica Spa (54ºC), Katlanovo (40.5ºC), Debar (38.6ºC), Negorci (38ºC), Kumanovo (31ºC), etc.

The same is with the flows on disposal, i.e.: Debar thermal spring (91.2 l/s), Kosovrasti (68.8 l/s), Bansko (35 l/s), Kumanovo (3,34 l/s), Kezovica (5.4 l/s), and Negorci (1.8 l/s).

The existing eight spas have been built between 1960 and 1980. After that, a period of stagnation began due to the slow adjustment and privatisation process. The existing spas are included in the Health care policy of the country managed and funded by the Health Fund through the health care contribution. The process of privatisation of these facilities and the great potential of the country for thermal tourism increases the interest and the activities for development. During the recent years, some new initiatives to recover the situation have been undertaken. The renovation of the current facilities to provide more wellness services rather than the focus being put in medical-cure segment is needed.

The role of rural tourism in favour of the development of rural areas. In the EU's rural development policy, which is becoming increasingly important within the common agricultural policy, the development of rural tourism is one of the possible measures to preserve and rejuvenate rural areas and the rural heritage. Projects in this area qualify for financing via the national rural development plans.

There is a lack of data and of reliable indicators on rural tourism although some studies have been occasionally carried out in the last 10 years. According to the study on the possibilities for development of rural tourism in the country[27], the support to rural tourism would help reduce the tendency for depopulation that the villages and border regions are facing. As in other European countries, rural tourism can significantly contribute to the rural development process in rural areas through:

- Generating income and jobs;
- Exchange between rural and urban areas;
- The multiplier effect in the case of relatively small-scale direct investments;
- Strengthening the local/regional structures by creating networks and public/private partnerships;
- Stimulating developments in the area of physical infrastructure (which in turn may provide opportunities for other economic developments);
- Increasing the diversity of economic activities;
- Raising awareness of the value of an area, such as its landscape, nature and culture, and the economic potential of these.

Agri-tourism in particular is seen as important for protecting the ‘rural way of life’, the rural culture. Tourism offers to farmers an extra economic activity, which increases agriculture's chance of survival. Tourists also constitute a market for the farm produce, for example via the sale of 'regional products' on the farm. Preserving farming promotes the preservation of the agricultural landscape, a key aspect of the rural product for recreation and tourism.

The basic feature, that may represent a suitable basis for a proper start-up of rural tourism sector, is that tourism (including rural tourism) in overall terms is growing all over the country, and especially in the most known destinations (e.g. Ohrid and Prespa lake), and that the country is starting to present its

[27] PhD Nikola Panov – *Possibilities for development of rural tourism in the Republic of Macedonia*, 2000

tourist resources in a more integrated and effective manner, introducing itself to key tour operators.

1.4. AGRICULTURE AND FOOD PROCESSING

1.4.1. Role of agriculture and food industry in the national economy

Agriculture (including hunting, forestry and fishery) is an important economic sector and is the third largest sector after services and industry. In the 2000-2006 periods, the share of the agricultural sector in the overall GDP has remained relatively stable around 12% (compared to the 1.6% in the EU-25).

If agro-processing is included, the percent increases to 16%. Agricultural GDP, in line with overall GDP, declined in 2001, but has recovered since.

Table I - 15 Key Agricultural sector indicators (2000-06)

	2000	2001	2002	2003	2004	2005*	2006**
GDP (€ current million.)	3.893	3.839	4.001	4.105	4.325	4.500	4.827
Gross Agriculture Production	468.9	451.4	494.8	548.0	570.4	556.9	580.1
Agricultural % of GDP	12%	11.8%	10.0%	11.4%	11.3%	12%	12%
GDP real growth (%)	4.5	-4.5	0.9	2.8	4.1	4.1	4.0
Agriculture growth (%)	1.0	-10.8	-2.0	4.8	6.2	1.8	3
UAA (in 000 ha)	1,236	1,244	1,316	1,303	1,265	1,275	n.a.

* Estimated ** Projected
Source: SSO 2006; Study on the State of Agriculture in Five Applicant Countries, EC DG-AGRI 2006

Agriculture has served as shock absorber for the socio-economic and structural changes in industry and other sectors of the economy. Officially, the sector provides income and employment to approximately one fifth of the national workforce but the real contribution probably exceeds this percent as 36% of the labour force and 44%[28] of the poor live in rural areas and population in rural areas rely basically on farming as a major form of economic activity, forestry, craftsmanship and rural tourism. Population engaged in farming includes a high proportion of elderly persons and young people having little motivation to enter and remain in agriculture due to the low and uncertain incomes and poor working conditions.

Agricultural products represent 15-17% of the total country's exports, although the country remains a net importer of agricultural and food products, which accounted for about 15 percent of total imports in 2004-05. The agricultural trade deficit in value terms has been widening in recent years, though a sizeable increase in tobacco and wine exports narrowed the gap in 2005. The trade pattern (export of labour-intensive products and importing land-intensive products) reflects the country's comparative advantage for labour intensive production systems, and the relative land-scarcity.

[28] Macedonia: Growth and Poverty, 2002-2004. Western Balkans Programmatic Poverty Assessment (World Bank).

Promotion of the competitiveness of the production and increase in the income of the rural population is one of the preconditions for social stability in the country. Decline in agriculture, forestry and fishery and associated industries could have significant adverse consequences in rural areas and to the overall economic and social stability of the country.

The country's agriculture is facing major challenges and structural reforms. WTO membership increased possibilities for export expansion but also competition on the domestic market from imported products. These challenges are going to be even more severe with the implementation of the Free Trade Agreements with the neighbouring countries and the EU-27. Strengthening the competitiveness of the country's agribusiness is the focal point for its survival. This must be supported by the reform of the public institutions and by the implementation of well-targeted agricultural support policies and rural development measures.

1.4.2. Agri-food Trade

Agriculture is an important contributor to foreign trade. The relative share of agri-food and fishery exports in the total trade for the period from 2000-2006 averaged 16.8% whereas, in the same period, the relative share of imports was 13.7%. The country is a net importer of agricultural and food products mostly meat, processed products and other food preparation as well as for cereals.

The agricultural trade deficit in value terms has been increasing up to 2004, but in 2005 and 2006, it shows a decreasing trend linked, among others, to increased trade liberalisation.

Table I - 16 Value of total and agricultural products trade (2000-2006)

In € million.		Total trade	Agriculture Trade	%
2000	export	1,435	221	15.4%
	import	2,272	281	12.4%
	trade balance	-837	-62	7.4%
2001	export	1,293	215	16.6%
	import	1,892	268	14.2%
	trade balance	-599	-53	8.8%
2002	export	1,178	221	18.8%
	import	2,106	314	14.9%
	trade balance	-928	-91	9.8%
2003	export	1,207	214	17.7%
	import	2,038	292	14.3%
	trade balance	-831	-84	14.3%
2004	export	1,346	214	15.9%
	import	2,354	338	14.4%
	trade balance	-1,008	-125	12.4%
2005	export	1,644	279	17%
	import	2,601	348	13.4%
	trade balance	-957,5	-69.5	7.3%
2006	export	1,906.2	318.0	16.7%
	import	2,987.7	367.4	12.3%
	trade balance	-1,081.5	-49.4	4.6%

Source: State statistical office, 2005

In comparison with 2005, the export of agro-food products in 2006 increased by 14% whereas imports increased only by 5.6%.

The EU-27 is the most important partner of the country in trade with agro-food and fishery products, with an average share of 43% in the total trade exchange in the 2004-2006 period. The share of agro-food and fishery products export in the EU-25 in total export of these products for 2006 is 46.5%, while the share of import from EU-25 in total import of agro-food and fishery products is 39.8%. Analysis of agri-food trade trends between the country and EU-25 is elaborated in the Annex 2.

Serbia and Montenegro (including territory of Kosovo) is the second most important trade partner of the country in 2006, in the trade exchange with agro-food and fishery products with share of 28.7% in total export and share of 19.9% in total import.

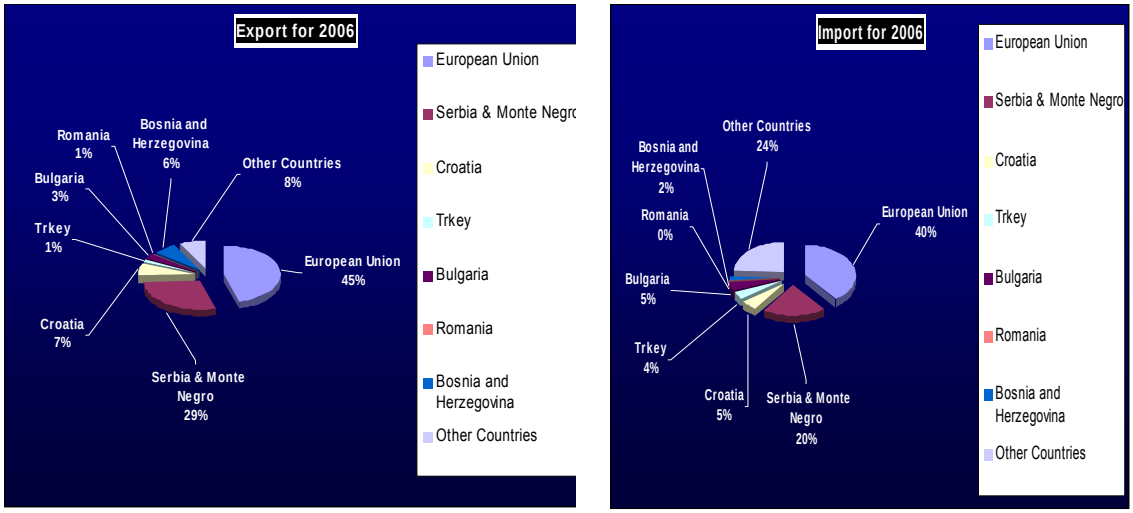
Third partner of the country, in 2006, in trade exchange with agro-food and fishery products is Croatia, with share of 7.2% in total export and share of 5.4% in total import, then Bosnia and Herzegovina with share of 6.4% in total export and share of 2.1% in total import, Bulgaria with share of 2.7% in total export and share of 4.7% in total import, Turkey with share of 0.9% in total export and share of 3.7% in total import and other countries.

Table I - 17 Trade in agro-food, fish and fishery products by countries (2005-06), in Mio. Euro

	Export				Import				Trade balance	
	2005		2006		2005		2006		2005	2006
Country	Mio. €	Share %	Mio. €	Share %	Mio. €	Share %	Mio. €	Share %	Mio. €	Mio. €
EU-25	129.5	46.5	145.1	45.6	145.4	41.8	146.4	39.8	-15.9	-1.3
SCG	77.5	27.8	91.4	28.7	60.7	17.4	73.2	19.9	16.9	18.2
Croatia	18.0	6.5	23.0	7.2	19.8	5.7	19.9	5.4	-1.8	3.1
Turkey	4.8	1.7	2.8	0.9	17.5	5.0	13.7	3.7	-12.6	-10.9
Bulgaria	5.7	2.0	8.5	2.7	20.3	5.8	17.4	4.7	-14.6	-8.9
Romania	1.1	0.4	2.2	0.7	0.3	0.1	0.8	0.2	0.8	1.4
Bosnia and Herzegovina	14.2	5.1%	20.3	6.4%	7.4	2.1%	7.7	2.1	6.8	12.6
Other countries	27.6	9.9%	24.7	7.8%	76.7	22.0%	88.4	24.1	-49.0	-63.7
Total	**278.6**	**100.0**	**318.0**	**100.0**	**348.1**	**100.0**	**367.4**	**100.0**	**-69.5**	**-49.4**

Source: SSO, 2005, 2006

Figure I - 2 *Share of Trade Partners in trade with agro-food and fishery products in 2006*



Source: SSO, 2006

The country's agriculture is facing major challenges and structural reforms. The political and economic integration of the country into the world economy is being conducted and supplemented through three mutually compatible processes of trade liberalization: global integration in the multilateral trading system, integration in the EU, and regional trade integration, conducted simultaneously. This resulted with membership in WTO, the conclusion of Stabilisation and Association Agreement (SAA) with the EU, CEFTA membership and the conclusion of a large number of Free Trade Agreements (FTAs).

The *regional integration* process has been marked by a series of free trade agreements (FTAs) with the countries in the region. The *global integration* was implied by the entry of the country in the World Trade Organization (WTO) in 2003, while the process of *European integration* is defined with the Agreement for Stabilization and Association.

WTO membership

The country applied to join the WTO in 1994, having commenced the negotiations in 2000 and completing them in October 2002. The process of agro-food trade liberalization took a major step forward between 2002 and 2004 with the completion of negotiations for the World Trade Organization (WTO). The Agreement itself was ratified in Parliament in February 2003. The country officially became a member of WTO on 4 April 2003. One of the principles of the WTO system is for the countries to reduce the trade barriers and allow unimpeded trade relations. In the WTO negotiations, the country agreed on significant liberalization for most of the products, while for the agricultural products the customs protections has been retained at a satisfactory level, due to the importance of the agriculture sector. The average customs tariff for the farming products as a result of the negotiations has been reduced from 24.87% to 13.75%. These reduced customs tariffs are a basis for further liberalization of the multilateral and bilateral basis.

By the WTO membership, it committed to termination of quotas (other than tariff quotas in existing free trade agreements), abolition of variable levies and export subsidies, to phased reduction of import tariffs and reform of the State Office for Commodity Reserves. Thus, most of non-tariff protection is being eliminated. However, tariff quotas will remain in place as agreed within the FTAs. In accordance with WTO commitments, import tariffs have been reduced for most traded products, though moderate-to-high tariffs remain in place for highly sensitive commodities produced in the country. Tariff rates applied are now in accordance with the bound rates agreed with the WTO and agreed rates in the context of FTA agreements. As a result conclusion of the Doha Development Agenda round of WTO negotiations, tariff protection of domestic producers will decrease significantly between 2003 and 2008, with average tariffs reducing by as much as half over the period. This trade liberalisation will reduce the price of imported agro-food products, on the one side will expose the country's farmers to increased competition, and on the other side will favour consumers or extra profit from traders. However, export-oriented production is expected to gain under the new trade regime.

The reduction in tariffs will result in a significant reduction in tariff revenues from agro-food imports. It is expected that the WTO import tariff liberalization will result in budget revenue reductions that will be particularly significant in the short run.

As most frequent forms for further trade liberalization are establishment of preferential trade agreements, free trade zones, customs unions and common market (for ex. Common market for EU). The main objectives of the regional free trade agreements are stimulating growth of the domestic economy via:

(i) better access on the market of the national export products in other countries
(ii) attracting and increase of foreign direct investments as well as modern technology as an element in the investments
(iii) increase of the productivity of production and competition on the domestic and external market

Stabilization and Association Agreement

The FTA with EU as part of the Stabilisation and Association Agreement (SAA) is the most important preferential agreement, because of the scope of trade exchange between the country and EU. The FTA between the country and the EU-15 began in mid-2001 under an Interim Agreement that provided for tariff concessions for agricultural and food products, up to 2003. Further negotiations between the European Commission and the country were carried out in 2003, for the purpose of further agro-food and fisheries trade liberalization by 2011, as foreseen in the Interim Agreement. Following the eastward EU enlargement, a series of negotiating rounds took place in 2004 resulting in the Enlargement Protocol, which entered into force on 1 May 2004[29]. On the basis of the trade agreement most of the barriers for entry of the country's farming products have been eliminated, except wine, baby beef, sugar and fish and fish products, for which customs quotas have been agreed

[29] OG 27/2004

or gradual liberalization. On the other hand, for entry of the agri-food products with the origin from the EU, the country has agreed on:

(i) elimination of the customs tariffs for the products defined as non-sensitive,
(ii) gradual liberalization for the mid sensitive products in the transition period to 2011, and
(iii) maximum customs protection for the highly sensitive products and for a part of these products- duty free quotas.

In accordance with Article 35 (SAA), as a result of Romania and Bulgaria's EU membership, the negotiations for the adaptation of the SAA to take account of the accession of Bulgaria and Romania to the EU have been successfully concluded.

CEFTA membership

As a part of the trade integrations connected with the process of accession of the country in the EU is the membership in the Central European Free Trade Agreement – CEFTA, as a means for regional cooperation and evidence for political and organizational; maturity of the countries – candidates for the EU accession.

The country ratified the CEFTA Agreement in 2006 and started its implementation on 24 August 2006.

SEE countries under the auspices of the Stability Pact and the European Commission in June 2006, started the multilateral negotiations for establishment of legal framework of the new Single free trade agreement in the region, named as Agreement for amendment of accession to the Central European Free Trade Agreement (CEFTA-2006).

This agreement was signed on 19 December 2006 in Bucharest-Romania. Countries signatories of CEFTA – 2006 are as follows: Republic of Bulgaria, Republic of Croatia, Romania, the Republic of Macedonia, Republic of Albania, Bosnia and Herzegovina, Republic of Moldova, Republic of Montenegro, Republic of Serbia and the United Nations Interim Administration Mission in Kosovo on behalf of Kosovo. The new CEFTA Agreement was ratified by the countries-signatories and started its implementation in the second half of 2007. It replaced the previous Free trade agreements among the countries signatories.

Free Trade Agreements (FTA)

From 1996 to date, the country has concluded nine free trade agreements, including the one with the European Union as part of the SAA. Most of these Bilateral Agreements are with former Yugoslav republics, which are traditional markets for the country's products due to past formal links. Since 2001 after signing the SAA also the European member states are becoming important trading partner for the country.

FTA quotas are negotiated annually. Starting from 2003 the principle 'first come first serve' applies for all FTAs, i.e. the first exporters will be able to fulfil the quotas without quantitative limits. Most of the agreements are signed in accordance with the Stability Pact and the one with the EU under the SAA

article 16 and 22. General details regarding the existing FTAs are provided in the table below.

Table I - 18 Free Trade Agreements

N.	Contracting party	OG	Entered into Force	Balance of Dynamics of Liberalization
1	Serbia and Montenegro	56/1996	01-Oct-96	Symmetrical
2	Croatia	28/1997, 51/2002, 100/2002	08-Jul-98	Symmetrical
3	Turkey	83/1999	01-Nov-00	Asymmetrical in favour of the country
4	EU	35/2001, 39/2001, 27/2004	01-Jun-01	Asymmetrical in favour of the country
5	EFTA countries	89/2001, 62/2003	01-May-02	Asymmetrical in favour of the country
6	Ukraine	53/2001	15-Jul-03	Asymmetrical in favour of the country
7	Bosnia and Herzegovina	45/2002	01-Jul-02	Asymmetrical in favour of BiH
8	Albania	47/2002	15-Jul-02	Symmetrical
9	Moldova	77/2004	01-Jan-05	Symmetrical

Source: MAFWE Trade Policy Unit, 2006

Opening of markets has been mutually granted in most of the agreements, i.e. approximate balance regarding the covered products, anticipated reductions of tariff rates, anticipated terms for liberalization and concessions granted in the field of agriculture. Parts of the agreements are asymmetrical in favour of the country, i.e. those trading partners open their markets for products originating from the country much faster than the country opens its markets for their products. The agreement with Bosnia and Herzegovina is the only agreement in which the country agreed to asymmetrical liberalization in favour of the opposite contracting party.

WTO membership increased possibilities for export expansion but also competition on the domestic market from imported products. These challenges are going to be even more severe with the implementation of the Free Trade Agreements with the neighbouring countries and the EU-27. A decline in agriculture, forestry and fishery and associated industries could have significant adverse consequences in rural areas and to the overall economic and social stability of the country. Strengthening the competitiveness of the country's agribusiness is the focal point for its survival. This must be supported by the reform of the public institutions and by the implementation of well-targeted support policies and rural development measures.

1.4.3. Agricultural labour

According to the results of the 2004 Workforce survey, done by the State Statistical Office, employment in agriculture (include forestry and hunting) amounts to 87,608 employees, or 16.8% of all employees in 2004. Agriculture is an additional activity for 12,164 persons, of which approximately 66% are

working on family farms. Agricultural employment rose in 2004 by approximately 15% in comparison with 2003 (14% in 2003)[30].

In the absence of accurate indicators of the total workforce involved in agriculture, which can be expected from the forthcoming Agricultural Census in 2007 (the first since 1964), MAFWE estimates that approximately 100,000 people are engaged in agriculture (including enterprise employees and full-time farmers). Additionally MAFWE estimates that 20,000 part-time farmers and significant seasonal employment (particularly in the fruit and vegetable sector) work in the sector, for which accurate data is very limited. More than half of the total engaged labour is employed in crop production with the remainder in the livestock sector.

Table I - 19 Total agriculture labour input (1000 AWU31)

Item	Description	2000	2001	2002	2003	2004
1	Total agricultural labour input (1000 AWU)	136	197	138	97	101
2	Non-salaried agricultural labour input	67	109	74	61	70
3	Salaried agricultural labour input	70	89	64	36	32

Source: State Statistical Office, "Economic accounts for agriculture"

The workforce used in agriculture by all individuals involved equals 101,000 annual working units. Of which, the share of unpaid labour, i.e. workforce from within the family, is 70%, while the remaining 30% go to employed workforce including seasonal workforce and full-time labour, as well as farm-related services by external providers. Thus, the country's agricultural workforce mainly consists of individual farm based labour.

Total income from agricultural activities of all agricultural households and companies shows constant annual growth in the 1998-2004 period (in 2004, it is estimated at MKD 25,123 million). In the same year, the net salaries of labour involved in agriculture amounted to MKD 9,692 a month (approximately MKD 460 a day or about €7.5).

1.4.4. Agricultural Land

1.4.4.1. Land Resources and Land Use

In 2006, the surface of Macedonia's agricultural land[32] amounted to 1.225,513 ha or about 48% of the total land area, while forests covered an area of 947,653 ha or 37%. Agricultural land included 687,324 ha of pastures (or 55.5%) located mainly in the highlands, and 537,419 ha of cultivated land (or 44%) mainly concentrated in valleys. Cultivated land decreased from 633,000 ha in 1999 to 537,419 ha in 2006, mainly due to land abandonment (rural-urban population migration) and urban/industrial developments, which occur at the expense of agricultural lands. The biggest drop is recorded in the use of

30 According to the 2004 official workforce survey performed by the State Statistical Office.

31 Annual Working Unit

32 Agricultural land includes cultivable and pasturelands. Cultivable land includes land for arable crops, orchards, vineyards and improved pastures. State Statistical Office, Statistical Yearbook 2005

arable land and gardens and orchards whereas the land under meadows is slowly increasing.

According statistical data from 2006, from the total cultivated land 438,925 ha (82%) was arable land[33] and gardens, 60,264 ha meadows (11%), 25,239 ha vineyards (5%) and 12,991 ha orchards (2%).

An estimated 34% of the total arable land is left fallow each year. The abandoning of arable land is mainly due to the rural- urban migration and usage of the land for urban purposes and other non-farming activities.

All crops faced decreasing trends in sown areas over the observed period, this is especially evident for cereals.

In the last few years, the vegetable crops have stabilized descending development of the areas sown, after the drop experienced in 2000 and 2001

Regarding legislation, the 1986 Law on Land Use regulated the transfer of privately held agricultural land while attempting to prevent fragmentation and promote consolidation[34]. The law also prohibited the division of land parcels by sale, inheritance, or gift. This law was amended in 1991 to reduce some of the restrictions on land transfers. The latest amendments to the Law for Agricultural Land from 1998 did not introduce any changes regarding marketing of state-owned land. The state owned land cannot be subject to trading but is allowed to be managed as follows: *given with concession* to both domestic and foreign natural and legal entities for the period depending on the particular production[35]; *leased* to the domestic and foreign entities on short-term (for 5 years) and on long-term (from 5 to 40 years) with public announcement, and *given usage of land free of charge* for categories of socially vulnerable groups[36] and *contracted for one year renting* of free agricultural land that is without owner.

1.4.4.2. Land Ownership and Farm Structure

Around 80% of total cultivated land is owned or leased by 180 thousands private farms with average size of 2.5-2.8 ha fragmented into parcels of 0.3-0.5 ha. About 40% of the private farms are smaller household farms with less than 2 ha (further fragmented) that produce mainly for household subsistence

33 Arable land includes land planted to annual crops (cereals, industrial, vegetable and fodder crops), nurseries and fallow land.

34 By this Law, land fragmentation was constrained in several ways. First, a tax (by 3%) was levied on agricultural land transfers to discourage them. Second, the law required that a right of first refusal be offered to the users of nearby socially owned land and then to owners of neighbouring plots. It is reported that these restrictions were frequently not followed in practice.

35 a) Fodder and field production for the period of 20-30 years, green-garden and semi-annual plants production for 30-40 years, and wild animals and fish farms for the period of 10-30 years. The procedure of concession is realized through public announcement with auction by the commission based on the Government decision and organized and supervised by the MAFWE.

36 As farmers without land, unemployed persons, users of social assistance, unemployed from bankrupted companies etc

selling surpluses to supplement other sources of income[37]. The remaining 20% of cultivated land is state owned rented to 136 agricultural enterprises[38].

The privatisation process failed to include state-owned agricultural land managed by Agrokombinats due to the fact that the law defines agricultural land as a public good or national treasure, thus allowing the state to maintain the title to this agricultural land in accordance with the Law on Transformation of Enterprises Managing Agricultural Land. The privatisation process of public agricultural enterprises (Agro-Kombinates) started in 1996, but until early 1999 only 15% of the enterprises were privatised. The process was accelerated with the implementation of the Action plan for privatisation and all Agro-Kombinates were privatised following the model of conversion of ownership. The transformation of the Agro-Kombinates was according the Law on Transformation of Enterprises with Social Capital (OG 38/93, 48/93, 21/98, 25/99, 39/99, 81/99, 49/00, 6/02, 31/03, 38/04, 35/06) and Law on Transformation of Enterprises and Cooperatives with Social Capital managing agricultural land (OG 19/96,25/99,81/99,48/2000). The Agro- Kombinates were transformed according to the provisions of the Law on Trade company (OG 28/04, 84/05, 25/07) are registered as Joint stock companies.

The majority of pastures is still owned by the State and managed by the Public Enterprise for Pastures Management.

Effective use of agricultural land is hampered by parcelling and fragmentation stemming from previous limitations on usable areas and ownership[39], inheritance customs, as well as a tradition of informal relations in the land market.

The weak land market, which failed to contribute to farm consolidation, as well as the low economic growth and lack of social security, keeps feeding the process of fragmentation and diversification of production in small lots in order to offset market fluctuations and satisfy food needs.

In the long run, the existence of small and very fragmented farms, even if with medium intensity production levels, impedes the modernization and mechanisation, which inevitably results in lower competitiveness.

1.4.5. Irrigation

1.4.5.1. Water Resources

Average annual precipitation is 730 millimetres (mm) unevenly distributed in space and time. Rainfall varies from 400 mm in the centre and east to 1,400

37 MAFWE - 2004 Annual Agricultural Report: Agricultural Sector Complementary Information; Statistical Tables.

38 Privatised former *agro-kombinats* and farm co-operatives. Agro-Kombinats used to be vertically integrated agri-businesses managed by the state, which have large land holdings and operate on state owned land on usufruct rights basis, while the state holds the effective property rights. AKs are diversified in primary production, input production, agro-food processing activities, commercial storage and marketing services. Very often they were input suppliers and main buyers from the private farmers but indirectly through the Socially Owned Agriculture Cooperative, which have smaller land holdings and engage only in primary production

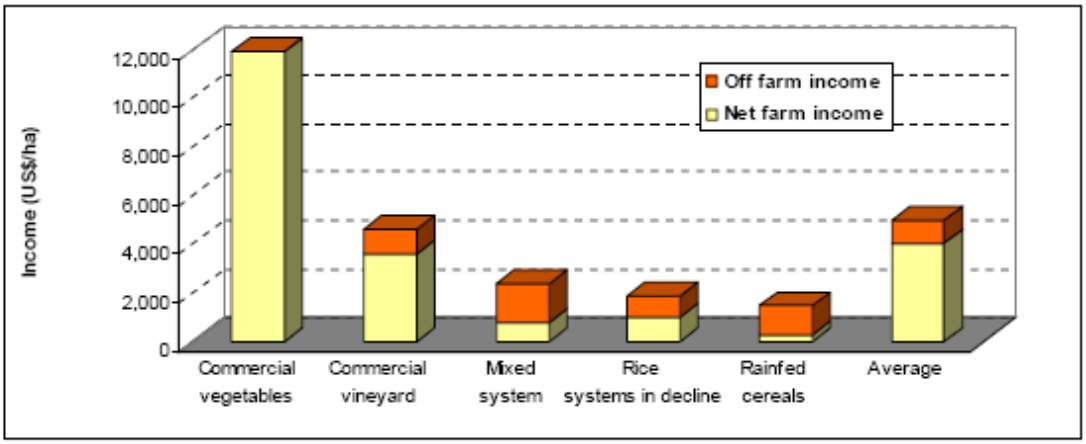
39 Until 1984, the maximum amount of land allowed to be owned by a single farmer was 10 ha or 20 ha in hilly and mountainous regions.

mm in the west, and occurs mainly from October to December and March to May. In an average year, the evapo-transpiration is higher than rainfall, leaving crops with a water deficit of 250 mm in the west and 450 mm in the east. About 75 percent of the country is classified as a semi-arid region. The country is also very prone to droughts.

During drought years, the water deficit for crop production is high, causing significant economic losses in terms of reduced agriculture production in both rain-fed and irrigated areas.

The impact of irrigation on farm incomes as a result of increased yields, increased cropping intensity, crop diversification, increased land-use intensity can be clearly observed in the financial performance of the farmers. According to a survey of 125 farmers conducted in 2002, net farm incomes are higher than average in the central and eastern part of the country, where farmers have access to irrigation and practice commercial horticulture. Net farm incomes are significantly lower in the west, where rain-fed cereals are produced, and in former rice growing areas such as Bregalnica region (Figure 4)[40].

Figure I - 3 *Farm household net income survey*



Note: this graph does not show relative contribution to agricultural GDP due to lack of data on this.
Source: G. A. Cornish C. J. Perry (2003). Water Charging in Irrigated Agriculture: Lessons from the Field.

1.4.5.2 Irrigation Systems and Water Management

Irrigation systems have existed in the country since 1956 so most irrigation schemes are more than 25 years old. After 1991 following the declining trends in agricultural production of enterprises and cooperatives, irrigation schemes were widely neglected and started deteriorating so the total irrigated area underwent a severe decline.

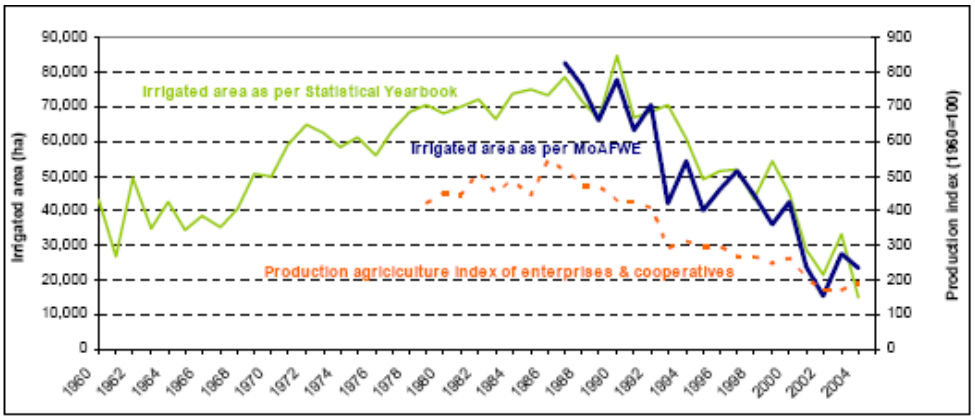
According to official statistics, the total area with irrigation infrastructure is 144,894 hectares (ha) comprising 144 schemes, but only 123,864 ha can actually be irrigated. Cultivated land in the country with irrigation potential is around 400,000 ha, this includes the existing area under irrigation systems.

[40] Source: Study on the state of Agriculture in the Western Balkans, 2006

Generally, all irrigation systems have functional difficulties. The most common problems are the obsolete equipment and infrastructure, inadequate maintenance because of lack of funds and transitional processes in the water economy and the agriculture sector. From the financial aspect, the irregular payment of water charges has reduced the funds for regular maintenance of the systems.

|The loss of markets for agricultural produce after 1991, together with the price liberalization, reduced demand for irrigated agricultural commodities, and the dismantling of socially-owned agriculture and food processing conglomerates, resulted in decreased agricultural income. As a result maintenance of irrigation systems by the State Water Companies was deferred, resulting in physical deterioration of irrigation schemes, falling service levels, irregular water supply, reduced water-use efficiency, and high water losses (sometimes over 50 percent). The negative effects on crop production eroded the ability of farmers to pay for irrigation, leading to further deterioration in service quality and abandonment of irrigations systems. A deteriorated irrigation infrastructure, poor water management arrangements and inadequate meteorological and hydrological network and forecasting capabilities, exacerbate the economic and financial impacts of droughts on the country's agriculture (Figure 5)[41].

Figure I - 4 *Deteriorating irrigation has had a negative impact on agriculture 1960-2004*



Note: the graph is for agricultural enterprises only since the data here is available only for these types of farms.
Source: MAFWE database and Statistical Yearbooks (several years).

The most recent institutional reform of the irrigation sector was launched in 2003, accompanied by infrastructure improvements. Though the reorganization process is not yet complete, Water Management Organization (WMOs) started being replaced by water user groups, including Irrigation Water Communities (IWCs, non-profit voluntary organizations of farmers created at the level of the irrigation distribution network), Association of IWCs (AIWCs) and Water Economies (WEs).

Comparing the structure of irrigated land per crop groups of 2005 and 2004 shows drastic reduction in irrigation of cereal crops (-17.7%), forage crops (-22%), orchards (-11.8%) and vineyards (-12.6%), and significant increase in

[41] Source: Study on the state of Agriculture in the Western Balkans, 2006

the irrigation of areas under vegetable crops (+22.7%) and secondary crops (+75%)

Table I - 20 Structure of irrigated land per crop groups in ha (2004-05)

DESCRIPTION	2004	2005	2005/2004
TOTAL irrigated area	23.160	20.740	-10,0%
Cereal crops	7.501	6.170	-17,7%
Industrial crops	2.129	2.131	0,1%
Vegetable crops	2.283	2.801	22,7%
Forage	3.159	2.468	-22,0%
Orchards	1.785	1.574,5	-11,8%
Vineyards	5.988	5.231,5	-12,6%
Other	315	551.5	75,0%

Source: Water Economy Directorate, Information for use of hydro-melioration systems 2004-2005

The main on farm water application systems include the old-fashioned furrow irrigation, and to a lesser extent sprinkler and drip irrigation equipment (especially on perennials). The widespread use of furrow irrigation leads to inefficient water use, high losses and spreading of diseases.

1.4.6. Plant Production

During the period 2000-2006, plant production shows a decrease in sown areas and in particular cereals (Annex 3). In the last few years, vegetable crops have stabilized the descending trend in areas sown, after the drop experienced in 2000. General production trends in the crop sub-sector have been positive, but yearly fluctuations are higher than in the EU-25. This is possibly due to the lack of application of improved farm technologies (including irrigation) to mitigate climate variations and to shifting targets of past agricultural support policies.

1.4.6.1. Cereals

Cereals are strategically important and the most grown crops, but the country does not produce enough to meet the domestic needs. In the 2000-2006 period, wheat was the most frequently planted cereal crop covering 53% of the total area planted with cereal crops, followed by barley (26%), maize (17%), rye (2%), rice and oats (1% each). Maize, barley and rye are mainly used for animal feed.

During the 2000-2006 period, overall cereals planted area decreased. The trend of reduction of area planted with cereal crops in the last years is mainly

a result of the reduction of the market price and of direct state support (price guarantee of wheat and premium for every kilogram of produced grains).

1.4.6.2. Industrial crops and fodder

In the 2000-2006 period, industrial crops (including fodder crops) are sown on approximately 10% of arable lands. In 2006, most of the industrial crop area was planted with tobacco (35%) and alfalfa (37%) and the balance is made up of sunflower (7%), sugar beet (1%), motley hay and clover (6% each), fodder peas (3%), fodder maize (4%) and fodder beet (1%). Other industrial crops (namely poppy and fibre crops) are statistically insignificant. In the reference period, industrial crops have slightly decreased their area sown, whereas fodder crops have remained stable. Overall, industrial and fodder crops have increased production, reflecting yield increases.

Tobacco is traditionally a strategic product for the country due to its social aspects; it is the main cash crop and engages considerable rural labour in the specific production areas and in the processing industry. During the 2000-2006 period, the areas under tobacco have decreased by 20%, due to the transformation of the tobacco kombinats and erratic support policies followed by the Government.

In the 2000-2006 period, the area planted with **sunflower** has decreased by 10% following a longer-term trend (from 30.4 thousand ha in 1992 to 3.7 thousand ha in 2006). Sunflower is grown mainly in Bitola region (50%) followed by Pelagonija, Kumanovo and to some extent, Sveti Nikole regions[42]. **Oilseed rape**, traditionally grown for forage purposes, is a relatively new crop for edible oil production. It is sown on approximately about 500 ha in the 2001-2005 period (240 ha in 2005). **Oilseed rape** is mainly used for edible oil production and oilcakes for animal feed, but also it is leading oil seed crop for bio-diesel production. **Soybean** is also another dual use crop (human food/animal feed and bio-diesel). In 2006 soybean was sown on the area of 538 ha. No import custom taxes are applied to oilseed rape oil (as well as for soy, castor oil, sesame, flax and hemp) while for peanuts it is 5%.

The great majority of **Sugar beet** production comes from individual agricultural producers, concentrated on limited areas in the Pelagonija valley and are processed in the only sugar factory in the country (Bitola). It is the only industrial crop where the sown areas increased in 2004 and 2005 after a steep decline in 2002 and especially rapidly declined in 2006 (in average 1,600 ha in the reference period). This was a result of the introduced subsidies (direct market support to deliverers of sugar beet to the processors).

Poppy is grown on limited and controlled fields and under state administrative control[43] and is purchased and processed by an authorised chemical company (Alkaloid). Current domestic production of poppy capsules (poppy straw) covers only 30% of industry needs, and the balance is covered by imports of raw material for extraction of alkaloids mainly from Spain and Australia. There is potential for increasing the surface of poppy cultivation

[42] Data from Agro Food Industry “Blagoja Gorev”, Veles

[43] Law on production and market of narcotic drugs (O.G. no. 13/91)

from the current 100-150 ha to around 2,000 ha. Customs taxes on imported poppy seed accounts for 15%.

Feed and fodder production meets only 30-35% of the total national requirements. Forage plants cover only 8% of the total arable area in the county unlike the countries with developed livestock industry where this share is about 40%. One of the reasons for this situation is the lack of sufficient land per farm and small size farms, which are unprofitable to be cultivated by forage plants. Furthermore, the country is net importer of maize for seed and fodder for almost half of domestic needs. The lack of fodder and feed (and thus their high cost) is one of the main limiting factors for livestock production development which has negative effect on the cost structure of meat production (feed and fodder can account for 50 to 85% of production cost) particularly with intensive fattening.

1.4.6.3. Fruit production

In the 2000-2006 period, fruit orchards covered 15.1 thousand hectares, of which apples (18%), plums (7%), sour cherries (5%), peaches (3%), pears (2%), and apricots and cherries (1% each). The average orchard farm size in the country is approximately 3 ha. Out of total orchards, 84% are in the private sector. In the reference period, average total fruit production[44] has been 125 thousand tonnes[45] to which apples contributed around 60%, and stone fruits (cherries, sour cherries, peaches, apricots and plums) with 35%.

Due to the favourable climate, the country's table grapes are of prominent quality and significant exporting potential with prospectively increase of the current foreign currency influx of €7 million (2005). The assortment of the table grape varieties includes several classes from very early to very late table grape varieties. Due to favourable climatic conditions in some vine growing regions table grape varieties have a comparative advantage over wine varieties, but their presence in the favourable growing regions is insufficient.

Areas under orchards have shown a consistent decline since the late 1980' (in the average 500 ha per year converted to annual crops or pastures) and an increasing obsolescence of plantations. These trends are mainly a consequence of the absence of investments due to the transformation of the social sector (whose plantations account for approximately 50% of fruit farming - especially apricot, peach, almond and sour cherry, etc. - were neglected), loss of the traditional Yugoslav markets that entailed export market uncertainty, and diseases (which have halved the pear orchards).

The main problems faced by perennial crops (both orchards and table grape vineyards) are the un-favourable age structure, the presence of commercially outdated varieties, and lack or inadequateness of open field (furrow) irrigation systems for orchards and table grape varieties which cause unstable yields and quality variations. Addressing these problems (renovation of orchards and table grape vineyards and installation of efficient and water-saving irrigation equipment) requires important financial investments, which are difficultly bearable for the smallholder farmer alone.

[44] Not including grape and nuts
[45] SSO 2005.

General low level of productivity and high production costs appear to be the main constraints to the competitiveness of local fresh fruit supply to markets and are mainly caused by inadequate and obsolete cultivation practices, reduced levels of inputs use and of post harvest technologies. There is a need to support the introduction of new technologies focused on novel cultural and chemical treatments (to mitigate low temperature damage of plants and to accelerate and intensify floral bud initiation and subsequent reproductive development), on environmentally friendly methods for weed, pests and insect control, the use of healthy and certified plant material aimed at producing high quality, superior yielding varieties for out-of-season fruit production. Another important problem is the protection of orchards and table grape vineyards from hail, which is common in the country. This also requires on-farm investments (hail protection nets) which should be supported.

Common problem for fruits and table grapes are post harvest losses and the low marketable quality of produce. Causes for post-harvest losses and quality non-conformities within the domestic fruit distribution system are multiple. While some of them have a technical or a marketing origin, others are due to shortcomings caused by poor infrastructure investments in the handling, storing, packing and transport phases. For the sector to survive the competitive pressure of EU exporters, a larger use of post-harvest, modern technology all through the various stages of the fruit distribution chain needs to be supported to improve the quality of the supplies. This includes cooling technology to be used, at field level immediately after harvest, to selection/grading, storing, packing/packaging, transport equipment and facilities. Investments in post harvest infrastructure and equipment should be targeted giving priority to those that are closely connected to the European Logistic Corridors that link the country to the rest of Europe. In this frame, attention should also be given to the way products are transported, by giving priority to those operators using European standard pallets and packages that ease loading and off-loading operations.

The European consumers require fruit products meeting hygienic standards higher than those currently used within traditional outlets (both city markets or retail shops). This requires development, adoption and enforcement of voluntary hygiene management systems (GAP, Integrated Crop Management Protocols, EUREPGAP etc) which would be of great help for the improvement of the country's horticultural sector. This problem is being tackled by the MAFWE at legislative, implementation and enforcement levels, via national measures. In the context of this measure, the adoption of hygienic standards is considered in the eligibility and ranking criteria.

Many fruit varieties (including table grapes) that can be found in the country's orchards and vineyards are outdated. At present, there are two seedlings nurseries in the country: one at the Institute of Agriculture and a privatized one in Skopje. Both nurseries do not produce certified virus-free material. Virus-free seedlings are mainly imported from Bulgaria and Serbia (fruits) sometimes from the EU, mainly from Greece and Italy. For the development of the fruit sector, it is crucial to develop domestic production of virus-free materials. Thus it is necessary to support development of small-scale virus-free materials nurseries, container production of seedlings specialized propagation techniques and fertilization.

The integration of the fruit supply chains is another problematic issue, the solving of which will contribute to increase the competitiveness of the industry on both domestic and international markets. The development of strong producer organizations is the foundation for further quality development of fruit production. In addition, the setting up of supply chain agreements (vertical integration) and integrated cold chain management will allow a better and more reliable access to the markets to the producers. This issue is being tackled by the MAFWE at legislative and implementation levels, via national support measures. In the context of this measure, vertical integration is considered in the eligibility and ranking criteria.

1.4.6.4. Vegetable production

The production of vegetables, particularly early vegetables is one of the significant characteristics of the country's agricultural sector and is one of the most significant sub-sectors that offer a solid basis for further competitive development of the Macedonian agriculture. Although vegetable production is a traditional production sector, it is still in a development phase and the market orientation of vegetable production is on the rise.

The production of vegetables is predominantly located in the northern parts of the country (Skopje and Kumanovo) with a mild continental climate and in the southern parts of the country with a Mediterranean climate (Strumica, Gevgelija, and Valandovo). In the 2000-06 period, around 690,000 tonnes were produced on a total area of approximately 52,000 hectares, mostly in open field, followed by greenhouses cultivation and only a small fraction is under glasshouses.

During the 2000-2006 period potatoes lead with 25% of the total vegetable production, followed by tomatoes and peppers (18% each), watermelons (17%), and by other vegetables (cabbage (10%), cucumbers (5%), onion (4%), along with other vegetables such as beans, peas, lentils, leek, green, string beans, cauliflower, lettuce, eggplants, etc.). Recently, in addition to the traditionally produced vegetable crops, producers are becoming increasingly oriented towards intensive production of non-traditional crops (for the country), which are demanded on the EU markets and beyond, and which enable higher incomes with limited resources like broccoli, Brussels sprouts, Chinese cabbage, asparagus and others.

Tomato, pepper and cucumber are mainly grown under greenhouses (plastic covering) and glasshouses. Around 300 ha of the vegetable production area is under greenhouses with heating systems, while the remaining production is cropping under plastic tunnels and in open fields.

Greenhouse production is mainly gravitating around urban area i.e. has significant features of peri-urban agriculture. The main production regions are Strumica, Gevgelija and Skopje region. The main type of construction used for greenhouse production are "plastic tunnels" which are the simplest construction in smallest dimensions (high 0.8m and wide 3 meters while the length can differ) from wood or metal construction and covered with plastic sheeting. The "tunnels" are also used reproduction of seedling material and for early production of vegetables. The "halls" is another type of greenhouses that are bigger in size (the height is usually 3 meters and the width and length

can differ), with a permanent construction and covered with plastic sheeting. Some of the recent halls have drip irrigation system and heating. Usually in one year two crops can be grown in the same greenhouse, for example, early tomatoes as first, and gherkins or cabbages as the second crop.

In modern glasshouses (especially in the Strumica region, where some glasshouses are heated with geo-thermal water) production of vegetables is highly profitable due to early harvest in January (one month before neighbouring countries) and high prices are maintained until April/May.

However, in the last 10 years, due to the delayed glasshouses privatization process, very little maintenance and investment in technology modernization has been made in the majority of the glasshouses. Currently, the exploitation of the existing 260 ha (most in blocks of 6-24 ha) of glasshouses ranges between 70-75% of the capacity. This is due to inefficient and obsolete heating systems, which substantially raise production costs, and, since there is an acute lack of working capital to pay for heating, many glasshouses have no advantage with regard to the time of harvesting.

To improve the production efficiency of the glasshouses and of greenhouses large investments are needed for general repair works, installation of modern ventilation and heating systems, computerization, soil-less cultivation, irrigation, etc., which require to be supported. Also of the use of thermal waters for heating, which is environmentally friendly, should be further expanded where possible.

A serious problem for vegetables are the post harvest losses and the poor marketable quality of produce. Causes for post-harvest losses and quality non-conformities within the domestic vegetable distribution system are essentially due to poor infrastructure investments in the handling, storing, packing and transport phases. For the sector to survive the competitive pressure of EU exporters, a larger use of post-harvest, modern technology all through the various stages of the vegetable distribution chain needs to be supported to improve the quality of the supplies. This stretches from cooling technology to be used, at field level immediately after harvest, to selection/grading, storing, packing/packaging, transport equipment and facilities. Investments in post harvest infrastructure and equipment should be targeted giving priority to those that are closely connected to the European Logistic Corridors that link the country to the rest of Europe. In this frame, attention should also be given to the way products are transported, by giving priority to those operators using European standard pallets and packages that ease loading and off-loading operations.

The integration of the vegetable supply chains is another problematic issue, the solving of which will contribute to increase the competitiveness of the industry on both domestic and international markets. The development of strong producer organizations is the foundation for further quality development of horticultural production. In addition, the setting up of supply chain agreements (vertical integration) and integrated cold chain management will allow a better and more reliable access to the markets to the producers. This issue is being tackled by the MAFWE at legislative and implementation levels, via national support measures. In the context of this measure, vertical integration is considered in the eligibility and ranking criteria.

1.4.6.5. Other crops

Flower production is one of the prospective industries of agriculture with secured marketing and satisfactory prices, as well as already demonstrated interest for foreign investments in the production capacities.

Furthermore, the country has abundant aromatic and medicinal herbs and wild herbs. From the export of essential oils, solutions and other products of these plants the country realises a foreign currency inflow of around $10 million annually[46]. Nevertheless, one of the limiting facts is that they are mainly quantities from wild plants, while organised production of plantations of aromatic and medicinal herbs, which have huge potential, is at the very beginning of its development.

Medical plants. Similar to other East European and Mediterranean countries, the sub-sector of medicinal and aromatic plants in the country is dominated by traditional collection of wild products, as far as the production side. Since ancient times, wild collected medicinal and aromatic plants have always been an integral part of the local traditional medical treatment. The demand for products from this sector increases constantly, not only by the domestic market, but by the export market as well. For the rural population, wild plant collection and their sale means additional income generation.

In the past, collection of wild products was mainly characterized by an uncontrolled and unsustainable exploitation of the biodiversity. Therefore, the national heritage of rare plant species is endangered.

Training of collectors is an imperative and precondition of a sustainable and controlled collection of medicinal and aromatic plants. In this regards, the Manual for collectors of medicinal and aromatic plants has been prepared[47]. This Manual gives detailed information about the characteristics of the collection areas, plant parts harvested, time period of collection, harvesting tools and method as well as to the post collection treatment.

There are approximately 3,500 vascular plant species in the country, of which 700 have medicinal properties, but only 120 species are utilized. Most of these plants are herbaceous, a small portion are shrubby and the fewest, woody. Their qualitative and quantitative distributions within the Republic have not been fully determined (i.e., a chorographic atlas of the medicinal plants has yet to be published).

In Annex 4 listed are the medicinal plant species registered in the country according to the Country study on Biodiversity, 2003. The collection and use of medicinal plants can be divided into three categories: personal use, retail/wholesale trade and other commercial purposes. A mechanism for regulation and classification is necessary before it can be determined how much dry plant material an individual can collect from an area and before a permit for this collection can be issued[48].

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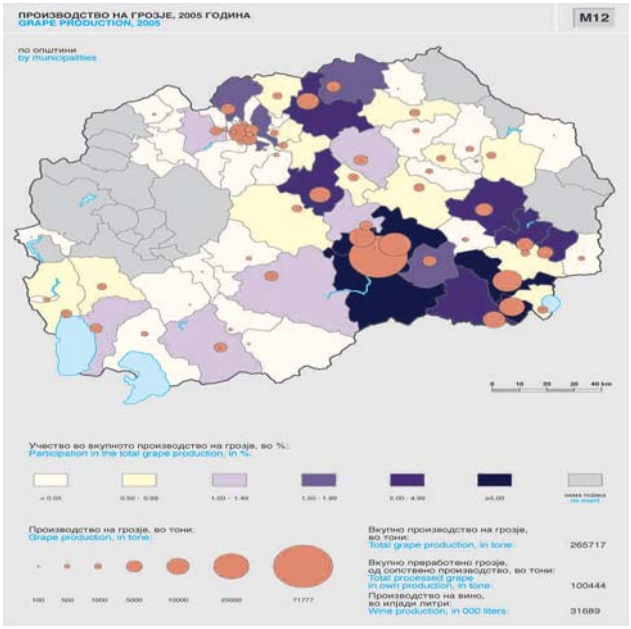
46 Source: SEED Report – The Balkan Herbs Sector

47 "Medicinal and Aromatic Plants – manual and monographs for collectors according to the principles of organic production", 2004 -jointly supported by GTZ Agro Promotion Project - Skopje and SIPPO (Swiss Import Promotion Program)

48 Utilization i.e. collection of the forest fruits can be allowed by approval from MAFWE

The collection of medicinal plants for commercial purposes in the country varies widely with the species collected, the collectors themselves and the seasonal quantity of the collected material. Most serious is the large seasonal demand by foreign buyers for specific plant species, facilitated by certain local trade companies, which have no previous experience in this field. According to the nature of the plant material used (e.g., root, fruit, leaf, flower or stem), the greatest risks and threats are for those plants which are used whole, followed by those whose roots are collected and then those with useful bark. Species with a restricted area of distribution are most threatened (e.g., *Acorus calamus, Salvia officinalis* and *Sideritis scardica*). Based on data from the past ten years, the most troubling situations are with the species: *Adonis vernalis, Colchicum autumnale, Herniaria glabra, H. hirsuta, Gentiana lutea, G. punctata, Hypericum perforatum, Lichenes,* various species within the genera of the family *Orchidaceae,* whose parts are used in the production of salep, *Sideritis scardica, S. raeserii* and *Thymus* spp.



1.4.6.6. Viticulture

Vine is a traditional crop for the country. For the producing areas, it is main income crop, source for employment of the local population and at the same time contributing towards the development of the production of wine, which has large export trade relevance. Viticulture is probably the most important and strategic the country's industry in the area of plant production, since together with the wine production it contributes to around 17%-20% of the agricultural GDP. Wine holds the first position in the export of beverages, and is the second most important product after tobacco in terms of export value of agricultural products. There are three vine-growing regions in the country divided into 16 sub-regions (Vineyard districts). Detailed table with vineyard distribution per region is presented in Annex 5. The main production takes place in the Vardar Povardarie Region (Central region), which accounts for around 86% of the total vineyard area (2006), followed by the Pcinja-Osogovo Region (the Eastern Region covering about 8%) and the Pelagonija-Polog Region (the Western Region covering 6% of the area). In the Vardar valley the number of vineyards is increasing, while other regions the surface is decreasing.

Overall, in the past 12 years there is a downward trend of the land areas under grape production (from around 30 thousand ha in 1995 to 24.3 thousand in 2006). This tendency is likely to continue in the future, since new plantings and replacements (mainly from the smallholder sector) are insufficient to offset the uprooting of old ones.

During the 2000-2006 period, an average of 25.7 thousand ha were cultivated, of which 70% (around 17.9 thousand hectares) were for wine production, and 30% for table grapes and dried raisin (around 8 thousand ha).

Around 25.000 farms are involved in viticulture. Among these farms, around 70% are individual holdings and 30% are agricultural firms. The current average size of the parcels is estimated to be between 1.1 ha and 1.3 ha fragmented into plots of 0.3/0.4 ha in general and 0.1 ha in the area of Skopje.

Average annual production in the 2000-2006 period is 233,065 tonnes (254,308 tonnes in 2006 of which around 28% are table grapes). Average yields in the reference period are 9.2 tonnes/ha, and in the last three years they show an increasing trend due essentially to good climatic conditions.

White wine grapes predominate in the country (mostly of the Smederevka variety, around 60%, which is not much in demand on the market). The red wine variety Vranec is present in approximately 20% of vineyards.

The country's vineyards have suffered a long period of under-investment, resulting in an unfavourable age structure. Almost 40% of vineyards (for wine production) are older than 20 years. They are prioritised to be the target of investment for their rejuvenation (uprooted/re-planted) in order to maintain the country's production potential. The rejuvenation requires significant financial investments. The assortment of wine grape varieties is inappropriate in terms of quality, location and market attractiveness and current representation of the wine grape varieties is often not in compliance with the recent Book of rule on the classification of grape varieties (OG 6/2007). Furthermore, a high percentage of the vineyards are located in the so-called freezing zones where bud freezing happens frequently. The replacement of inappropriate grape varieties from freezing zones to locations that are favourable (inclination, windy locations, stable temperatures, etc) for grape production will contribute to achieving stable yields and improved quality. The rejuvenation and re-placement of the vineyards require significant financial investments especially for the small farmers but also for firms owning larger areas invested in vineyards, due to the lack of nurseries (there are only two nurseries for production of grape seedlings: the Agricultural Institute in Skopje, and a private company), and the outdated technology used in the production. For certified planting material with good quality, the producers rely on import from neighbouring and EU countries. There is a necessity to support development of new nurseries in the traditional vine growing regions for the production of certified propagating material for vines, especially for autochthonous (Stanusina) and regional specific varieties (Vranec, Kratosija, Smederevka, Zilavka, Zupljanka, Plovdina, Prokupec) as well as for internationally attractive varieties (Merlot, Cabernet Sauvignon, etc.).

One of the important limiting factors to wine grape varieties production is the insufficient (400-600 mm/year) and uneven distribution of rainfall during the vegetation period, which cause yield instability and quality variations, which are reflected subsequently in the wines. The utilisation of water-saving on-farm drip irrigation is necessary for recommended varieties used for the production of non-premium wines (i.e. table wines, etc.) for wine classification (see Part II 2.1.4. Wine).

The use of mechanization–based processes in vineyard production is weak (mechanization is used currently only for soil cultivation and vine protection). No machinery is used for the ampelo-technical measures, harvesting, etc. The existing tractors and auxiliary equipment is technically and economically obsolete, with frequent breakdowns and high utilization of fuel and oil. It is thus necessary to renovate the machinery and specialized equipment of vine growing to reduce production costs.

Wine grape producers suffer from several management problems. Grape producers do not have the ability to obtain credit, or to influence raw materials supply (thus reduced use of agro-chemicals), exert price control of the grape, and ensure timely payments for their deliveries, especially from the larger processing capacities. Grape sales to the wineries are generally not regulated by specifically agreed pre-conditions or by cooperation contracts (whether short-term or long-term).

Limited domestic support for the wine variety vineyards has been provided under the MAFWE Annual Agricultural Development Programme since 2004. Measures in the programme relate only to the planting of high quality new vine plants for wine-grapes of the recommended varieties.

1.4.6.7. Organic farming

The Law on Organic Production was adopted in 2004 and it regulates the production, processing, marketing and labelling of organic production. This law is applied to all types of agricultural products intended for human consumption and animal feeding, where methods of organic production are implemented. In 2004, a Programme was prepared for the instigation and development of organic agricultural production, which was implemented in 2005. The funds for development of organic farming production in 2007 amounted to MKD 11 million for the following measures: (1) Financial support for organic areas and areas under conversion from conventional agricultural production into organic one, (2) Financial support of organic production in livestock farms; (3) Financial support of expenses for control and certification of organic products; (4) Financial support for the costs of lab analyses in organic farms; (5) Implementation of the scientific – research project important for acquiring participation of foreign projects for organic agricultural production and (6) General measures.

In 2006, in the country 104 operators[49] – clients have applied for organic inspection and certification, out of which, 101 farmers have been certified for primary organic production, two companies for processing and one company for trade of organic products. In comparison to the 2005, the number of the interest organic producers in 2006 increased rapidly, showing a growth of more than 100%[50].

The control and certification of the cultivated area intended for organic agriculture by Balkan Biocert started in 2003. In the 2005 a total of 49 farmers were inspected on arable area of 274.5 ha and two companies with their own

[49] Including companies for collection of wild products
[50] Data source: Balkan Biocert ,2007

regions for collection of wild products on the total area of 6,869.43 ha[51] was inspected. The number of the inspected farmers in 2006 significantly increased to 101 farmers with total cultivated area of 509.42 ha.

In 2006, 509.42 ha arable land, including 31 various crops, 505 beehives, were inspected and certified. The highest volume is produced of Japanese kaki *(Diospyros kaki),* but even this amount (8 tonnes in 2005) is not sufficient for export, although there would be a market for organic kaki. According to PROBIO[52] there are good conditions for production of organic fruits in the country, especially kiwi, figs, kaki and pomegranate. In addition, there is a good potential in collection of wild products (herbs, teas, fruits, mushrooms) and some animal breeding sectors such as sheep, goat, cattle. An asparagus and olives emerged as significant new crops and several applicants are interested in growing organic vegetables as cabbages, peppers and carrots.

In comparison with 2005, the total arable area (including fallow land) for organic production increased by almost 33%, while the area of collection of wild products increased by 4%[53].

The control of the organic products and processing is conducted by the inspections bodies authorised by the State Authority (MAFWE). Inspection bodies provide continues control of production and processing, issuing on certificates in accordance with specific standards.

Currently in the country are accredited two inspection/certification bodies Balkan Biocert Skopje, branch office of Balkan Biocert Plovdiv, Bulgaria and the INCEBO Skopje.

The advisory services are the key element in the organic farming development in the country, At the moment, the trainings for organic farming delivered to the advisories are very modest and limited, barring in mind that the short trainings usually are performed in foreign countries with support of international organizations and donor projects (GTZ, CIHEAM-IAMB, USAID, SLR and others).

Multiplicators are an internally developed network of advisors on organic agriculture who operate within the Swiss Project on Organic Agriculture (PROBIO-FiBL).

In order to extend multiplicator's know-how in organic production, a series of training were conducted. These trainings covered different topics of organic farming: organic fruit production, organic grape production, organic bee keeping, introduction to organic animal husbandry, and also trainings on general principles in organic production, on the existing national regulations and private (commercial) standards for organic farming, on the historical development of the organic movements (IFOAM), etc. Further planned are training on organic vegetable production, organic pest and disease management, etc.

For primary organic producer purposes, NEA is providing small advisory packages including general advice for organic production (bookkeeping, plans

[51] Two companies from collection of wild products (1,303.43 ha+ 5,566 ha)

[52] Joint organisation, funded by Swiss Development and Cooperation Agency and the Cooperation Office at Skopje

[53] Areas of two processing companies in the country operating in processing of wild products

for production and rotations of crops, soil fertility, usage of seed materials, pests and diseases, etc.).

The most important problem at the moment is the lack of accredited laboratories for soil and crop tests. There is no accredited laboratory in the country to perform these tests but the tests are carried mainly in Serbia or Bulgarian laboratories.

The National Strategy with Action Plan for organic agriculture in the country was adopted on 12 September 2007 by the Government.

1.4.6.8. Good Agricultural Practices

The draft Code for Good Agricultural Practice has been prepared in the beginning of December 2007. In the preparation of the Code, a working group consisted of experts from the relevant institutes, the Faculty for Food and Agriculture and from MAFWE was involved. Adoption of the Code by the Minister is expected at the end of December 2007.

The Code covers the main areas concerning, land use, fertilizer use, animal husbandry including animal welfare, and manure management, plant protection, water management and water pollution, agriculture systems and biological diversity etc. Furthermore, in the Code of Good Agriculture Practice training to farmers on application of GAP is envisaged to be performed with the support of the National Extension Agency.

The Code is in line with approximated national laws and the international standards, mainly Codex Alimentarius as well as the recommendations in the EU Nitrate Directive EEC/91/676.

Table of content of the Code of GAP is listed in Annex 6.

1.4.7 Animal Production

Historically seen, animal breeding is the dominant activity of the individual agricultural sector, except the pig breeding that used to be carried out on large state farms. During the last decade, with the reduction and transformation of the big Agro-Kombinats, the owners' structure of the animal production farms has not changed to a great extent. Such a development basis contributed to maintain the structure of animal production farms as predominantly private holdings. In other words, the current structure of animal production in the country consists of a large number of individual farm producers whose production is mainly for their own consumption, a certain number of commercially oriented family farms that are on the rise and big specialised animal production enterprises, the number of which is in decline.

The predominant private farms are characterised by low level of modernisation and low hygiene conditions. The insufficient animal hygiene and welfare are main impediments for increasing the competiveness and penetration on the EU markets.

According to the most recent data from the State Statistical Office, the total number of animals, per category, can be seen in the table below.

Table I - 21 Number of animals (2001-2005)

	2001	2002	2003	2004	2005	2006
Bovine	265,266	258,973	259,976	254,803	248,185	255,430
Sheep & Goat	1,285,099	1,233,830	1,239,330	1,432,369	1,244,000	1,248,801
Pigs	189,293	196,223	179,050	158,231	155,753	167,116
Poultry	2,749,637	2,900,966	2,417,362	2,725,298	2,617,012	2,585,327

Source: State Statistical Office, 2005, 2006

Despite the increase in livestock numbers in 2006, the analysis of the numbers of animal in the last years shows that the animal stock is steadily reducing. According to the data from 2006 the individual agricultural farms own 96% of the total number of bovine, 96% of the total number of sheep, all goats, horses and bee hives.

The enterprises, as legal entities that deal with the organised animal production, participate with 37% of the total number of poultry and 39% of total number of pigs.

1.4.7.1. Dairy farming

Cow milk is produced by large number of private producers, with rather small herds (average of less then 10 cows). Many farmers keep breeds that have dual purpose, i.e. milk and meat production. However, there are also farmers who are specializing in high productive diary cows. This specialization is accompanied with investments in modern production methods and facilities that complying with quality and safety standards. These dairy farmers invest in milking equipment, improved housing, milk storage equipment, fodder preparation, breeds and breeding, etc.

The number of cows slightly decreased in 2003 and 2005 while milk yields per cow increased.

Table I - 22 Milk yield per cow (2000-2004)

	2000	2001	2002	2003	2004	2005	2006	Average
Milk per cow (litres)	2,343	2,096	2,094	2,140	2,362	2,025	2,497	2,222

Source: Veterinary Directorate of the MAFWE

The cows are kept everywhere in the country except in the very high regions as the milk collecting costs are too high there. In some high regions, the cows are kept as mother cows for veal production. The following table shows that 86.4% of the farms have only between one and five cows and they keep 54% of the total cows.

Table I - 23 Structure of the dairy farms in the country (2005)

Farm (cattle)	No. farms	Cumulative number of farms	% Farms	Cumulative % farms	Number of cows	Cumulative number of cows	% of cows	Cumulative % of cows
1 - 5	42,098	42,098	86.4	86	100,521	100,521	54.0	54%
6 - 10	4,669	46,767	9.6	96	34,367	134,888	18.5	73%
11 - 30	1,634	48,401	3.4	99	27,163	162,051	14.6	87%
> 30	340	48,741	0.7	100	23,956	186,007	12.9	100%

Source: Veterinary Directorate of the MAFWE

The cows are held in stables 12 months a year. The main calving season is February – March. The fodder basis of the cows is maize silage, alfalfa, grass, hay and compound fodder.

Very small structured dairy farms cause relative high cost for purchasing milk collection and cooling equipment. Raw milk collection itself is organised in all possible ways. The dairies them self collect directly milk from “larger” farms as of 200 -500 litres. List of registered dairies is presented in Annex 7. Total sheep and cow milk production in 2006 was 291,290 thousand litres, which is 18.3% more than the previous year.

1.4.7.2. Cattle breeding

Cattle production in the country is primarily for milk production while meat production is a by-product (beef production of is based on fattening of male calves from dairy breeds and slaughtering of spent dairy cows). As a result, beef sub-sector remains the most under-developed sub-sector. The biggest portion of the domestically produced beef originates from dairy herds.

The 2.6% reduction of the number of bovine in 2005 which is bigger than the average decline of 1.7% in the period 1997 – 2004 came as a result of the reduced birth rate with the bovine that is by 6% lower than in 2004.

According to the latest data from the State Statistical Office, the total number of bovine in 2006 compared to 2005 has shown the increasing line for 7,245 heads or 2.9% and the number of cows and heifers also increased for 7,063 heads or 4.5%.

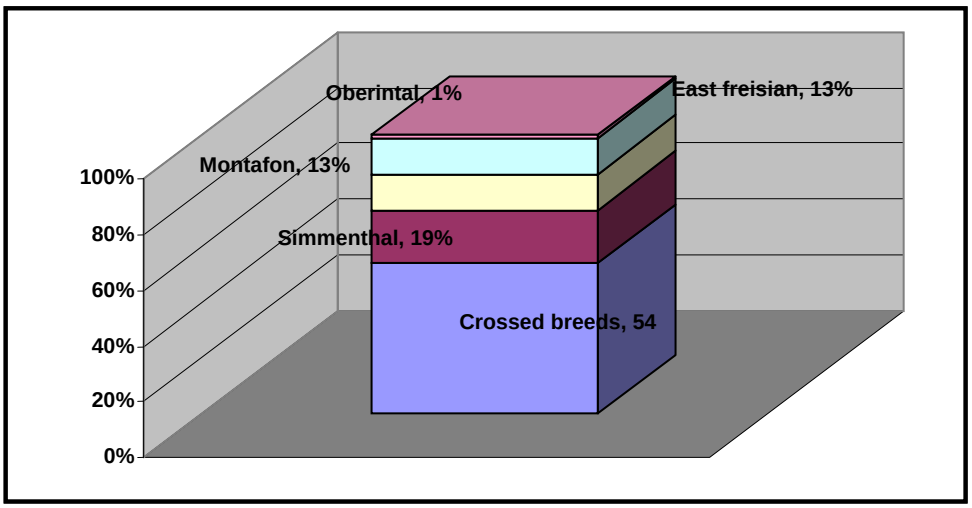
There is no single typical beef meat production system. Specialized beef meat production tends to be based on grazing or grass feeding, though there are examples of more intensive feeding systems with the animals being kept indoors and/or being fed with prepared feeds.

Thus, as country with semi-arid climate and mountainous-hilly topography, with a number of mountainous pastures and meadows, cattle breeding for meat could be a potential profitable agro-business for the people living in the rural areas. In the pastoral and mountainous regions, where cereals are hard to grow, pasture-based, or so-called *extensive* systems of beef production could be practiced. Characteristically, cattle reared in such regions grow more slowly, usually to higher weights, and produce meat that is more mature and stronger tasting. Calves from *suckler cows* are recommended to be reared in such extensive systems.

Around 75% of the farms on which bovines are reared are mixed, while the other is farms specialised in cow milk production. Such individual farms are most often characterised by a small number of heads (75% possess 2 - 3 cows) and undefined technological cycle. Contrary to this, the big farms have high-potential genetic materials that represent a generator – nursery of genotypes.

The country's bovine breed structure shows the predominance of milk or dual purpose breeds. At the moment, the following breeds of bovine are present in the country and their proportion in the breed structure is as follows:

Figure I - 5 *Breeds of bovine*



Source: Veterinary Directorate of the MAFWE, 2006

Table I - 24 Number of bovine farms (2006)

No of bovine farms	
from 1-5	29,975
from 6-10	8,641
from 11-15	2,677
above 16	3,236
Total	44,529

Source: Veterinary Directorate of the MAFWE, 2006

Due to the dominant structure of dairy cows in the total bovine population, beef production is not sufficient to meet consumer's demands including meat-processing industry.

The weight of the slaughtered domestic bovine expressed in bovine carcasses in 2005 amounted to 7,604 tonnes and is by 12.5% less than the quantities of beef in 2004 (8,691 tonnes in 2004). Moreover, according to the latest data from the Veterinary Directorate, the total number of slaughtered bovine is 6,189 and the total meat production is 1,033,251kg. In 2006, total meat production decreased for 0.8% compared to 2005. As the domestic production meets only partially the domestic needs, meat processors mainly resource beef for processing from imports (around 14 thousand tonnes). Part of this import under reduced import customs quotas might have an influence on the lower prices of the meat on the retail sale market.

1.4.7.3. Sheep and Goat breeding

Sheep breeding has long tradition in the country and plays a very important role in animal production. As country with semi-arid climate and mountainous-hilly topography, small ruminants are the most popular animal species for the country's rural people to breed.

Sheep breeding is semi-nomadic and breeds that can be used for milk and meat production are mostly present. Sheep and goat breeding is mainly carried out in the mountain areas in perimeter on the northern, western and eastern borders in a belt that is between 10 and 80 km wide.

The average annual production per ewe on former state owned farms is 0.92 lambs, 17.13 kg of marketable milk and 2.20 kg of wool. There are no exact records of private farm production, but some indicators show significantly higher production on these farms, especially in the case of marketable milk (45 kg per ewe). Although the level of sheep production is rather low, it is very important from the economic point of view, due to the export orientation of the lamb production (roughly 2,000,000 tonnes of lamb meat is marketed on markets of the EU. On the other hand, sheep cheese has been marketed locally, and it meets the demand for this product.

The sheep farms are usually family-owned businesses. Since recently, there is an upwards tendency of establishment of commercially oriented sheep farms. The main products of this traditional business are the *suckling* lambs and the milk-processed products, such as soft white sheep cheese *(sirenje)*, sheep yellow cheese (*kashkaval*), sour milk, curd, whey, and the less important by-products, as mutton, *pastrma*[54] and wool.

The breeding structure of the sheep in the country consists of two varieties of the Pramenka breed:

- *Ovchepolka* – 60%,
- *Sharplaninka* – 30%,
- Their crossbreeds with various *Merino* breeds, and
- Imported varieties, *Württemberg* and *Awassi*.

Table I - 25 Sheep Population (2001-2006)

Year	Total sheep	Breeding ewes	Lambs and yearlings	Rams and sterile ewes	Average number of milking ewes
2006	1,248,801	858,684	321,404	68,713	879,786
2005	1,244,000	833,181	330,939	79,880	827,861
2004	1,432,369	1,005,271	339,734	87,364	n.a.
2003	1,239,330	827,435	326,748	85,147	n.a.
2002	1,233,830	882,823	279,893	71,114	n.a.
2001	1,285,099	896,769	317,427	70,903	n.a.

Source: SSO Yearbook, 2001-2006

Based on the State Statistical Office data for 2006, there are around 1.24 million sheeps, largely owned by individual breeders (96%). However, the statistical number corresponds to the survey methodology and not to the exact number of heads as the identification, registration and tagging of small ruminants is ongoing (to be completed in 2008).

Total number of sheep until 2005 has followed the same path of decline by 13.2% including the total number of ewes (decrease by 17.1%).

The number of sheep population experienced most dramatic change in the last 7 years as their numbers reduced by 25%. This big reduction is due to the

54 Dehydrated salted mutton meat.

problems with the marketing of the lamb meat in the period 1996-1998 due to the spread of foot-and-mouth-disease within the national sheep flock.

However, the latest data for the total number of sheep in 2006 compared to 2005 show increase by 0.4%, as well as the number of breeding ewes (increased by 1.6%), pointing out towards recovery of the situation.

Table I - 26 Total and number of slaughtered sheep and goat and meat produced

Total number of Sheep and Goat	867,062
Total number of slaughtered sheep and goat	293,095
Total number of sheep and goat meat (kg)	158,234

Source: Veterinary Directorate, 2006

Sheep breeding has always been based on small individual family farms with flock size ranging from 200 to 250 sheep (source: Federation of farmers).These farms have been managed and maintained as family businesses, using family land, barn facilities and labour. Many times the size of the farm depends on the size of the property, and in many occasions larger farms or group of farmers rent state pastures in the up-lands during the summer period.

Lamb production. Lamb meat is the main product and covers the domestic needs and is an important export product of the agricultural sector.

The average sheep meat production from 1999 to 2004 was 5,444 tonnes, which is 23% lower than the production of sheep meat in 2004, equal to 7,030 tonnes and 6,857 tonnes in 2005. Total number of slaughtered lamb in 2006 is 284,846. The total lamb meat is 2,851,512 kg.

The lamb carcasses are mainly exported to the EU through the registered slaughterhouses in the country.

Table I - 27 Total export of lamb meat per country (2006)

Country	kg
Italy	1,049,141
Greece	1,643,313
Croatia	41,193
Bosnia and Herzegovina	10,062
Total	2,743,709

Source: Veterinary Directorate, 2006

Traditionally there were 9 slaughtering facilities for lambs[55] and the number of lambs yearly exported reached around 2 million. In 2005, this figure is much lower (around 273,000, according to the Faculty of Veterinary Medicine).

The lamb carcasses weigh approximately 9 kg, which meets main export market requirements. The season of lamb slaughter is limited to two weeks in

[55] List of licensed for export lamb slaughterhouses can be found in Annex 8.

April and in December, in order to meet the demand for lamb meat in the period around Easter and Christmas.

Goat breeding. Since the prohibition against goat breeding was abolished in 1989 (after more than 40 years), the interest of farmers in goat production has been increasing. The number of goats estimated by the SSO is 63,579 in 2006, which has increased by 2% since 2005 (62,190 goats in 2005). Almost whole of the goat population is owned by individual farmers (97%).

There is no previous information on the production level of goats, but it is around the productivity of the local Balkan breed. This goat breed has poor productive characteristics and is raised very extensively. However, the raising interest in goat breeding resulted with introduction of quality breed Alpina goat and cross breeds thereof.

1.4.7.4. Pig breeding

In the 2000-2006 period, the average pig population was 180 thousand heads (167.1 thousand in 2006). According to statistical data, the number of pigs in the country shows a decrease (particularly noticeable in the private sector), mainly due to the high price of feed, the largest production cost component. The most recent information about the number of pigs in 2006 compared to 2005 has increased by 7.3% and the number of heads for reproduction has also increased for 13.5%.

The structure of the pig herd is shown in Table below:

Table I - 28 Pig population (2001-2006)

Year	Total	Piglets	Fatteners	Sows and Gilts	Boars	Other
2006	167,116	49,746	81,879	28,148	1,866	5,477
2005	155,753	49,023	73,526	24,809	2,004	6,391
2004	158,231	47,917	75,924	23,960	2,279	8,151
2003	179,050	52,909	82,778	31,508	3,985	7,870
2002	196,223	53,127	104,422	29,999	2,168	6,507
2001	189,293	61,353	92,109	26,541	1,958	7332

Source: SSO Yearbook 2001-2006

The structure of the pig herd is piglets of around 30 percent, fatteners around 50%, sows and gilts 16%, boars with 1% and others 3%[56].

The enterprises, which deal in an organised manner with the pig breeding and production (closed cycle, artificial insemination, etc), are owners of around 40 percent of the total number of pigs in the country, while the remaining 60 percent of the pigs are property of the individual producers (low intensity breeding and selection, with around 1-3 sows and total herd of 15-20 heads).

The most common breeds are Landrace (Belgian, Danish, Swedish and German) as well as big Yorkshire and Durok. The input of new genetic material is only done with the import of boars, to avoid inbreeding and increase of average production results.

[56] Data for year 2005 are from the May 2006 report of the SSO.

1.4.7.5. Poultry breeding

The poultry sub-sector is mainly geared towards the production of eggs and secondarily of poultry meat. Poultry includes several different species of domestic birds, such as chicken, turkeys, geese and ducks. However, the dominant production type is chicken.

It is until recently that the country did not have poultry meat production beyond the spent laying hens that at the end of their productive life are slaughtered for further processing. Local production of broilers is a relatively new business for the farmers, and is potentially quite rewarding. The broiler production system represents a transition from traditional socialist production model to modern market oriented farming, implementing standards to satisfy the consumer requirements for quality, healthy and safety of product.

The poultry meat reproduction cycle is fast. The bird population and available poultry meat increase rapidly. The cost of feed is by far the most important aspect of the poultry meat production.

Poultry meat production tends to take place in housed conditions or other enclosed systems, in order to allow better disease and pest control, as well as to enable production efficiency.

The production system of consumption eggs is intensive. When the export market for eggs diminished, the sector was plugged with over-capacity, inefficiency, over-employment and high input costs, the consequence of which was closing down of the production facilities or switching to broiler production.

In recent years the consumption of poultry meat has risen, partly as a result of the price competitiveness with other meats, and also due to increased consumer health concerns associated with other meats. So, as the consumer awareness is rising it becomes easier for the domestic producers to compete with imported poultry meat.

The poultry meat market is still 90% constituted of frozen product and if the trend of the country's market follows the consumption and quality demand of the new EU member States, fresh poultry will supersede the frozen product as the consumer preference turns towards fresh product, even though it has a price premium (approx. 20 to 35% more expensive).

Table I - 29 Consumption of poultry meat in the EU and in the country

Poultry meat consumption per capita projections – 2006 (Kg per head)				
	EU – 25	**EU -15**	**EU -10 (new member states)**	**Country - 2004 (SYBM 2005)**
Poultry	22.9	22.6	24.5	11.0

Source: C.L.I.T.R.A.V.I. Brussels (from Sub-sector study on meat and milk 2006)

From the table it can bee seen that the consumption of poultry meat in the country is significantly lower that the other nations, even if the figures for consumption could be “higher than the reality” as there are rural households who have their own chickens which do not appear in statistics. This would indicate that there is very strong potential growth in this sector and probably

an increasing trend towards consumption of fresh product at marginally higher prices compared with imported frozen meat.

According to the statistical data, the total number of poultry in the country is around 2.6 million, of which 83% are laying hens with total production of around 340 million eggs in 2005, which in 2006 has decreased for 2.7%. The enterprises, as legal entities that deal with the organised livestock production participate with 37% of the total number of poultry.

The poultry sector in the country includes 12 big farms for broilers and 30-35 small farms. Bigger farms have the capacity for 20,000 chickens/turns or 120,000/year or in total capacity for all 12 farms is 1,440,000 chickens, while smaller farms have a total capacity of around 1-1,200mil chickens/year. The average capacity is around 5-7,000 chickens per turn.

Laying hens. There are 15 bigger farms with capacity of 50-100,000/turns and 50 family farms with capacity of 3-10,000 laying hens/year. Total capacity is about 1-1,100,000/year.

The latest data (Veterinary Directorate 2005), about the total number of the poultry, which is 1.965.799, show a decreasing trend (numbers of poultry in 2006 has decreased about 1.2%compared to 2005).

The average production of poultry meat in the period 1999 to 2004 was 4,099 tonnes that is 22% higher than the production in 2004. Domestic production is growing fast in more recent years; from 1997 to 2002, it has increased by over 10% annually, as a result of the increase of population as well as the increase of the consumption per capita. Latest results, from the Veterinary Directorate (2006) about the total slaughtered poultry are 1,012,546.

The domestic production of chicken meat is insufficient to cover demand; therefore, large quantities of chicken are imported. In 2005, the production of poultry meat amounted to 3,809 tonnes, which is only about 20% of the domestic demand. The remaining 80%, mainly frozen poultry meat for the processing industry, are covered from imports. In 2005, the import of poultry in the country amounted for € 21.1 million in value and around 25,000 tonnes in quantity. The import of poultry meat mainly encompasses import of hens and chicken meat (90%), while the import of turkey meat participates with only 10% expressed in value. The main countries that supply chicken meat are the USA (with 30%), Slovenia (18%), China (14%) and the EU-15 (13%).

1.4.7.6. Beekeeping

Natural conditions in the country are favourable for development of bee keeping. The melliferous plants -covered mountains are a plentiful source for production of aromatic honey that can find a good market within Europe. Depending on their natural habitat, they can be classified as forest plants, meadow plants, field crops and weeds, fruit trees, industrial and oil crops and medicinal plants. Most of the melliferous plants bloom in late spring - May to July and very few flowers in early spring or fall. Forests of spruce and fir trees provide late-summer harvests of dark, honeydew honey with high value on the export markets. Other important forest resources are sweet chestnut, lime, sycamore and wild cherry.

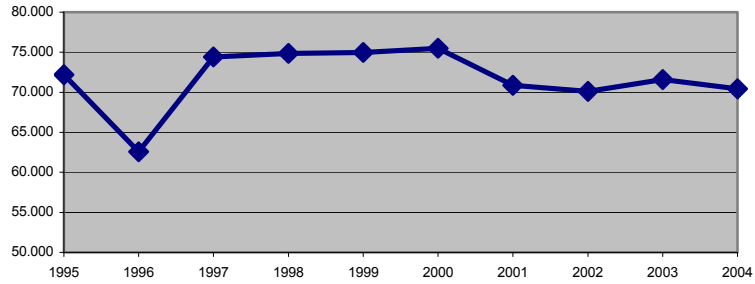
Pollen analysis of the country's honey shows that:

- most honey is multifloral, to be marketed under the category: meadow honey
- a significant 34% of the honey could be marketed as monofloral.

The race of honeybees in the country is *Apis mellifera carnica,* known as 'The Carniolan bee', characterized by gentleness and high productivity. It winters in a small cluster with a relatively modest food supply and its development in spring is rapid.

Currently, there are approximately 11,000 honey producers. In most cases, bee keeping is a part-time activity providing some 40% to 45% of household income. Only 14% has commercial production of honey. There are also some 12 honey processors in the country. In 2005, a repro-centre for selection and breeding of reproductive material has been registered.

Figure I - 6 *Number of bee hives from 1999 to 2004*



Source: State Statistical Office, 2005

Statistical data indicate a decreasing trend in the number of beehives since 2000. In 2004, number of beehives is 70,417 and in 2000, it was 75,500. In 2005, the number was even lower-68,988 beehives on average. The number of beehives in 2006 compared to 2005 has increased by 1.6%. In average, each bee producer has approximately 7 beehives.

Main outputs from the apiculture are honey, beeswax and propolis. Total production of honey averages some 1,137 tonnes. In 2004 it was 916 tonnes and in 2005 the honey production amounted to 1,042 which is 13.8% increased. According to the latest data from the State Statistical Office, honey production in 2006 has decreased for 16.7%.

Average production of honey per hive is low, ranging from 12 to 20 kg per hive depending on the season. The average honey production per beehive is 15 kg in 2005. Better-managed hives, however, produce 50-60 kg/hive/yr.

Most of the honey production is consumed domestically and 8% is exported. Average export of honey in the period of 1999 – 2004 is 27 tonnes, and in 2004 it was 23 tonnes in quantity terms and 71,000 € in value terms. In 2004, the main export destinations were USA, Australia and Serbia and Montenegro. Honey is currently subject to an import tariff of 45%, and the share of imports is less than 1%.

1.4.7.7. Milk sector priorities

The tendencies in the livestock breeding are linked to milk production, making meat production a minor part and reducing the presence of meat producing breeds. The annual milk production in the country for 2006 was estimated to be 291,290 thousand litres showing evident increase of around 18% comparing to 246,164 thousand litres total milk production in 2005. The cow milk production in 2006 amounted to 234,708 thousand litres and was 19% higher than in the previous year (197,464 thousand litres in 2005), while the sheep milk production reached 56,582 thousand litres with an increase in production of around 16% compared to the previous year (48,700 thousand litres). The average milk yield per ewe in lactation was 64 litres in 2006. The annual average milk yield per dairy cow is around 2,5 litres for 2006 and they are relatively stable in the last few years. However, the high quality milking cow breeds can reach 5 litters average annual milk yield per cow. These cows are bred on larger farms (Agriculture Companies and Cooperatives). In terms of results per farm structure, higher milking yields per dairy cow are achieved by the Agriculture companies and cooperatives, but higher milking yields per ewe are achieved by the Individual Agriculture Holdings. This analysis reflects the organisation structure of the primary milk production.

The participation of the individual milk producers in total milk production amounts to around 90% showing modest growth in the last two years. Most of the milking cows (247,484 heads) are owned by individual farmers, which produce on average 2,4 litres of milk per year. Same situation applies with the sheep herds where the majority of the sheep population is owned by the individual farmers.

The very small structured dairy farming causes relatively high costs for milk collection and milk cooling equipment on farm. Raw milk collection is organised in different ways. The dairies collect directly milk from “larger” farms as of 200 -500 kg onwards and they have their own milk collection centres with milk cooling tanks (lacto-freezer). There are also raw milk traders, which collect raw milk. Very small dairies (farm dairies) which concentrate on sheep and goat milk process their own milk and buy milk only from the neighbourhood.

Contracts between milk processors and dairy farmers are made on quality basis without proper education of the farmers on how they can fulfil these strengthened quality standards.

The problems related to this sector can be qualified as relatively basic and concern raw milk quality, production management competence, problems regarding HACCP application and the meeting of international hygiene standards. Consequently good and hygienic milking praxis and good milking and cooling equipment are a precondition for improvement of raw milk quality. Moreover, a good feeding management is necessary to lead towards good fat and protein contents of the raw-milk.

Therefore, the main needed investments are on-farm milking machinery and milking equipment and milk cooling tanks on farms and / or at milk collection points. This equipment is needed for cow, sheep and goat farming. They will have a strong positive impact on the entire dairy sector because milk-cooling

tanks will solve problems regarding hygienic raw milk quality, cost price reduction per dairy product, longer shelf live, enable the dairies to develop modern and high profitable products, enlarge the dairy product range, and enable production of dairy products of export quality. In addition, to comply with the animal welfare standards, an investment is necessary for improving the stables and waste management.

1.4.7.8. Meat sector priorities

The key weaknesses of this sector are the lack of equipment and of holdings complying with EU standards. Problems were also identified in waste treatment and waste disposal, hygiene, animal welfare and in meeting environmental standards on the agricultural holdings.

In order to upgrade the holdings to community standards it is necessary to invest in construction/reconstruction and purchasing of new machinery.

With no support, the sector will not be able to meet the required level of investment in the mid-term and long-term development perspective of competitive agricultural holdings.

1.4.7.9. Animal waste rendering

The rendering of waste animal material is an area of the meat industry that has not yet been addressed on a national scale and there is no rendering plant dealing with animal waste in the country.

The meat-processing sector is importing virtually 100% “bone-less” meats so the animal waste from this sector is very limited. Slaughterhouses have contracts with the local authorities who take away their waste (bones, horns, hooves etc) and dispose it in landfill sites.

Blood from slaughterhouses is not collected for further treatment and ends up in the municipal wastewater collection system. Some plants have a waste pre-screening operation, which removes some of the waste from water.

As an indicator to waste rendering, the industrial norm for waste capacity calculations in Western Europe is that 10% of the slaughtered weight of animals is discarded as waste. Therefore, it can be estimated that the required rendering capacity for the country is around 700-800 tonne “rendering” waste per year from cattle and pig slaughter.

The establishing of a rendering system is a mid-term priority for the Government in order to implement waste collection and disposal. For this, specialist companies need to be contracted to give professional advice for such installations.

1.4.8. Agricultural Markets and Market Policy

1.4.8.1. Agriculture Markets

Improving the ability to compete on domestic, regional and EU markets is the biggest challenge that the country's agriculture faces.

If producers and agro-processors manage to compete with prices and meet the quality and food safety requirements, the country's products will have access to EU and regional markets.

Trade liberalization will also result in lower producer prices, and minimal direct budget support for agriculture as a result of the low AMS ceiling agreed with the WTO. Continued fiscal rigor will further limit the ability of MAFWE to increase public support for agriculture. Producers will thus have to substantially increase productivity and product quality if they are to be competitive. Those who do not meet these challenges will face lower incomes and a reversion to subsistence production.

Numerous products have the potential to be competitive, however. Agriculture in lowland areas benefits from good climate, fertile soils and access to natural upland pastures. Transition countries with good agricultural resource endowments can be competitive in crops. Creating a policy environment, which allows progressive, efficient producers and processors to expand, despite increased competition and limited public support, will be critical to the future of agriculture.

The improvement of market structures is crucial for the successful development of the agricultural sector in the country. The establishment of competitive structures and enterprises in the agro-food sector and viable marketing and trading units will define the market share of the sector. Production capacity modernization calls for vast investment amounts targeted at the bringing national quality, health and marketing standards in line with EU requirements upon the country’s accession to the Community.

The agricultural products in are marketed at wholesale or retail markets. At wholesale markets, large amounts of imported, or produce from domestic growers are accepted, temporarily stored and prepared for further sale. Organized wholesale markets do not have sorting, classification and packing facilities, necessary to fulfil marketing requirements. The adoption of marketing strategies through introduction of new regulations in line with the EU standards is necessary for the strengthening of these facilities. A large portion of fresh produce is retailed to the so-called Green Markets, and thus distributed do the end consumers. Recently, the wholesale markets assumed an increasingly important role in distribution of the produce. In the country, although domestic consumers are increasing their attention to quality attributes of produce, the domestic market seems to remain primarily price-oriented. Therefore, in the country quality of produce is nowadays primarily an export issue.

The export of fresh agro-food products is mainly carried out by domestic and foreign wholesalers or traders, which deal with the whole range of available produce. The most attractive products are early season fresh products due to the higher prices that can be achieved both on export and domestic markets. The advantage that the country has in trade competition is that the harvest season starts at least one month earlier than in most neighbouring countries. The main markets for fresh produce are EU counties, Serbia, Montenegro, Croatia, Slovenia, and Bosnia Herzegovina.

Export to the EU involves high quality requirements for grading produce and packaging and high quality transports. Nevertheless, the need for large quantities of standardised early season produce represents a good opportunity for the country to increase the export of agricultural products in the future.

1.4.8.2. Competitiveness of agricultural products

The competitiveness of the country's agri-food sector is becoming increasingly important with its growing exposure to world (and particularly EU) markets and the changing nature of its domestic markets where the increasing penetration of trans-national and domestic supermarkets, the introduction of international grades, standards and business practices and the consumer's increased demand for quality and safe foods risk to marginalize local small producers and processors.

Nominal Protection Coefficients (NPC) for wheat, maize, early tomatoes, fresh apples, cow milk, pork and lamb indicate that, on average, lamb, vegetables and apples are currently competitive on international markets, but many traditional crop and livestock products are not. Wine and tobacco also have demonstrated export potential (NPC < 1).

A high average NPC does not mean that there are no competitive producers and processors in the country. The relatively high prices of agricultural commodities in internal market simply mean that marginal producers are high-cost and that low-cost producers lack the means to expand. High import protection has allowed them to continue operating, and encouraged them to sell internally rather than in lower-price export markets.

The evidence of substantial agricultural exports shows that some producers are able to compete in markets abroad. The most market-aware farmers currently appear to be drawn to horticultural products (i.e. fruit, berries, mushrooms, flowers, and early season vegetables) and may have already developed comparative advantage within this product category. The competitiveness of many agricultural products can also be improved. In particular, the fertile soils and favourable climate of the lowland areas in the country are appropriate for a wide range of agricultural products. Land and labour are also relatively cheap. The ability to obtain competitive production from this resource base is limited by inadequate irrigation, small farm size, fragmented land holdings, poor technology, inadequate working capital, and low investment. These constraints lead to low land and labour productivity. The country may also have a comparative advantage in small ruminant production on natural upland pastures if labour supply problems can be solved. Lack of effective marketing and logistics also increase production costs. Measures to address these constraints are essential if the ability to compete is to improve.

Table I - 30 Nominal Protection Coefficients for main Commodities (2002)

Wheat	Maize	Early Tomatoes	Fresh Apples	Cows Milk	Pork	Lamb
1.28	1.21	0.91	0.84	1.29	1.23	0.82

Source: Study on the state of Agriculture in the Western Balkans, 2006

The time frame for increasing competitiveness is relatively short. Given the medium-term need for continued fiscal constraint, the capacity to compensate farmers for lower prices and increased competition through increased budgetary support for agriculture will also be limited. Hence, those components of the agricultural sector which are unable to respond to increased competition, or which respond too slowly, will probably contract.

Government policy has been slow to react to these challenges. Major opportunities do exist in a number of areas but require more consolidated efforts from both the public and private sector to improve competitiveness and raise standards. The findings were quite revealing and point the way towards future opportunities for the country in the food industry.

1.4.8.3. Market Policies

The Governments aims at increasing competitiveness of the farm sector and the food industry by strengthening the genetic base for agricultural production, adopting modern farm management systems.

In order to improve the quality of marketed and traded products a harmonisation of sanitary and phyto-sanitary measures with international standards is under way. In addition, EU compliant laws in terms of food safety and veterinarian protection are in the pipeline, and it is planned to implement EU requirements on quality standards as soon as possible. In their regular work veterinary programme and a phyto-sanitary and seed program are formulated to promote and secure production against diseases and pests and to create more consumer trust and confidence in regional products, which currently have to compete with imported products.

Marketing of agricultural raw products and processed food shall be improved. The country has to deal with three major challenges:

- High safety of food, an issue that is mostly related to appropriate supply chain management.
- Effective competitiveness of the supply chain participants, which chiefly deals with business networking through consolidation of sales, standardization of the produce, and adoption of value-driven marketing strategies.
- Appropriate preservation of the environment and workers' safety and health, which are issues predominantly related to sound rural development strategies.

The food consumption patterns are heavily influenced by cultural and social backgrounds, which tend to change slowly and not always in a uniform manner from one country to another. That will result in the need for operators of this industry, to conceive and implement individual approaches to each specific single market.

Furthermore, it should be considered that the regional Balkans market is progressively reducing, as Bulgaria and Romania recently joined the EU. The regional market is therefore reducing to some small countries, with Serbia being the largest and most attractive target country, loosing attractiveness and likely becoming more and more expensive in terms of logistics arrangements,

marketing efforts and border procedures, particularly when compared to the open and large EU single-market.

1.4.8.4. Agricultural prices

The State Statistical Office gathers price data from various markets, recording quantities and purchase prices for certain commodities. No differentiation is made to account for product quality. No data on production stage or quality are tracked. These prices are, in many cases, likely to be an inaccurate reflection of average prices for specific commodities.

In the first half of 2006 consumer prices increased by 3.1%, compared to 0.2% on average during the first half of 2005. Low inflation in the past few years is mainly the result of trade liberalisation, which resulted in the decline of food prices, due to the countries accession to the WTO. However, during 2006, increases in excise taxes and higher energy prices led to an acceleration of consumer price rises.

Producer prices (See Annex 9) in wheat have remained relatively stable in recent years, while the prices in rye and meslin and barley have reduced significantly. Raw tobacco shows high fluctuations in the last years, due the increase or decrease of international prices. The prices of apples, another significant agricultural product, decreased dramatically in 2003 as a result of favourable climatic conditions, which led in a major production increase. Potato prices showed increasing trends following the increasing consumption. Comparing prices for main products with EU averages proofs the relatively high price level for crops (with the exception of apples) in the country. Pork prices are above EU 25 averages and poultry below.

1.4.8.5. Production –consumption balance

Since no official market balance sheets are available and taking in consideration the fact that there is no data on the ending and beginning stock for the commodities, these balances are based on the assumption that the consumption and exports are equal to the production and imports per annum which makes them incomplete and neglect changes in stocks.(Annex 10)

1.4.8.6. Trends in demand and distribution

As the level of wages is expected to increase with the country's approximation and accession to the EU, the range of products requested and the qualitative features of agricultural fresh and processed products should also improve.

Indeed, following trends already ongoing within EU countries, an increasing importance will be given by domestic consumers to factors such as quality, produce safety and produce information.

The relatively high share of young people among total population[57] and the increasing amount of employed women, might also favour a shift of preferences towards less conventional types of foods. This mainly refers to foods including a higher level of added services, such as "ready-to-be-used"

[57] UNICEF estimated the country's population below 18 years old in 2003 to be 27.1% of the total country's population.

kind of products.

Nevertheless, despite the fact that higher levels of income usually bring more sophisticated consumption patterns even for food products, this should not be expected to be an abrupt process. Definitely, widespread (and therefore massive) improvements in the income levels will be, on average, reached only through a slow progression. However, if a wider range and higher quality of domestic agro-food products will not be made available to meet higher consumer's demand, the risk exists that this latter might be increasingly satisfied with imported agro-food products.

The strong concentration of the food demand brought forth by the development of Multi Purpose Retailers will inevitably affect also the nature, the way of operating and the size of those operators (either producers and/or intermediaries) who might wish to supply Multi Purpose Retailers outlets with a wide range of products all through the year.

The provision of a range of services capable of either increasing added value to products or making the logistic of the delivery and produce storing faster and more efficient will imply a level of organization and logistics at supplier level, which very rarely can be found among traditional agricultural producers.

In addition, there is a need of supplying retailers with products meeting quality and hygienic standards higher than those currently used within traditional outlets. This requires use of harvest and post-harvest equipment and facilities and the adoption and enforcement of hygienic and quality management systems. Again, operators with a certain size and level of organization can more successfully deal with these requirements.

Furthermore, the suppliers will likely be imposed with delayed payment terms for their deliveries[58]. This can be withstood only by financially sound suppliers, with a good ability to correctly manage enterprise financial.

Additional to lack of capital and high production costs, performances of the country's agro-food sector are also hindered by a general lack of market channels and marketing organisations.

It is clear that the country's agricultural outputs cannot influence price levels within main markets -either world, EU or regional ones. This situation, therefore, confines the country into a typically "price taker" position.

Certainly, productivity and produce quality should be reached with those prevailing within EU countries, in order for the country not to be flooded with external products more price-competitive and, with few exceptions, also better quality.

Therefore, in order to meet consumer's requirements the country's agricultural products have to be primarily:

1. Properly sorted, graded and packed
2. Clearly labelled for:
   a) Information
   b) Traceability and Integrated Emergency Response System
3. Hygienically Safe

58 MPR operators in EU pay their supplies usually from 30 to 60 days from delivery and even later.

4. Tasting Good

1.4.9. Biodiversity and Environment Related to Agriculture

1.4.9.1. General features of biodiversity

Bio-resources have an important place in the tradition and culture of the country.

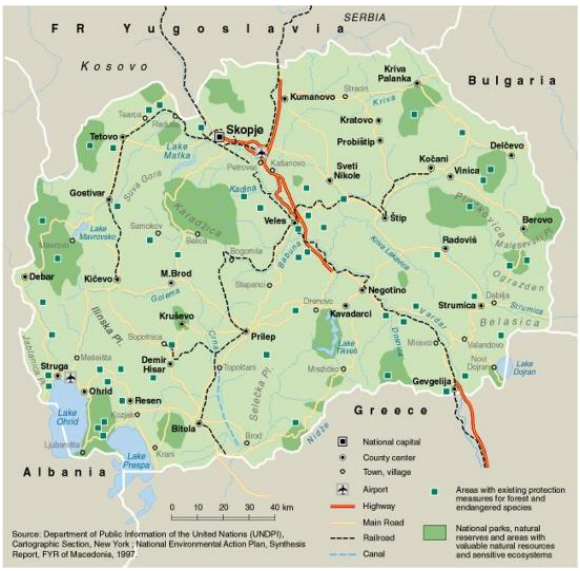
The Study on Biodiversity in the country identifies and describes major eco-systems

- **Forest ecosystems** cover a large portion of the country and are found in several regions: The “Oak region” is distributed within the lowlands and highlands up to 1,100 m and covers 73% of the total forested area; The “Beech region” covers the mountainous areas between 1,100-1,700 m (about 22% of the total forested area). It may be differentiated into a sub-mountain and a mountain belt. The sub-mountain Beech region is present between 1,100-1,300 m (an area of the climate-zonal community), where refugial types of Beech forests as well as Pine forest communities (Black pine) can be found. The mountain belt spreads between 1,300 and 1,700 m (the area of the climatogenic assn. *Calamintho grandiflorae-Fagetum*) and is formed by various types of Beech, Beech-Fir forests and, in the secondary habitats, forests of White pine, Aspen and Birch are present. The “pre-mountain (subalpine) region” is located between 1,700 m and approximately 2,100 m. In these areas, the forests are almost destroyed. Forests of Spruce (*Picea abies*), Mountain pine (*Pinus mugo*) and Molika (*P. peuce*), however, as well as heath of *Bruckenthalia spiculifolia, Vaccinium myrtillus* etc., can be found.
- **Dry land/grassland ecosystems** occupy a large part of the country. They occur in the lowland and highland belt (in the highland pastures), and often in secondary habitats primarily because of permanent degradation of forest phytocenoses (mainly Oak), but also due to recolonisation of abandoned farmland by grassland species. The ecosystems themselves are present at altitudes of from 60m to approximately 1,200 m above the sea level.
- **Mountain ecosystems** are found within a large portion of the country, especially on mountains over 2,000 m in elevation – Belasica, Bistra, Deshat, Dudica, Galichica, Jablanica, Jakupica, Korab, Kozhuf, Nidze, Osogovo, Pelister, Shar Planina, Stogovo etc. – where there are optimal conditions for their development. Mountain and high-mountain vegetation which develops above the upper forest boundary (over 1,800 m) is very rich and diverse.
- Wetland ecosystems in the country are present in various forms (relic lakes, glacial lakes, reservoirs, rivers, streams, springs and temporary waters). The group of key aquatic systems includes the three natural lakes and the developed river network, especially the watershed of the Vardar River.

The current status of the key ecosystems in the country reflect both the local environmental conditions in which they develop and global climate changes.

In the country, biological resources represented by indigenous varieties, breeds and species should be preserved for the sake of economic, scientific, cultural, socioeconomic and environmental interests.

The term *biodiversity* is not used in the country's highest legal framework – the Constitution. The key elements of the constitutional method of protection can be recognised in most of its provisions, however. Thus, the nomenclature of *the fundamental values of the constitutional system of the Republic*, inter alia, includes *environment and nature protection and promotion* (Article 8, Paragraph 1, Item 10). In addition, the Constitution guarantees the right of all citizens to a *healthy environment* and the Republic provides appropriate conditions for exercising this right. At the same time, protection of the environment and nature is regulated as a constitutional obligation of all people (Article 43). Furthermore, the Constitution provides for the possibility of legal limitations on the *freedom of the market and entrepreneurship* (Article 55, Paragraph 3) on behalf of biological diversity. Finally, it provides equal *constitutional status* for all *natural properties* and *plant and animal life* as a whole (status of *properties of common interest for the Republic*). Such a status implies special protection for each individual property of common interest, as well as specific protection of the entity to which it belongs, as a group object of protection (Article 56, Paragraph 1). This constitutional framework provides a solid basis for establishing and developing a coherent system of environmental protection and, within it, designing a clear model for biodiversity conservation.



The country's current biodiversity legislation is in the process of approximation with the EU legislation. While approximation of the EU Habitats and Birds Directives will be a major step forward, further steps are necessary to address all of the country's responsibilities under the Convention on Biological Diversity (e.g. bio safety. The weight in the process is to seek and achieve the maximum possible synergy between development of the NBS and that of NEAP2, NSSD, EU approximation, and the Pan-European Biological and Landscape Diversity Strategy (under the Ministerial 'Environment for Europe' process).

1.4.9.2. Agrobiodiversity

Biological diversity in agriculture is one of the most critical areas of the overall biodiversity on the globe, with 75% of all food production based upon only about 100 plant species and domestic animals. In the country, biological resources represented by indigenous varieties, breeds and species should be

preserved for the sake of economic, scientific, cultural, socioeconomic and environmental interests.

The country possesses significant agro biological plant diversity due to its favourable geographic location and climatic conditions. The diversity of a large portion of the local species has not been adversely affected because agricultural production is not intensive in many regions. In such areas, indigenous species and locally bred varieties are grown, representing an important source of genetic material no longer appearing within the genotype of commercial species.

The major portion of the total arable land is used for field and garden production (84.2%), with the greatest percentage consisting of wheat, tomatoes and peppers. Fruit and grape production comprises 7.1%, mostly consisting of native and introduced grapes (4.4%), apples and plums. Meadows cover 8.5%, and are most often planted with alfalfa.

The bulk of the crops produced consist of commercial varieties, the major portion of which are imported from abroad, with a minor number of locally-developed varieties, mainly created by the Institute of Agriculture in Skopje. Small producers still grow local varieties and indigenous species, especially in garden plant production. The number of varieties/species used in agricultural production within the country is evidence of great biological diversity. There are 129 recognised domestic varieties and 2,205 imported varieties used domestically.

There are indigenous breeds and varieties of domesticated animals in the country, which are fully accommodated to local breeding conditions. During the past 50 years, however, new, more productive breeds have been imported. Both the original imported breeds and crosses with local varieties are still present today. Crosses between indigenous breeds/strains and imported breeds are known in several species:

- *Busha* is a local breed of cattle found in highland and mountain areas. During the last 30-40 years, it was crossed with many imported breeds. According to official statistical data (see Chapter 1.4.5.8.), Busha comprise 30% of the total number of cattle raised.
- *Pramenka* (sheep) is represented by three strains: Karakacanska, Ovchepolka and Sharplaninka. While the Karakachanska strain is considered to be endangered, as classified by the Food and Agriculture Organization (FAO) (2000), the other two strains are widely used in sheep production.
- *Domestic (Balkan) goat.* Although its numbers are on the increase, it is difficult to make a clear distinction concerning this breed. The goats come in different colours (white, grey and multicoloured), with outstanding long hair and sword-like horns.
- *Local primitive pig* is raised on ranges in the regions of Makedonska Kamenica, Strumica and Sveti Nikole. Although it is a very primitive breed, more field and laboratory research is needed in order to clearly define its status.

Table I - 31 Indigenous breeds and species

Species	Breed	Strain	Status of Population
Cattle (*Bos Taurus)*	Busha		Stable
Sheep (*Ovis aries)*	Pramenka		
		Karakachanska	Critical
		Ovchepolska	Stable
		Sharplaninska	Stable
Goat (*Capra hircus)*	Domestic (Balkan) goat		Stable
Pig (*Sus scrofa)*	Local primitive pig		Unknown (critical)
Dog (*Canis familiaris*)	Sheep dog – Sharplaninets		Stable

Source: Country Study of Biodiversity, first national report, 2003

Because of excessive and uncontrolled exploitation of wild plant and animal species, there is a serious danger that many will disappear. Due to the importance of maintaining biological resources, there is a pressing need to adopt regulations concerning these species and to specify annual collection quotas.

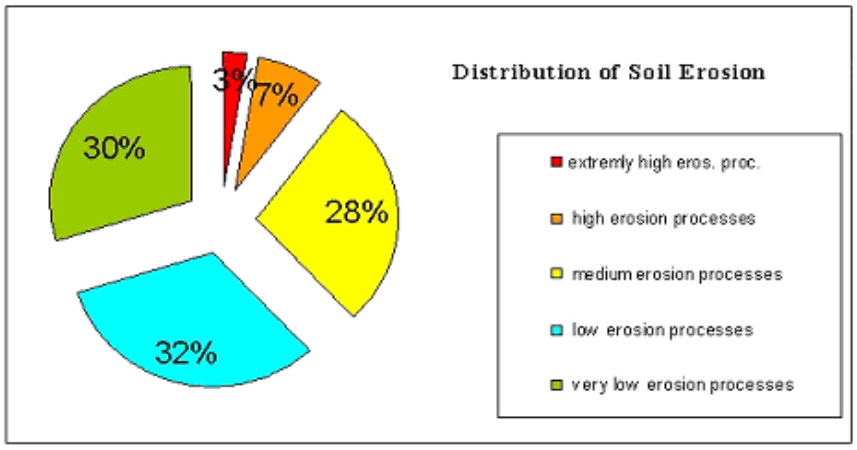
Manuals and monographs for collectors of medicinal and aromatic plants has been prepared in 2004 and issued by the MAFWE (supported by SIPPO and GTZ) to educate the collectors. Also under the Law on Forests (OG 47/97, 7/00 and 89/04), Book of rules for manner of usage and collection of other forest products (OG 54/00) is adopted by MAFWE to regulate the collection of the forests flora and mushrooms.

It is essential to pay greater attention to biological diversity that is traditionally utilised, and to endeavour to create recognisable standards for quality, origin and certain other traits for specific products.

1.4.9.3. Agro-environmental problems

Soil erosion is one of the most important environmental problems and it has increased in the last decade. The combination of natural vulnerability (sloping terrain, vulnerable soil structures and occurrence of intensive rains), inappropriate land use (destruction of natural flora, conversion of grasslands for cash crop cultivation, establishment of large fields involving the destruction of former shelterbelts, landscape elements and field margins) and farming practices (overgrazing, use of monocultures, limited application of organic materials, ploughing of steep slopes, lack of soil conservation tillage techniques, insufficient land use for winter cover crops) contribute to the acceleration of erosion processes. Currently an estimated 38% of the country experiences medium to severe erosion processes, with an annual total soil loss of about 17.1 million cubic meters. Soil erosion results in large amounts of sediment ending up in artificial and natural accumulations, leading to a reduction of storage or flow capacity of water and damage of critical hydraulic infrastructure.

Figure I - 7 *Distribution of Soil Erosion*



Source: Agricultural Institute (Skopje, 2006)

Water pollution by nitrates and phosphates, pesticides and organic manures caused by agricultural sources are reported in the country. Although untreated municipal and industrial wastewater discharge is the main cause of water pollution, diffuse pollution of ground and surface waters with nitrates and phosphates (due to excessive application of mineral fertilisers and animal manures, especially in highly erosion-prone soils) occurs in areas where there are many intensive farms. According to the latest data there is a low use of mineral fertilisers (around 104kg NPK per ha of arable land or 12kg NPK/ha agriculture land). There is no data on fertiliser use at farm level. Point source pollution of surface waters with pesticides, nitrogen compounds, phosphates, various organic materials with high Biological Oxygen Demand (BOD) and pathogenic organisms (due to poorly stored and managed pesticide, manure, slurry, dirty water, silage effluent and other farm wastes) occurs in areas with highly intensive farming and livestock establishments. It is expected that agricultural pollution will increase with the modernization and intensification of agriculture.

Water resource quality is affected by pollution and soil erosion, with agriculture a contributory factor. The quality of the country's water resources ranges from satisfactory to poor. Quality is relatively good in the upper reaches of rivers, deteriorating rapidly in the middle and lower reaches. Untreated municipal and industrial wastewater discharge is the main cause of water pollution, but agricultural activities also contribute, threatening both surface and groundwater sources. Livestock farms are a particular problem. While average use of fertilizers has declined, from 90 kg/ha in 1994 to 45 kg/ha in 2002, some water bodies (including Bregalnica and Vardar rivers) are reported to suffer pollution from excessive nutrient loads, particularly in summer. Modernization and intensification of agriculture will further threaten surface and groundwater sources and reservoirs. Polluted water constrains farmers' crop choices, especially more profitable crops like vegetables and fruit. Soil erosion also affects water resources, but currently receives limited attention. About 38 percent of the country is prone to high soil erosion due to topographical features and heavy rainfall, but in many cases, soil erosion is caused by unsustainable agricultural practices. Soil erosion has resulted in large amounts of sediment ending up in reservoirs and irrigation and drainage

facilities, leading to a reduction of storage/flow capacity and damage of critical infrastructure.

An effective framework for trans-boundary water resources is important for safeguarding access to irrigation. About 98 percent of the country lies in watersheds of trans-boundary rivers, and most of the country's rivers are shared with neighbouring countries. Allocation issues persist in some of the shared basins. Since agriculture is the main water user, it is in the interest of the agricultural sector to put in place or re-establish cooperative arrangements for trans-boundary water bodies.

Biodiversity loss. Agriculture is a sector posing a severe threat to the biological diversity of the country, especially due to intensification of agriculture (associated with higher fertiliser and pesticide use, semi-natural grassland conversion to arable land, and new irrigation developments) is reported in localized high production potential areas. Biodiversity loss due to land abandonment, in particular in marginal areas, can lead to the deterioration and eventually the disappearance of semi-natural habitats and traditional landscapes in the places concerned. Traditional management of grasslands, and low input, high crop diversity mixed farming, which maintained of high nature value habitats, have ceased in many marginal but environmentally valuable areas. Land conversion to urban use: The country experiences an intensive urbanization and the expansion of some settlements, at the expense of agricultural land. In accordance with the data of CORINE Land Cover 2000, artificial areas in the country[59] take 1.45% of the total area.

Agricultural generated air pollution has not been given appropriate attention as the majority of national initiatives focus on emissions from industrial plants and transport. Methane and ammonia emissions (so-called glasshouse effect gases -GHG) originating from inadequate storage and application of slurry and manure occur in regions where there are significant numbers of livestock farms. The estimated share of the GHG emissions from the agriculture sector in the national emissions is 14.13%. Air quality is also affected in windy areas, as the upper layer of soil can be eroded causing sometimes pesticide and fertiliser pollution in areas where it accumulates.

The Green Houses Gas (GHG) Inventory in the country was prepared for the first time as a part of the First National Communication on Climate Change, where the three main GHG - CO2, CH4 and N2O were inventoried for the period 1990-1998.The country's inventory team used Intergovernmental Panel on Climate Changes (IPCC) methodology, recommended by the United Nations Framework Convention on Climate Change (UNFCCC), explained in details in the Revised 1996 IPCC Guidelines for National GHG Inventories.

The main problem is the absence of relevant statistical department within the Ministry of Agriculture, Forestry and Water Economy (MAFWE) and non-existence of appropriate systems, which will serve as a reliable and constant source of field data which will be further on statistically appropriate elaborated and delivered to the State Statistical Office for further integration with other

[59] Artificial areas include: continuous and discontinued urban land, green urban areas, sports facilities, industrial and commercial facilities, roads, railways and airports, mines and waste disposal sites.

relevant data. Collection of activity data for realization of this inventory, concerning the agriculture sector is based on official data of the State Statistical Office as a key source. Greenhouse gases emissions are computed using data for each category and each sub-sector further multiplied by the specific emission factors, which are estimated separately for each year.

The GHG Inventory for Agriculture is based on the data for the following gases: CH4, N2O and CO 2-eq, and their emission from the following source categories:

- CH4 emissions from enteric fermentation in domestic livestock,
- CH4 emissions from manure management,
- N2O emissions from manure management,
- CH4 and N2O emissions from agricultural residue burning,
- Direct N2O emissions from agricultural soils,
- Indirect N2O emissions from nitrogen used in agriculture,
- CH4 emissions from rice production.

Other gases such as hydro fluorocarbons (HFCs), per fluorocarbons (PFCs), and sulphur hexafluoride (SF6) and SO2 are not specific, characteristic for agriculture.

It is evident that the main sources of the emissions are the enteric fermentation and agricultural soils, both with about 40-50% of the total CO2-eq emissions. Table I-35 and I-36 presents the contributions of the individual GHG in the total CO2-eq for the agriculture.

The total CO2-eq emissions in the country for the period 1990-2002show that the main contributor to the total CO2-eq emissions is the energy sector with about 70% of the total emissions. The second biggest contribution comes from the agriculture sector with about 10-15%, while all other sectors are contributing with less then 10% each. The only exception from this general conclusion is in the year 2000, when due to enormous forest fires the emissions from the Land use change and forestry (LUCF) sector are about 18% of the total national emissions.

Contribution of individual GHG to the total CO2-eq emissions, both in absolute values and in percents. About 75-80% of the equivalent emissions are direct CO2 emissions from burning, 12-14% are the CH4 emissions, 5-9% are the N2O emissions and about 2% are the CO emissions:

Table I - 32 Contribution of individual subsectors to the total CO2-eq emissions in agriculture (expressed in %)

Enteric Fermentation	36.39	36.67	37.08	37.84	37.33	37.93	39.20	40.40	38.82	41.41	40.55	42.66	50.81
Manure Management	8.91	8.90	8.67	8.81	8.83	9.20	10.28	10.84	11.15	12.04	11.76	12.17	14.73
Rice Cultivation	0.49	0. 49	0.47	0.29	0.10	0.07	0.26	0.35	0.32	0.32	0.29	0.12	0.18
Agricultural Soils	54.21	53.94	53.77	53.06	53.74	52.80	50.25	48.41	49.72	46.23	47.39	45.04	34.27
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Table I - 33 Contribution of individual GHGs to the total CO2-eq emissions in agriculture (expressed in %)

CH4	39.70	39.97	40.37	41.03	40.22	40.91	42.71	44.13	42.63	45.64	44.58	46.59	55.64
N2O	60.30	60.03	59.63	58.97	59.78	59.09	57.29	55.87	57.37	54.36	55.42	53.41	44.36
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Environmental problems related to irrigation. Although the country's irrigated area has decreased in the last 15 years, the construction of new irrigation schemes and the low efficiency and water consuming irrigation systems impose greater water demands especially in the driest months of the year when river flows need to be maintained downstream to protect fish, other freshwater species and their predators. Water-saving on-farm irrigation techniques (e.g. using drip irrigation) may alleviate the pressure on limited water resources and improve runoff of agro-chemicals.

Soil-related environmental problems are (a) soil pollution by fertilizers and pesticides (localized particularly in fruit – apple, and vegetable producing regions), (b) loss of soil organic matter (due to mono-cropping, low organic fertilizer use), (c) soil compaction of the upper soil layers due to the both dryness and intensive rainfalls. Contamination of soil from local sources: In rural areas and around villages there are numerous unregulated/unorganized waste disposal sites. Around 200 ha are under waste disposal sites. Problems, which result from the current method of waste management, are the pollution of water resources, with permanent taking possession of the land/soil and its contamination.

Genetic erosion of local breeds and varieties has been given little attention and financial support. Breeds and crop varieties considered to be endangered and maintained are the Busha cattle breed, the Karakachan sheep, the domestic (Balkan) goat, the local primitive pig race, the Sharplaninec shepherd dog and some landraces and indigenous species of cereals, fruits, vegetables, industrial crops, etc.

1.4.9.4. National Breeding Programme (Incl. Species at risk of loss)

Based on the Law on Animal breeding the country adopted a National breeding programme for animal breeding which refers to the period from 2000 to 2009, and it prescribes in detail the development directions of all animal breeding branches: bovine breeding, sheep breeding, goat breeding, pig breeding and poultry breeding. The Ministry of Agriculture, Forestry and Water Economy (MAFWE) in cooperation with authorised institutions in the field of animal breeding deal with the implementation of this Programme. The breeding programme represents a systematic performance of activities in the field of animal production, based on the findings from the population and quantitative genetics, in order to improve the production features of the population of domestic animals. Taking into account the new requirements of the market model of the economy, new objectives were set within the complex system of animal breeding, namely:

1. Production of animal products (milk, meat, eggs, wool, skins and their processed products) for the domestic market and for export on a competitive basis;
2. Structuring the complex animal-breeding system throughout all the production phases (reproduction, production and slaughtering/marketing);
3. Self-organisation of the animal breeding co-operative systems based on known international principles: primary production profit; overall service animal breeding infrastructure.

1.4.10. Agricultural Knowledge and Information System

An Agriculture Knowledge and Information System links people and institutions to promote mutual learning and generate, share and utilize agriculture related technology, knowledge and information. The system integrates farmers, agricultural educators, researchers and extensionists to harness knowledge and information from various sources for better farming and improved livelihoods. (FAO and World Bank 2000)

1.4.10.1. Educational system of agriculture

The country's educational system, under the responsibility of the Ministry of Science and Education (MoSE), went through reforms towards the modernization of curricula and educational activities. In 2004, the government adopted a 2005–2015 national programme for the development of education to comprehensively reform this area based on the processes of democracy, decentralization, autonomy, pluralism, multiculturalism and globalisation, as well as on international educational standards of knowledge and skills and on the principles of lifelong learning. However, the educational system still needs to be improved in order to establish educational standards compatible with the ones of EU member states, including external verification, design of appropriate study programs, information exchange and cooperation with educational institutions of other countries, etc.

1.4.10.2. Agricultural research

On the basis of the Law on Scientific Research, agricultural public research and technological development activities are under the competence of, and funded through, the MoSE. The country's research system in the wider area of agricultural sciences consists of six public scientific research institutes: Institute of Agriculture (Skopje), Institute for Livestock (Skopje), Institute for Tobacco (Prilep), Institute for Southern Crops (Strumica), the Faculty of Veterinary Medicine and the Hydro-biological Institute, Ohrid.

The Research Institutes, affiliated with the universities, are poorly supported by the Government. Agricultural research institutions currently employ some 300 persons wholly or mainly engaged in research, of which about 40% are at graduate or post-graduate levels. Apart from institutes, a smaller portion of research in agriculture is conducted by high educational institutions in the area of agriculture and by the country's Academy of Sciences and Arts. All these institutions suffer from major institutional deficiencies: low capability to respond to upcoming challenges and support policy reforms in EU approximation process; insufficient facilities, equipment and materials, and unsatisfactory level of young researchers' ratio in the total number of researchers.

Public spending on agricultural research and education has been reduced in the 2003-2005 period. The MoSE method of funding of research institutions has recently changed, and provides only for core funding of salaries, which constitute only about 20% of the budgets, while the balance comes from project funds. Funds for research projects are granted according to the proposed programs or by a public bidding procedure. In 2005, the total amount spent for all five research institutions' activities (including their current

expenditures) was only MKD 141 million (equivalent to €2.3 million). As a result of under-funding, research staff cannot be fully utilized. In order to overcome lack of funds in the short term, many institutes are devoting greater efforts to providing services for which they can charge, such as seeds sale, agriculture information services, and advice to farmers on fertilizer regimes, rather than research work.

Communication channels, policies and finances to improve research orientation are not available due to lack of funding, awareness and commitment. Research is still oriented towards large-scale exploitations rather than based on needs by the wider community of small- and medium-scale farmers.

1.4.10.3. Academic and vocational education

Secondary Vocational Education and Training (VET) is based on three to four-year programmes, and training programmes, all developed and regulated by the state. In order to adjust it to the social and economic changes and the requirements of the labour market, the country is currently transforming the secondary VET particularly aimed at integration of the work and continuation of the education as an important component for building of a knowledge-based society.

The following table shows the number of Secondary schools in Agriculture, veterinary, food production and forestry in 2003/04 and 2004/05 and the corresponding number of pupils. In the agriculture branch secondary schools a negative enrolment trend is evident (except for forestry), as employment after high school graduation is difficult.

Table I - 34 Number of Sector secondary vocational education schools and pupils

Type of school	No. of Schools 2003/2004	No. of Schools 2004/2005	No. of pupils 2003/2004	No. of pupils 2004/2005
Agriculture	10	10	2,883	2,722
Veterinarian	4	4	1,364	1,267
Food production	6	6	2,026	1,885
Forestry	2	3	390	411
Total	22	23	6,663	6,285

Source: Agricultural Institute (2006)

There is no evidence of serious non-formal education (carried out by workers' universities, employment centres, etc.) in any of the agricultural areas in the country. Although there is university capacity in agricultural and veterinary sciences, it has never been used for training of farmers (except within incidental donor funded projects), which is still mainly carried out at a secondary level of education. A law on non-formal education and adult education regulating the offer of educational services of non-formal type through an adequate system of accrediting should contribute to overcome these deficiencies is planned to be adopted in 2007. The Adult Learning Strategy, which sets out the future plans for the development of human resources, was promoted by the Government in 2006. This Strategy will also represent a basis the development of non-formal and lifelong education in the

area of agriculture. So far, the first steps for creation of curricula (Good Agricultural Practice – GAP, entrepreneurship skills, organic production, first aid in agriculture, etc.) for various stakeholders in agriculture have been made by the *Foundation Agro-Centre for Education (FACE), founded by the Institute of Agriculture in Skopje*.

The country's agricultural higher education system includes five educational institutions: the Faculty of Agricultural Sciences and Food in Skopje, the Faculty of Veterinary Health in Skopje, the Faculty of Biotechnical Sciences in Bitola, the Faculty of Forestry in Skopje and the Centre for Polytechnic studies at Tetovo State University.

Albeit large agricultural production/industrial enterprises have been mostly closed or restructured, educational institutions still do not respond in terms of curricula, educational and qualification standards to the needs of much larger community of small- and emerging medium-scale farmers and agricultural industry. In addition, the stand-alone nature of the country's agricultural universities hampers the possibility of interdisciplinary studies, which are important in sectors relevant to EU policies (cross-compliance principles, environmental dimension and rural development). At the same time, there are weak links between schools and businesses. The majority of students who join agriculture faculties are from the rural areas but agricultural higher education is increasingly neglected by students, so every year more than thirty percent of the free places remain unfilled.

Table I - 35 Number of enrolled students in Sector higher educational system

Faculty	Year 2003/2004	Year 2004/2005	Year 2005/2006
Faculty of Agricultural Sciences and Food in Skopje	1,306	1,156	924
Faculty of Veterinary Health in Skopje	359	339	324
Faculty of Biotechnical Sciences in Bitola	865	841	930
Faculty of Forestry in Skopje	698	804	726
Centre for Polytechnic Studies at Tetovo State University*	n/a	n/a	116
Total	3,228	3,140	3,020

Source: SSO

The decreasing interest in agriculture-related professions could worsen given the deteriorating trend in the agricultural sector, the low level of professionalism and commercialization of farm production and limited job opportunities. In addition, within the formal education system in the country, when it comes to post-graduate studies in agriculture, the student receives modules for scientific approach (Master of Science), but there are no specialized studies in certain areas (Specialized Master Diploma).

1.4.10.4. Conclusions on education and research

The framework for the establishment of quality partnerships and transfer of agricultural technologies and knowledge between the higher education and research institutions on one side and the economy on the other is ineffective. The mechanisms of interaction between research and agro-food business

sector are not developed, and this leads to insignificant private investments and participation in applied research and innovation. In addition, there is insufficient involvement of employers in the profiling of the workforce that will correspond to the current needs of the market. The policy does not stimulate cooperation between higher education and research institutions and the economy.

Agricultural research policy in the country today remains highly fragmented. Inter-institutional cooperation and horizontal linkages between research and educational institutions, administrative policy formulation institutions (MoSE and MAFWE), the National extension services (NEA) and the end users in the sector are very weak. No seriously organized approach of communication and knowledge transfer between research institutions and the national advisory service has been established yet and as a result potentially useful research results are not readily available to producers. The public scientific research institutions do carry out some advisory activity but it is mainly limited to a few publicly funded training/educational activities (mainly linked to their research activities) and to the occasional provision of advice on an individual basis.

1.4.10.5. Agricultural extension and advisory service

In the country, agricultural advisory services are primarily provided by public sector institutions and increasingly by the private sector, including farmers associations. The private sector includes different categories service providers. The most relevant, though still limited at country level, are the individual advisors or consulting firms (agricultural engineers, economists, agronomists, soil specialists, plant protection specialists, veterinaries, etc.) that in some cases also avail of laboratories and professional equipment. Usually the frequency and distribution (number of advisors, range of available specific expertise) of delivered advice by this category is directly related to the level of economic and demographic development of the specific regions, being more concentrated where agriculture is prosperous and economically important in the region. Their target groups are progressive farmers, willing and able to pay for specialist services, and agro-processors. In these regions, advice is also provided by input suppliers (seeds and seedlings, fertilizers, agrochemicals) and machinery and equipment suppliers, as part of pre- and post- sale company policies.

The range and the quality of services provided by the existing farmer associations and producer associations are variable and determined by their internal human and organizational resources and to the availability of international donor projects and funds. Generally, these still offer a limited range of services, use insufficiently diversified methods, address limited target groups and have a limited effect in satisfying the advisory needs.

So far the trials for the establishment of more professional private organization of advisors, such as associations or advisory groups, have been of limited duration and have been usually linked with lifetime of support provided by different project and during their activities (such as Agro-manager in the past and IFAD consultants) and a certification system for suppliers of agricultural advisory services has not been established in the country yet.

Apart from the scientific-research institutions (for whom the provision of agricultural advisory services is a limited and supplementary activity), the main publicly mandated bodies are the National Extension Agency (NEA) that provides advice nationwide to farmers as primary activity, and the MAFWE which carries out some activities in this field.

NEA's structure is designed at three management levels: directorate, regional centres and work units. NEA has headquarters in Bitola and coordinates 6 regional centres and 30 working units all over the country. Out of 125 employees, 90 are technical advisors. NEA is responsible for, and mainly oriented to, the provision of technical advice to individual agricultural producers through education meetings (farmer field days), the provision of off-the-shelf technical-economic packages for different agricultural production patterns and tailored services to individual and associated farmers. NEA is the largest receiver of state funds allocated for agricultural advisory services and its annual budget (salaries and basic operational costs) is entirely covered by the MAFWE. It has no other income as only a small portion of its target group is able or willing to pay. The 2005 budget consists of five budget programs in average of annual amount of MKD 45 million (€730,000) or around 3% of the public budget spending in agriculture in 2005.

At the moment, there is no dedicated MAFWE internal administrative capacity committed to the extension policy in the agricultural sector that realistically envisages and promotes joint actions among stakeholders in knowledge creation and transfer process. Recently MAFWE embarked on advisory improvement reforms supported by the SIDA-funded MAASP programme, which started in 2004. Recommendations prepared by MAASP for improvement of the advisory services should serve as a contribution to the process of creating an appropriate strategy and policy in the area of advisory services, primarily for NEA. An infrastructure for engagement at municipal level through five pilots has been established and initial activities have begun, providing base for collaboration among municipalities, NEA, private sector and farmers associations through advisory groups. This fieldwork should provide basis for identifying sustainable and demand driven agriculture service provision, identifying priorities, stimulating interest, leading actual implementation and organizing monitoring.

1.4.10.6. Agriculture knowledge policy

The Ministry of Education and Science is responsible for the organisation, finance, development and promotion of science and technological development, state-of-the-art communication technologies, information science and technology, as well as international cooperation regarding these issues. All research, including agriculture, is funded through this ministry. The method of funding has recently changed with the MoSE now only providing the core funding of salaries, together with indicative allocations of funds for programs and sectors in line with the strategy for agricultural research. Any organization or individual can submit a bid or proposal to undertake a research project. The MAFWE currently has no formal responsibility for agricultural research although it is consulted on major issues and can fund specific research projects separately.

1.4.11. Agriculture and Rural Financing

Provision of financial services for agricultural and rural development is rather limited. The rural financial system consists of commercial banks, micro-credit banks, savings houses, informal financial channels and considerable credit-oriented programs financed by donors.

Access to credit resources for rural and agricultural activities is very limited since the financial institutions are quite reluctant to invest in them as:

- agriculture is viewed as a risky or highly risky sector, where a majority of farmers do not perform bookkeeping, there is lack of secure title deeds to be used as collateral, insurance premiums are expensive and therefore not used regularly,

- rural enterprises are generally micro and small-scale, with low managerial and administrative skills,

Financial institutions show a little interest in these activities largely due to a lack of knowledge of the characteristics and performance of the agricultural and rural businesses, lack of proper know-how and skills for appropriate analysis of the agricultural and rural businesses, for risk assessment and cost-effectiveness of the investments, and therefore lack of previous experience in approvals and disbursement of credits in this sector. Furthermore, the high administrative expenses especially connected to the processing of the small loan applications makes the individual farmers and rural businesses less attractive for the banks and saving houses.

On the borrower's side, both farmers and rural entrepreneurs have generally low educational level, limited knowledge of commercial crediting (interests rates, repayment schedule, grace period, collateral etc.) and prefer to borrow money from the informal sector to avoid costs and bureaucratic procedures.

One of the reasons of the gap between financial institutions and borrowers is the limited and inappropriate technical and business support to planning and follow-up of the investment.

A number of donor funded projects and credit lines (Dutch credit line, IBRD, IFAD I&II) have tried to fill the need for rural and agricultural credit. The experience so far has shown that successful rural credit policy, with solid foundations, can be developed only with functioning of efficient mechanisms for commercial crediting in line with market conditions.

The Agriculture Financial Services Project (IFAD 2) represents the only donor credit program currently present in the country in agriculture. Loans are available to individual farmers and firms dealing with processing and trade of farming food products with interest rate of 6%, i.e., 7% for funds provided through commercial banks. The servicing of loans, including grace period, is from one to seven years, depending on the purpose of the loan. There is a revolving fund established and operating through commercial banks, as well as delivery of technical assistance to credit users.

MAFWE contributes annually with a small sum to the IFAD 2 project. Additionally, the Ministry of Local Government through the Bureau for

Underdeveloped Regions participates in subsidizing interest rates to IFAD 2 credit users who live in the undeveloped municipalities.

Recently the Government has enacted a Decision on establishment of Agriculture Credit Discount Fund providing rural credits towards the farmers with subsidised interest rate of 4% when providers are commercial banks and 6.5% if the loan is provided through the saving houses. The credit policy (category of credit users, priority sectors and amount of loan) is developed by MAFWE to correspond to the IPARD related projects and towards the implementation of the National Rural Development Policy. The total available fund currently is set on about 11 mill. EUR.

1.4.12. Food Processing Industry

1.4.12.1. General overview

According to the analysis made by the Economic Institute in 2003, there are approximately 1,600 enterprises for the production of food and beverages in the country, with an annual average employment of about 17,000 employees. The majority (96%) of the enterprises are small according to the classification of the enterprises provided in the Law on Trade Company[60] (OG 28/04, 84/05, 25/07). The main sub-sectors of the food processing industry include production of bread and bakery products, production of fruit and vegetable juices, production of mineral water and other beverages, pasta production and confectionary production.

Table I - 36 Structure of companies producing food and beverages (2000-2003)

Size of the companies	2000	2001	2002	2003
Small	1,535	1,327	1,498	1,494
Medium	35	38	19	39
Large	12	13	36	21
Total	**1,582**	**1,422**	**1,553**	**1,554**

Source: Economic institute, State Statistical Office

The degree of utilization of the installed capacity is 30%-60%, pointing to unused potential of the industry, which reduces profitability.

Table I - 37 Food and beverages installed and used capacities (2000-04)

Food & Beverages	qty	2000	2001	2002	2003	2004
Installed production capacities	hl	10,985,706	11,124,694	11,797,297	12,463,014	12,500,000
	t	1,219,711	1,192,320	1,349,308	1,430,527	1,500,000
Capacities used	hl	52.9%	64.9%	53.7%	50.2%	60%
	t	43.7%	41.8%	42.0%	38.3%	35%

Source: Economic Institute, State Statistical Office, 2004 estimation

[60] Small enterprises are enterprises which in last two fiscal years, respectively in first year of the work they met at least two from the criteria as follow: 1. average number of employees, according to work per hour is up to 50 employees and 2. Annual income to be less than 2.000.000 euro in MKD equivalent amount, total turnover to be less than 2.000.000 euro in MKD equivalent amount and 3. Balance sheet to be less than 2.000.000 euro in MKD equivalent amount.

1.4.12.2. Agro processing industry

Before the break-up of the former SFRY, the processing industry in the Republic of Macedonia has always played an important role as a raw material purchaser and exporter of processed products into the Western Balkan regions as well as to the EU. The Republic of Macedonia was a major agricultural supplier for the whole Yugoslavian federation. At its peak, the industry employed about 25,000 full time staff, most in vertically integrated production, processing and marketing operations. The 30 largest AKs[61] and Co-ops employed more than 80% of this labour force.

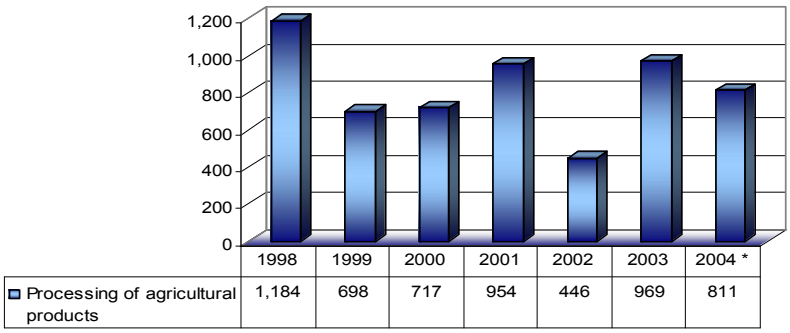
At independence, the country inherited a very large agro-processing sector, while its domestic market fell to only 2 million people. Many agro processing enterprises had sufficient production and processing capacity to provide food products for larger market.

Over the last 10 years, the sector was affected by political changes and, during the course of the privatisation process the AKs has had problems in adapting to the new market situation. The privatization process of these enterprises was initiated in the late 90's and has been very slow and dominated by management and employee buyouts which deprived them of essential capital and management skills while entering into market adjustment period. However, a limited but growing number of new, smaller, private-sector agro-enterprises have now developed alongside the privatized AKs. In contrast to the AKs, they tend to be business-and market-oriented with a focus on profit and growth. Most of the former AKs are now insolvent and struggling to survive.

In terms of the production structure of processing facilities for agricultural products, in the country there is mainly processing of fruits and vegetables, wine grapes, and milk and meat. At the same time, these processing capacities are the main purchasers of local raw material at the same time being affected by the weaknesses in the supply chain and the quality of the primary produce.

[61] Typically, the AKs were developed as vertically integrated production and processing complexes with an average of 1,140 ha of arable land. The average cooperative had 106 ha. These enterprises ranged from relatively small, intensive operations such as egg and table poultry production, to extensive arable farms of several thousand hectares. The AKs were generally highly mechanized with a substantial labor force, were located on favorable soils, and benefited from extensive irrigation investment.

Figure I - 8 *Value of processed agriculture products (wine excl.) in MKD mill. (1998-2004)*



	1998	1999	2000	2001	2002	2003	2004 *
Processing of agricultural products	1,184	698	717	954	446	969	811

Source: State Statistical Office, "Economic accounts for agriculture"

The value of processed products in the period 1998-2004 has experienced a fluctuating trend, as a result of the seasonal character of agricultural production. These points to the fact that the industry for processing agricultural products is characterized by a low technological basis (i.e. lack of adequate storage facilities to overcome the seasonal effect) and a lack of raw materials needed for production continuity.

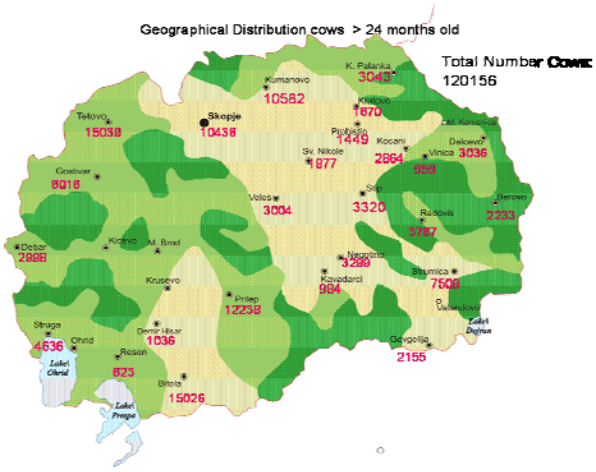
According to the results of the survey made by the State Statistical Office on the business trends in the agro processing industry for the period December 2003-December 2004, the following factors were identified as limits to the increased capacity utilization and adequate economic activity of the industry: lack of raw materials, lack of equipment, low domestic consumption, insufficient foreign demand, vague regulations and uncertain economic environment, as well as financial problems. According to the survey, financial problems and insufficient foreign and domestic demand, supplemented by vague regulations and uncertain economic environment, can be identified as reasons for 75% and 80% of lack of utilization of capacity in 2003 and 2004, respectively.

It is a common weakness across the agro-processing industries and across all agriculture as well, that there is a complete lack of serious, reliable and transparent data.

It cannot be stressed highly enough that every nation needs current and reliable data. This is true in the country where there is an urgent need that a Marketing Information Service be created to collect data from enterprises on a regular - preferably monthly – basis enabling the industries and enterprises themselves as well as Government and the Administration to make rational decisions on well-founded data. This should be high on the list of priorities to be created.

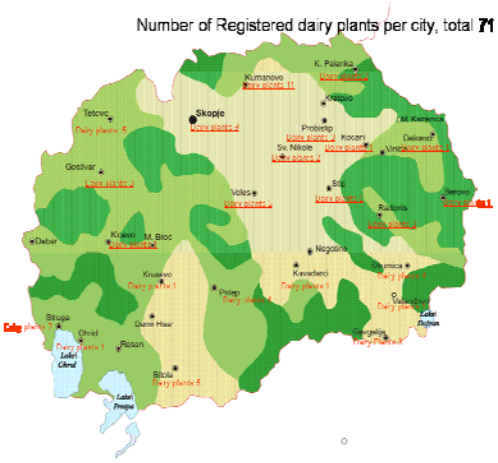
The State Statistical Office is responsible for collection and analysis of all statistical data in the country.

1.4.12.3. Dairy industry



The number of officially registered dairy factories at the veterinary inspection is of 71 units. According to EC-definitions, maybe 10% of them are of medium and small size. The rest is on micro level. The smallest daily average raw milk processing is 40 litres at a capacity of 500 litres. However, the smallest daily average raw milk processing capacity is 200 litres with an average processing of 170 litres. Consequently, the utilisation rate depends not at the size of the processing unit. The large dairies are running depending on the availability of raw milk almost at 80% to 100% of their capacity, which is acceptable.

The geographical distribution of the dairies is matching with the number of cows in the regions. However, in terms of economies of scale in the dairy processing and due to the good road system not more then one to three dairy factories are needed in the country. On the other hand, the two largest dairy factories are producing between 12 and 21 different products each in different sizes of packing. Therefore, the cost savings by economies of scale are not used in any way at the moment in the country.



The total milk production in line 7 + 8 fluctuates by up to +4% to -4% around the 5–year average. The cow milk production fluctuates by up to +8% to -6% around the six –year average (line 1 + 2). The sheep milk production in line 4 + 5 fluctuates by up to +13% to -8% around the six –year average. In years with a high cow milk production are the sheep milk production low and the other way around. The sheep milk production season starts end of January and ends in June / July. There is no statistic available about goat milk. Most of the few goats are milked together with the ewes.

Table I - 38 Development of cow- and sheep-milk production (2001-2005).

Year	2001	2002	2003	2004	2005	Average
Cow milk (tonnes)	200,904	198,431	191,533	212,898	197,464	203,408
Cow milk relative	99%	98%	94%	105%	97%	100%
Cow milk share	81%	79%	78%	82%	80%	82%
Sheep milk (tonnes)	47,486	51,626	52,466	47,876	48,700	46,607

Sheep milk relative	101%	110%	112%	102%	121%	100%
Sheep milk share	19%	21%	22%	18%	20%	18%
Total milk (tonnes)	248,390	250,057	243,999	260,774	246,164	250,016
Total milk relative	99%	100%	98%	104%	98%	100%

Source: SSO

The sheep milk has about double fat- and protein- content as the cow and the goat milk. The price of the milk depends in the country on the fat content. Therefore is the price per kg fat or protein is the same for the dairies do not matter from what origin the milk is. The product output per kilo milk depends on the fat- or the protein- content per kilo milk. For example, is the protein content 7.2% (sheep milk) instead, 3.6% (cow milk) than the cheese output is also the double from sheep milk as from cow milk. Moreover, most of the processing costs in the dairies depend only on the quantities of used raw milk, independent of the fat- and protein- content of the raw milk. Therefore, the dairies prefer to process sheep milk as long as they can sell the sheep- milk products.

Table I - 39 Milk purchase fluctuation per month (2005)

Milk purchase	Bitola Dairy (%)	Udovo Dairy (%)	Strumica Dairy (%)
January	83%	76%	85%
February	83%	76%	85%
March	90%	76%	85%
April	97%	114%	96%
May	104%	114%	106%
June	111%	114%	117%
July	118%	133%	117%
August	118%	133%	117%
September	111%	114%	106%
October	104%	95%	106%
November	97%	76%	96%
December	83%	76%	85%
Average	**100%**	**100%**	**100%**

Source: Sub-sector analysis results, (financed by the EU, managed by the EAR), 2005

The number of officially registered dairy factories at the veterinary inspection amounts to 84. The smallest daily raw milk processing is 40 litres at a capacity of 500 litres and the smallest daily raw milk capacity is 200 litres with a processing of 170 litres. The large dairies are running depending on the availability of raw milk almost at 80% to 100% of their capacities per shift, which is acceptable. It is therewith clear that the utilisation rate, which is very important for dairies, is an individual problem. Consequently, individual assessments are necessary but to realize only a short visit to all registered dairies would take alone at least 7 weeks. A detailed list of the 84 registered dairies is presented in Annex 7.

The raw milk processing capacity of the country's dairy factories is lying between 200 tonnes and 0.2 tonnes a day. But the market shares in terns of turnover on wholesale level over the

- largest 2 dairies amounting to 39.4%
- largest 5 dairies amounting to 53.7%
- largest 9 dairies amounting to 59.6%

The traditional dairy products in the country are drinking milk, UHT- milk, different local cheeses, non-fruit yoghurt and sour milk. For the country's dairies, the biggest international competition is on UHT-milk, where:

- Slovenia has a market share of 21.0% on UHT 3.2% fat
- Meggle has a market share of 24.8% UHT 0.5 litre packaging;
- Croatia has a market share of 12.9% on UHT 0.5% fat

It is well known that Croatia and Slovenia are very active in those market segments in the Balkans. Nevertheless, the local brand IMB has market shares for UHT milk in the country varying between 74.7% and 51.9% depending on fat contend and packing size.

On the other traditional dairy products in the country like pasteurized milk, set cow yoghurt, set sheep yoghurt, cow kashkaval, sheep kashkaval, soft goat cheese, soft cow cheese and soft sheep cheese, the international market shares are either zero or less than 4%.

The country's dairies do not yet offer modern products or products with high profit rates like Gouda, Edamer, Brie, Camembert, sweet fruit yoghurts, puddings etc. Therefore, those sub- markets are more or less completely in the hands of foreign dairies. The reason is that those products need a good hygienic raw milk quality, which is not yet available in the country. Nevertheless, more the 50% of the marked grow will take place in the aforementioned sub- markets.

The country's dairy exports consisted by circa 90% of pasteurized sheep milk exports to Greece. We estimate the value of the sheep milk exports at 1,700,000 € to 2,200,000 €. The country's dairy exports are marginal compared with the estimate the total the country's dairy marked volume at wholesale price level of circa 105,000,000 €.

Table I - 40 Dairy exports (2004-06)

Year	**2004**	**2005**	**2006**
Raw sheep milk export to Greece (kg)	1,850,030	5,911,560	2,985,982
in %	88%	90%	90%
Total dairy exports in kg	**2.113.681**	**6.583.951**	**3.311.417**

Source: *Veterinary Inspection*

The framework of the free trade agreements gives the country's dairies free entrance to all international dairy markets, if the products do meet the taste, the price level and the hygienic standards of the export markets. However, the export will remain reduced as long as the hygienic standards and control systems like HACCP etc. are not developed.

Considerations should be put on the possibilities to increase the export of traditional dairy products, especially soft white cheese from sheep-, goat-, or cow- milk.

The logistic between the dairy factories and wholesalers/ retailer is often weak. The dairies often do not deliver products in time and partly without cooling trucks. The dairies and some small wholesalers deliver the products directly to the shops and supermarkets. Only the three biggest dairies have their own distribution centres in Skopje, the main market. The dairies are virtually in the function of wholesalers. Therefore, they dairies could be supported with e.g. cooling trucks for dairy products.

The large wholesalers are mostly internationally working trading companies, which are specialized, neither in dairy products nor in food. Yet they represent the market entrance for the global dairy players like Danone, Meggle or Nestle. Those are not yet present in the country with own structures. The access of the recognised international companies for milk production in the country can provide connection for the country's dairy industry to the international market and suitable transfer of know-how can boost the sectors modernisation.

Supermarket chains do not have their own distribution centres yet, but they all increase the numbers of selling points. Therefore, the supermarkets will became more and more important for the dairy product sales.

The country's dairy industry was protected by import taxes until June 2006. This induced relative high consumer prices for dairy products and a lower consumption than to be expected at lower prices. The high protection[62] of the dairy industry caused low rates of technical progress of the dairy industry. Therefore, the sector suffers now under the following drawbacks:

- The cost / price per litre raw milk is high because the milk yield per cow / eve is low.
- The hygienic quality of the raw milk is still very bad; therefore, high profitable, modern dairy products cannot be produced from it.
- The cost prices in the dairy production are too high because of not competitive dairy production management and
- The existence often of small and partly outdated dairy factories with low utilisation rates.

[62] The country agreed in the Stabilization and Association Agreement (SAA) and various other bilateral and multilateral free trade agreements including the country's full membership to WTO in April 2003. Those agreements with the neighbouring countries and WTO accession in 2003 offer enhanced export opportunities to the country's agriculture and food processors but also facilitate a rapid dismantling of previous high levels of protection of the domestic market. The average tariff on food imports from the EU went from 28% in 2002 to 9.6% in 2007 and will fall to 6.4% in 2011. Producer prices are expected to drop by 13% - 20% by 2011. The country negotiated low Aggregate Measures of Support with the WTO.

- The dairy marketing is weak especially in small dairies.

At the moment there are hardly any dairy in the country that can fulfil the EU requirements. The experts estimations are that at least 50% of the dairies will not be able to succeed in upgrading their process, facilities and management to reach EU accreditation. However, there are also other opinions in the country about that item. A correct audit should finish the speculations as soon as possible. This should be a precondition for the development and adoption of the sector- and company- strategies.

The State Veterinary Service will conduct a thorough audit and classification of all dairy processing industry facilities according to EC standards. The results will be agreed with the enterprises and for those facilities that have a future, a realistic time frame has to be agreed in which the improvements must be successfully executed. This will serve as basis for a strategic development plan whereby all plants and facilities will be classified according to what they have to do in order to gain EU accreditation.

1.4.12.4. Meat industry

Before independence, the meat production and meat-processed products were grouped together in the so-called Agro Kombinats centrally planned and strategically located around the nation. Large industrial grouping of prime and secondary agro-processing phases. Large facilities with high installed capacities was the order of the day, resulting in high volume production and “standard” and conform products as designated by the central authorities. There were two “Meat Kombinats” in the country – MIK and Gostivar - in which all activities and products were produced. These had relatively high installed capacities and made a complete range of meat products including canned products.

Large capacity slaughterhouses were part of the centrally planned “Meat Kombinats”. Line speeds of 60 pigs / hr and 12 beef / hr are examples of the installed capacity with accompanying cooling and cold store facilities. Some were constructed in the 60’s. Others between the 70’s and the early 80’s and those built in the 80’s had “state of the art” technology at that moment having relatively good equipment, mainly supplied by Slovenia. Their history and further development is typical of most of Eastern Europe, where the political changes that took place resulted in the collapse of the economic order and complete disarray in most industries. The meat-slaughtering sector was no exception, and virtually all facilities ceased functioning, with the consequent deterioration of infrastructure and equipment.

The privatisation of these previous “Kombinats” ended around 2000 and a few facilities re-started with new owners. The previous facilities had seen no investment since the collapse of the previous political system and consequently, a very hard struggle stood in front of the few new owners attempt to slaughter, produce and market meat and meat products in very poor and difficult conditions, both in the factories as in the commercial field. The two former Kombinats slaughtering facilities are at presently working - one for pig slaughter and the other lamb.

There are officially 21 slaughterhouses registered by the Veterinary Inspection Service - of which 7 are licensed for lamb export (Annex 8). The slaughterhouses that are operating in the country vary in age but the vast majority were constructed 20 – 30 years ago. They were well equipped for that time and had significant capacities. Now they are outdated and largely inefficient. They no longer meet international standards of hygiene, product and personnel flows, and infrastructure. The technology used is old and equipment likewise. The production of pigs without skin is a relic of former times when pigs were so fat that this was the only way to "get rid of the excess fat" into the rendering processes. They do not meet the latest specifications for facilities for waste disposal and wastewater treatment.

The meat-processing sector faced similar situation as of slaughterhouses as both productions were united vertically into the Kombinats. The meat products range was dictated by the State, as were the "recipes", formulation and ingredients. Therefore, the same products could be found all over the nation and conformity. Between 50 – 80 different meat products from one Kombinat was not unusual. However, following the political change, these facilities deteriorated, were starved of investment and practically all stopped production. They were finally privatised in the late 90's and a few courageous owners re-started a few of the facilities, using the meats provided by a very limited number of slaughtered animals in their facilities. All previously state owned facilities are now privately owned or non- functioning / bankrupt.

The meat-processing sector is in a state of change. From small and sometimes primitive beginnings in the 1990's, the sector is now becoming well established and an important sector of the meat industry. Fine new facilities have / are being created in good industrial locations including connections to the municipal water treatment system. Their immediate future seems assured with steady development as spending power increases, the competition will become more professional and their technologies will develop more sophisticated and added value products. This above scenario is true for about 5-6 enterprises based in Skopje.

The major weakness concerns two other groups. There is another smaller group of enterprises that have not reached the level of the "leaders" in the market and these companies need to develop their businesses in conditions that are based on EU standards and directives. Some of these enterprises have plans to purchase land for future factory development. They realise that if they want to remain in this industry, only EU approved plants will be allowed to operate. This leaves them little choice but to invest in new facilities, or certainly try to upgrade their facilities to the acceptable standards.

There is a third group of processors who will be unable to meet the necessary criteria. They may not posses the financial power or are unwilling to accept large debt in order to finance new facilities. Many of these small enterprises find themselves in poor locations, often in urban housing areas where they started their businesses, and will be forced to move at high expense. Many of these players in this last category will probably have to cease operating in the foreseeable future.

The majority of machinery/equipment seen in the meat processing sector is a mixture of brand new and some a little older but of quite acceptable

standards. The machinery was almost entirely produced in Western Europe, the home of good meat industry equipment.

As with slaughterhouses, the Veterinary Inspectorate will need to inspect all meat-processing facilities and establish their position concerning conformity to the required EU standards for meat processing facilities. The same form of categorisation will be required (e.g. A, B, C, D) and clear written instructions given to each establishment as to its responsibilities and requirements regarding the upgrading of present facilities or the agreement of new investments plans.

1.4.12.5. Fruit and vegetable processing industry

There are around 50 F&V processors in the country. Approximately one-half or around 50% are canning facilities only, while the rest is combined facilities, drying and freezing capacities. Other 6-7 large companies produce fruit juice along several small-scale, usually family-owned, factories. 26 companies out of the above 50 are members of the Association of Processors.

The overall production of processed fruit and vegetables, including canned, dried and frozen products, range from 120,000 to 130,000 tonnes of final products per year.

In general, the processing factories of horticultural products are located in the production areas. Horticultural processing factories are primarily based in the South-East of the country, Strumica and Gevgelija regions (7 and 10 factories respectively), followed by the Central regions (Kavadarci, Negotino and Veles, 8 factories).

Processing of vegetables is predominant business activity of the industry, encompassing around 80-90% of the overall production. In regards to the typical products of the industry, the same are mentioned in following table.

Table I - 41 Processing and main products

Production process	Main products
Frozen F&V	Pepper, sour cherries
Dried F&V	Pepper onions, leek, carrots, tomatoes
Canned F&V	Ajver (of pepper), roasted pepper, lutenica (of pepper), djuvec (of mixed vegetables), pickled mixed vegetables (gherkins, chilly peppers, cabbage, red beet), pealed tomatoes, pasteurized sour cherries, preserved sour cherries in alcohol, mixed fruits (compotes, marmalades)
Concentrates and pastes	Tomato, apple

Source Fruit and Vegetable Processing Industry and its Influence on Job Creation (SIDA)

Majority of F&V processors (85%) are micro and small enterprises (up to 50 full time employs) while the rest or 15% are categorized as medium size enterprises (50-250 employees). There is no large size company processor of F&V in the country (more than 250 employees). The main reason for this trend is a result of very seasonal business activity of the enterprises and engagement of a seasonal labour. The number of labour forces that are employed by the sector is increasing (+29% in 2006 compared to 2005,

considering permanent staff only). Engagement of seasonal workers is increasing too.

A general characteristic about the F&V processing industry is the low level of utilisation of installed production capacity. The average utilisation in 2005 amounted to 27% and approximately 36% in 2006. The overall installed capacity for processing of F&V is around 122.000 t of final output. The increased utilisation of the production capacity in 2006 is mainly a result of better access to raw materials and prolonged season.

The F&V processing sector is very export oriented. The EU market being the most important for the domestic processed product is very demanding in terms of food safety and food quality standards. Therefore, around 50% of the processing facilities have implemented HAACP, half of them are HACCP certified, while another 4 companies already implemented and are certified in accordance with ISO 22 000 food safety standard.

Overall utilization of the existing capacity is estimation up to 50% of the total. Usually F&V processing plants are operated 1 shift/day, though in season they can work at 2 shifts/day and even 2.5 shifts/day.

The companies do not face major problems when it comes to organising transport. They organise the local transport of fresh produce themselves by engaging private or rented trucks. Processed products are exported ex-factory (FOB) i.e. buyers usually organize and pay for the transport, or producers are organizing transportation and delivery of the products. For the domestic market, in most of the cases processors transport and deliver the products to their clients. Typical transportation costs for delivery of the products to selected destinations (for regular 20 Tonnes lorry) are presented in following table.

Table I - 42 Transportation costs to selected destinations

Destination	Price (€)
Belgrade (Serbia)	800.00
Zagreb (Croatia)	1,100.00
Ljubljana (Slovenia)	1,200.00
Munich (Germany)	1,800.00 - 2,000.00
Hamburg (Germany)	2,800.00

Source: Fruit and Vegetable Processing Industry and its Influence on Job Creation (SIDA)

If Lorries equipped with cooling/refrigeration systems are used, transportation prices are typically 15-20% higher. A production cost template related to the canning process is provided in following table.

Table I - 43 Production costs in the canning industry

Input	Costs (as part of total in %)
Raw materials	30
Labour	20
Packaging	20
Energy	10
Administration	5
Mark up	15
Total	100

Source: Fruit and Vegetable Processing Industry and its Influence on Job Creation (SIDA)

According to the above calculation, energy, raw materials and packaging are the main costs accounting up to 60% of the total costs. Marketing costs are not mentioned since companies are treating this issue individually. In general, marketing budgets are very low. The F&V processing sector is highly dependant on the domestic production and supply of agricultural products[63]. High tariffs and complicated procedures for imports of fresh produce for processing purposes leaves the industry to rely almost exclusively on arrangements with private farmers, enterprises and cooperatives involved in primary production and intermediaries – traders that supply the industry. Contract farming is rarely applied as an efficient mechanism that regulates the production and supply of raw materials to the industry. In addition, the prices vary heavily, depending on the demand for fresh produce in the region and over or under production in the country. This acts as a serious impediment that prevents the industry to reach its full potential and to conclude larger export contracts. As a result, there is weak integration within the market chain. According to the sector, on average only 15-20% of the quantities needed by the industry are contracted and delivered by the producers/traders. These contracts not necessarily are formal, meaning that oral agreements between the parties are also present.

The rest of the quantities are obtained on ad-hoc basis typically just before or during high processing season. Lack of cooling and storing facilities within the industry is another major obstacle that prevents better organisation, planning and execution of the production plans. According to the available information, the industry buyout of fresh F&V in 2005 was around 50-55 thousand tonnes. The industry reported a significant increase (+25-30%) of the quantities acquired by the processors in 2006.

Through its well-developed and growing system of symmetrical and asymmetrical array of free trade agreements, the country's potential biggest market by far – almost 60% of its trading volume, both exports and imports – is the European Union. Its position is comparable to the Czech Republic in

[63] The value of processed products in the recent years has experienced a fluctuating trend, because of the seasonal character of agricultural production. This trend highlights the low technological level of the industry for processing agricultural products, particularly due to a lack of adequate storage facilities to overcome the seasonal effect and of sufficient raw materials needed for production continuity.

that more than 75% of its international trade is conducted with either the European Union or with the USA. In light of this, the country may have access to well over 60 million consumers in the region – from Turkey to Slovenia, not only in the former republics of Yugoslavia. In this frame, good potential also exists for export of horticultural products that have a long tradition in the country.

The international market of processed fruit and vegetables lies at a maturity stage where competition is high, trading margins are low and prices progressively tend to reduce. On the contrary, the domestic market is still in a growing phase, therefore containing good potentialities for further expansion[64]. In fact, apart from export, the domestic market for processed F&V is growing. The changes in the lifestyle of the population (longer working hours, less possibilities and/or time for preparation of home made processed products) and the growing position of the supermarkets are the major reasons for this observed trend, which is particularly apparent in Skopje and other larger towns in the country.

However, the F&V processing industry is very export oriented. On average around 75% of the overall production is exported. The main export destinations for processed products are EU market (Germany in particular) and regional markets (Serbia, Croatia, etc.).

Table I - 44 Exports of processed horticultural products (2004)

Year: 2004	Quantity (in '000 T.)	Value (in million. €)
Total production	25,7	-
Total export	19, 7	18, 1
EU	9,3	9,9
Serbia & Montenegro*	6,5	4,4
Australia	1,1	1,0
Croatia	1,0	0,9
Bosnia and Herzegovina	0,7	0,6
USA	0,4	0,5

Source: Fruit and Vegetable Processing Industry and its Influence on Job Creation (SIDA)
*The data are for 2004 for Serbia and Montenegro

According to the official statistics and individual research, quantities produced in the country and exports show positive trend for the period 2003-2005, as presented in the following table.

[64] Due to this, the product innovation in the domestic market is still led by processing factories, with a minor contribution of horticultural growers as these latter, at this stage, are primarily being required to increase production in order to keep abreast of the expected sales growth. The domestic primary producers shall likely contribute more to product innovation as soon as the domestic market enters a maturity stage and/or the exports are even more oriented to EU markets than the current – although not minor - share.

Table I - 45 Production and export of processed fruits and vegetables (2003-05)

Year	Total production (tonnes)	Total export (tonnes)	Value of export (€)
2003	≈ 21.000	15.467	15.151.342
2004	≈ 25.700	19.681	18.037.611
2004/2003	+ 4.700	+ 4.214	+ 2.886.269
2005	≈ 28.200	21.443	21.962.327
2005/2004	+ 2.500	+ 1.762	+ 3.924.716

Source Fruit and Vegetable Processing Industry and its Influence on Job Creation (SIDA)

As it could be seen from the above, the processed products have relatively low export value (on average around 1kg. per one €). This categorises the processed goods as “commodity” rather than products with added value.

Due to favourable weather conditions, the production season in 2006 has been extended throughout November and even December, allowing more quantities to be produced. In addition, the season is characterized with more raw materials on offer for the industry, estimating that production in 2006 will be record high.

Currently, domestic processors seem to be heavily dependant on intermediate dealers for the sales of their outputs to small retailers, whereas they are directly supplying multi-purpose retailers. Indeed, the highest share of produce marketed (from 60% to 90%, according to Consultant’s estimates) is sold to wholesalers, with the remaining share sold directly to retailers. In consideration of the restructuring that is taking place within the retail distribution –with multi-purpose retailers increasing steadily the share of food demand they manage to control, it is becoming more and more urgent to establish direct linkages also with multi-purpose retailers operators. Indeed, this would allow curtailing intermediaries’ margins and securing a market that shows the highest rates of business growth among food retailers.

The basic regulations covering the EU Common Market Organisation (CMO) for fresh F&V, processed F&V, and a system of Community aids granted to certain citrus fruits were laid down in 1996, although the basic regulation has been subjected to a number of amendments since 2000. For fresh products, the system is characterised by support to Producer Organisations (POs) under Operational funds as well as and intervention measures through market withdrawals compensated with Community funds. Processed products are guided by a system based on direct aids to producers according to national thresholds with penalties if processed volumes increase beyond fixed limits.

The share of total F&V production controlled by Pos in the EU is close to 50%, which is a positive development but still below of that considered as desirable, taking into account increasing concentration at retail level. However, the existing system has been ineffective in protecting producers from surplus, market disturbances and periodical price crises. Processing aids have been helpful in proving the agro-food industry with European raw materials. Nevertheless, for some products, the processing industry has become an outlet for surplus in the fresh market.

The EU F&V market is facing the challenge of (i) strengthening the POs by increasing their size, in particular in those regions where their presence is still weak; (ii) continuing to improve quality and environmentally friendly production; (iii) transforming market withdrawals into a mechanism used by PO for crisis management; and (iv) guaranteeing supplies to the agro-food industry. These are the challenges set forth in the reforms of the CMo for F&V in the EU.

The functioning of the common market for F&V within EU is, therefore, to be structured around clear mechanisms regulating relationships between concerned parts (producers and processors) and their role. These mechanisms are centred on a clear definition of the subjects involved (producers, both single and associated, and processors); the way they should relate each other; their obligations (in terms of amounts committed, ways to fix minimum, referential prices and procedures to be followed for payment of these prices) and between POs and their members.

As for the country, the situation encountered is no better than the one described for the fresh sector. No POs processing its own production does still exist in the country. Furthermore, the canning sector appears to be very little structured, with processors often struggling to get their own supplies from domestic producers. No common mechanism is in place to orient the setting of (minimum) prices for traded goods and for providing guidance to operators.

The F&V processing sector has a major need to establish direct linkages with the primary producers. Indeed, in this way, processors can have guarantees not only on consistency of supplies and security of procurement (both in quantity and quality terms), but can also avoid unnecessary, costly mediations.

In fact, shortage and inconsistency of supply of raw material is identified as major impediment for further growth of the country's processing sector

As underlined through the investigation in the country the canning sector has started to link up more firmly with the primary production sector, either through vertical integration or through direct contracting.

Despite some positive examples, the development of the F&V processing and producing sectors in the country is hindered by several factors, among which:

- lack of cash money by processors to procure their supplies. These cash shortcomings make producers to be reluctant to deliver their supplies to processors unless the latter can be paid cash. This state of affairs originates from negative experiences that producers had during past years, when they could not receive payment for what they delivered or were paid much later than expected;
- a tendency, usually by farmers, to breech contracts when market conditions are more favourable then those agreed in the contracts they stipulated with processors;
- the reluctance, among growers, to introduce new varieties/products to better fit processor’s needs; and
- the uneasiness, due to their financial constraints, of processors to advance money to producers for purchasing production inputs.

1.4.12.6. Wine industry

In the country there are currently 50 registered wineries located in the main vine growing regions (see Annex 15).

During the last few years, the number of new private wineries (mainly small and medium-sized plants) has considerably grown: during 2007, 5 new wineries are in process of registration.

These wineries tend to be started and managed by investors originating from outside of the wine sector: among the 50 registered wineries in 2007, 14 were created by investors having businesses outside of the wine sector. These investors tend to focus on production of bottled and higher quality wines, through strict control of variety selection, vineyard management and harvesting, transport and delivery practices. They also invest in sophisticated processing, bottling and marketing technologies and compete on both the domestic and international markets.

However, due to the high number of individual grape growers and potential competition generated by the excess of grape supply, ownership of vineyards is not a priority where according to the data presented in Annex 11, quite a low number of wineries have a direct control over their vineyards.

In December 2005, an association named “MakVino” has been created (with the assistance of Wine Cluster Project of the USAID) with the aim to organise the wine processing industry, promote the country's wines and assist in defining a wine strategy. So far, this association only gathered 11 companies out of the 50 registered.

The installed capacity of the country's wine cellars amounts to 1.574 million hl in 2007 with around 50% of utilised capacity.

Among the 50 registered wineries, 44 have between 50 to 50,000 hl capacity, 3 have between 51,000 and 150,000 hl capacity and 3 wineries have between 151,000 and 500,000 hl capacity.

In 2003, this capacity was reported (VMMS Report) to be over 2 million hl with only 28 registered companies (compared with 50 in 2007) demonstrating that the evolution of the country's wine industry is moving toward smaller entities, but in larger number.

According to the conducted inquiries by the VMMS Project, bottling lines have an installed bottling capacity of 650,000 hl[65]. These are insufficient to cover the whole domestic production.

According to climatic characteristics and EU classification, the country is considered as III -C-b vine growing zone (and has adopted the oenological rules that apply for this zone). The main particularity for this zone is that the wines may be acidified but not enriched, which corresponds to the former legislation and current practice of wine making in the country.

White wines produced in the country generally have low acidity, liveliness and have no “terroir” characteristics. The white wines are produced of Smederevka, Chardonnay and Sauvignon.

[65] Source VMMS project experts (2005)

Among the 50 wineries officially registered, only 11 have adopted HACCP standard and 7 have ISO standards. It should be emphasised that according to the new law on Food Safety, it will be an obligation for all the wineries to adopt HACCP standard by 2009.

1.5. FISHERIES

From the viewpoint of the national economy, fishery has a very small share in the GDP of only 0.1% in (2006). The employment in the fishery sector is also at a very low level, with an annual average of 170 employees in 2004 (21 women). Jobs in the fishery sector are related to fish catching, activity in fish hatcheries and fish farms, as well as fishery related services. According to the 2004 labour survey, conducted by the State Statistics Bureau, the total workforce in the fishery sector is estimated at 442 people (0.1% of total employments), out of which half are with secondary education, and only 72 with higher education. According to the survey, 78 of the employed workers are women.

Out of the total area of the country, about 56,000 ha are suitable for fishing. Of this, 46,700 ha are natural lakes, 6,400 ha are artificial lakes, 2,200 ha are rivers and 700 ha are fisheries. Economic fishery is fresh waters is primarily conducted in the three natural lakes – Ohrid, Prespa and Dojran as well as some accumulations. Sports fishery is conducted in all water areas.

Fishery is regulated under the Law on Fishery (1993), which regulates commercial fishery, sports fishery and production of fish. The fishery sector is under the jurisdiction of MAFWE, as an authorized institution that issues concession licenses to commercial companies and sports fishing associations, as well as approval for installation of fish farms and defining the maximum capacity of the facilities. Concessions are issued for a period of 5 years, and the concessionaire is expected to develop a protection plan, to improve and use the fish resources during the concession period. Sports fishery is allowed on the lakes based on a subsidiary agreement between fishing associations and the concessionaire. The National Agricultural Inspectorate is responsible for monitoring and control of activities in accordance with the Law on Fishery.

The production of fish in the country is conducted by means of commercial fishing in natural lakes and production of fish in artificial fishponds. The amount of fish caught in open waters is constantly dropping, while the production of fresh fish in artificial fishponds is increasing. In 2004, the amount of fish produced in fishponds was about 75% of the total amount caught. Most of the fish caught is trout (711 tonnes in 2004) and carp (248 tonnes).

There is no official restriction on the amount of fish caught, while the regime to use the fish fund from waters available for fishing is done based on annual programmes, which take into consideration the biological characteristics of the available fish species for reproduction, and the fishing is in proportion with the natural birth rate.

Sports' fishing on waters available for fishing is restricted to certain number of days in the year, with a restriction of fishing equipment used. The strictest control is for fishing trout.

The fish produced in fish hatcheries is sold in the market as fresh unprocessed fish. Fresh fish is typically sold in the local market through retail stores or directly to restaurants. Demand for the more important fish types such as Ohrid trout and eel and Dojran and Prespa carp surpasses the supply, and this market relation results in a higher price per kilogram.

According to official statistics, an average household annually consumes 19.5 kg fresh or frozen fish, and 2.8 kg of fish products. According to certain analyses, the consumption of fish and fish products per capita is estimated at about 6-8 kg annually, which is a very small amount in comparison with consumption in other EU countries (about 20 kg per capita annually).

The country is a net importer of fish and fish products. Total imports of fish and fish products in the period of 2000 – 2006 have been marked by constant growth. In 2004, the import of fish and fish products increased by about 7%. The majority of the imported fish and fish products in 2004 were frozen sea fish with about 50% share of the total import value; followed by canned fish (whole or pieces) about 38%; and fresh fish about 6%. The remaining 6% include fish fillets, shellfish, molluscs, smoked fish, and caviar. The biggest share in the value of fish product imports in 2004 were imports from Argentina (23.2%), from where we mainly import frozen hake, followed by Croatia and Spain with 10% share in the value of import of fish and fish products respectively (mainly canned fish), Greece with 5.5% share, and Bulgaria, Serbia and Montenegro as suppliers of the country's market with fresh water fresh fish.

Table I - 46 Import of fish and fish products, in € million (2000-06)

	Description	2000	2001	2002	2003	2004	2005	2006
1	Total import of agriculture products	281	268	314	292	338	348	367.4
2	Total import of fish and fish products	7.24	7.17	9.29	9.15	10.65	12.68	15.86
3	% of import of fish and fish products in total	2.58 %	2.67 %	2.96 %	3.13 %	3.15 %	3.64 %	4.32 %

Source: State Statistical Office, 2007, SITC classification of trade

As in other transition economies, the socio-political changes in the last decade had negative implications on the fishing sector with the introduction of market conditions and the reduced role of the government because of the chronic lack of financial resources due to the budget deficit. This has resulted in an insignificant role of the fishery sector in the overall economy, if we set aside its social and environmental role and the potential for development of fishing tourism.

MAFWE support to fishery is provided through the annual Programme for Development of Agriculture. Starting from 2004, funding was allocated for increasing the fish fund through stocking fishing waters with endemic fish species and for certain measures related to the development of scientific

projects for promotion of fishery. In 2005, the total amount disbursed for the sector was around MKD 4.65 million (equivalent to €76 thousand). In 2006, no funds are allocated for this sub-sector.

Table I - 47 Agriculture Support Programme (Planned and realized, 2004-2006)

year	Planned	Realized
2004	3,000,000	2,700,000
2005	3,800,000	4,650,000

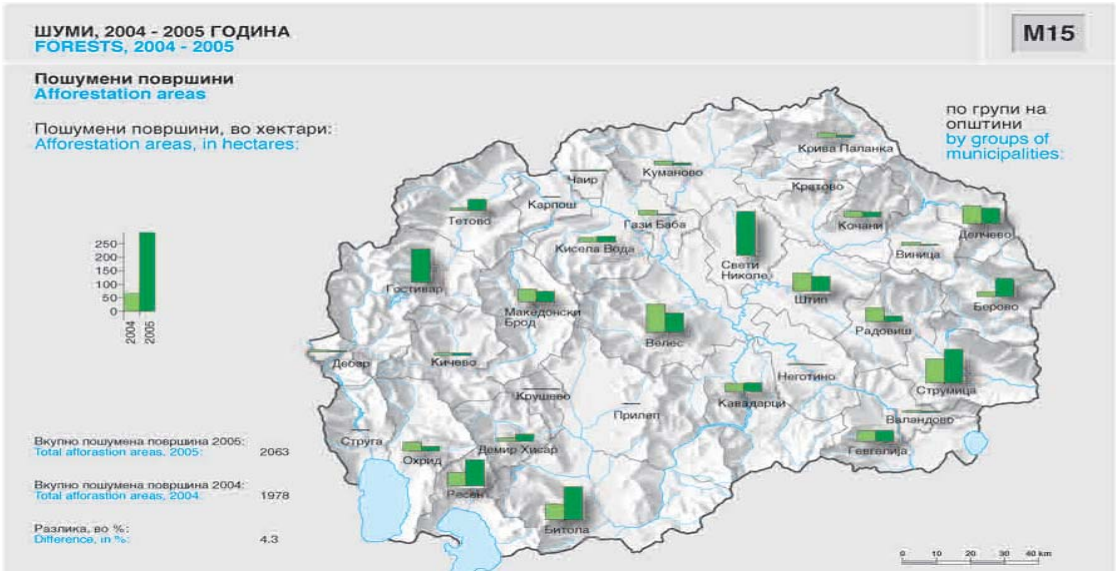
Source: MAFWE Support programmes 2004-2005

MAFWE is drafting a new Law on Fishery and Aqua crops, which would cover resource management, inspection and control, structural and market policy and information distribution in accordance with EU policy in this area.

1.6. FORESTRY

1.6.1. Forestry Resources

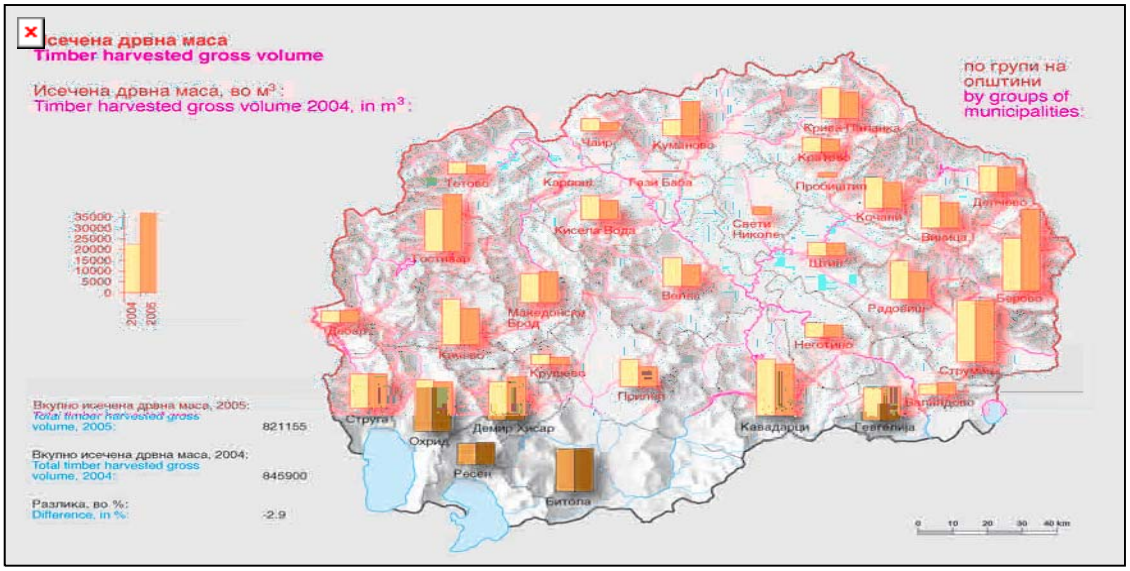
The area classified as forestland is approximately 1.16 million ha (45% of the total the country's territory) out of which forests proper are 947,653 ha (37.2%). The forest species are for 82% deciduous, 12% coniferous and 6% mixed. According to growth, 29% of the forests are categorized as high and 71% as low forests, and therefore only one third of forests are suitable to be used as a source of raw materials for the wood processing industry.



Source SSO Yearbook 2006.

The total wood mass is 74,343,000 m³. and the total annual growth 1,830,000 m³ with average annual increase per hectare of 2.02 m³. The annual planned woodcutting mass is about 1,300,000 m³.

The state owns 90.14% of the total forest area (total wood mass is 92.2%). The private owned forests are 9.86% (94,146 ha) of the total forest area, and their portion of the total wood mass is 7.8%.



Source SSO Yearbook 2006.

The country has significant resources of other forest products: medicinal plants, wild mushrooms, forest fruits, and a diverse game. The importance of forests is emphasized by the fact that the main part of the territory of the protected areas in the country are under forest. Furthermore, forests have other very significant functions such as recreational sport, eco-tourism and recreational hunting, soil and environmental quality improvement, biodiversity conservation, erosion control and flood protection. In addition, over the last decade the role of forests in the reduction of global warming through fixation of carbon dioxide has gathered international recognition.

Therefore, forests deserve special treatment via appropriate protection systems, farming and use for the benefit of sustainable development.

The general contribution of the forest industry (primary and secondary wood processing, furniture, paper and celluloses, etc) in the GDP is 2.5-3%. The economic, social and ecological functions of forests are of significant importance to the sustainable development of society and for improving the quality of life, especially in rural and mountain areas.

The main threats and problems in forest management and governance are: extensive illegal logging, other illegal activities, forest fires that have affected nearly 100,000 ha in the last 10 years, drying of forests due to drought and climate change, insect calamities and diseases. All these lead to enormous economic and environmental losses to the sector.

Political and economic changes in the country in accordance with the EU-integration processes require prioritising and focussing on the multifunctional use of forests and their management, integrating much wider aspects where protection, biodiversity and the care of the nature and the environment are placed first.

The country is a signatory of several international agreements and conventions on forests and environmental protection, which have an impact on the forestry sector. The EU orientation of the country presupposes the harmonization of forestry policy and related environmental legislation.

1.6.2. Forestry Development plan

In 2006, a Sustainable Development Strategy for Forestry (with annexed Action Plan 2007-2009) was prepared by the MAFWE with the assistance of the Food and Agriculture Organization of the United Nations. The main directions identified in the Strategy are as follows:

1. Enlarging the forest covered area and improving the quality of the forests in accordance with the country's Spatial Plan.

2. Multifunctional forest management and sustainable development of economically viable forestry.

3. Increasing the contribution of forests and related goods and services to the quality of life in rural areas.

4. Enhancing the public and social functions of forests and forestry through the strategy for development by comprehensive valorisation of its general and social functions.

5. Raising the awareness of the environmental and social values of forests.

6. Improving the conditions for identification of the national and international funds for sector development support.

7. Harmonization of the forestry legislation with the national interests and international commitments.

In accordance with Article 69 of the Law on Forests, the Government adopted a Program for Expansion of Forest Reproduction. In 2005, the Program funded the following measures implemented by the Forestry Sector of the MAFWE:

1. Afforestation of 673 ha of bare and eroded lands covering an area of 824 ha.

2. Care of forest crops with space - on an area of 1,049 ha;

3. Rehabilitation of forests affected by fires - on an area of 138 ha;

4. Prevention of mass drying of pine forests - on an area of 19 ha;

5. During the period, a total of 462,264 seedlings of various forest types have been provided and used. Out of them 403,185 seedlings have been used for afforestation of private-owned land and 59,079 seedlings for the ecology activity "Youth for Clean Environment". Of the total quantity of seedlings, the predominant species were white pine, black pine, Arizona cypress, locust, while the remaining species were insignificant;

6. Protection of forests against diseases, pests and forest fires. MAFWE in accordance with the multi-annual cooperation with the centre for Reporting, Diagnosis, and Prognosis – department at the Forestry Faculty based on detailed analyses prepares an annual report on the health status of the forests with recommendations on the measures that should be taken to prevent spread, or eradication of certain pests. Then MAFWE submits this report to the Government.

1.7. SWOT ANALYSIS

The SWOT analysis is an organic part of the description of the country's Agro-food Sector described in the previous sections of the Plan. The SWOT analysis consists of the main findings from the general situation analysis, the evaluations on the conditions on which the programme will operate, as well as of a structured system of weaknesses and corresponding threats, the strengths and corresponding opportunities.

The SWOT has an organic relation with the analysis provided in the NARDS as well since both strategic documents complement each other towards achieving the same objectives as a common root for both analyses. More detailed analyses on some aspects of the agricultural economy that are not directly related to the measures of the IPARD Programme are elaborated in the NARDS.

Strengths, weaknesses, opportunities and threats are summarised according to following:

1. Situation in rural areas
2. Agriculture economy and of relevant sub-sectors under this Programme
3. Food Processing Sector

A summary of the principal findings is provided in Part III thus providing the context for setting out the Programme Strategy (reference Part III).

1.7.1. SWOT Analysis of the situation in Rural Areas

Socio-economic and Infrastructural situation	
Strengths	• Abundance of high quality natural environment (lakes, mountains, protected areas), attractions (landscapes, traditional villages, hunting, fishing, SPA resorts, etc) and of rich historical/cultural heritage for the development of rural, cultural, religious and agro-tourism. • Availability of raw materials (timber, region-specific products, local traditional agricultural and livestock products) • Existence of traditional skills, crafts and food production • Geographic diversity in culture, customs, traditional events • Successful pilot experiences in village re-vitalization, restoration of historical monuments and wine tourism • Labour-force from decreasing agricultural sector is open for other rural activities, for which there are available natural resources (clean environment, forest, picturesque landscape etc.);
Weaknesses	• Lower education levels of rural population • High unemployment rate and lack of alternative (off-farm) employment/income generation opportunities; • Out migration of young people; • High share of areas with unfavourable economic conditions (Economically under-developed areas); • Poor rural technical infrastructure (water supply, sewerage, waste disposal, rural roads, telephone, internet, etc) and rural social infrastructure. • Low level of production and processing innovations; underdeveloped and small-size of rural markets; • Neglected and decayed natural and cultural heritage; • Lack of integrated strategy for the support of rural economy (infrastructure, crafts, businesses, rural tourism and services); • Absence of relevant rural organisations to represent the interests of rural communities and promote training;
Opportunities	• Growing demand for well-established tourist destinations in the country is generating foreign visitors interest in rural tourism • Increased government concerns about rural/urban and regional disparities and the environment, and formulation of consistent policies • Possibilities for production and sale of high quality/typical/organic local rural produce • Strengthening of civil society institutions and increased awareness of the benefits of the cross-sectoral partnerships; • Willingness of Municipalities and of village mayors to co-operate with investors • Creation of new entrepreneurs, family businesses and additional jobs in rural areas • New important transit corridors will soon be completed

Threats	• Rural depopulation and ageing trends (out-migration of young, women and economically active population). • Unregulated rural sewerage and solid waste disposal pose serious problems to the environment. • Lack of a strong image of the country as a tourist destination/product • Deteriorating technical and social infrastructure in rural areas, and loss of traditional village landscapes • Deforestation, which leads to soil erosion and changes in environment. • Weak capacity of local authorities in local planning, cooperation and public private partnerships • Rural tourism competition from neighbouring countries (Bulgaria, Greece) • Weak interest of the general public and lack of empowerment of inhabitants in finding solutions to rural problems.

1.7.2. SWOT Analysis of Agriculture

General Agro-Food Sector Development Perspective	
Strengths	• Favourable geographical location (near the European markets, crossroads of transport routes and main European transport corridors); • Good climatic conditions for agriculture and variety of regions with diverse opportunities for agriculture production • Sufficient availability of labour, traditionally skilled in agriculture and low labour costs; • Ownership of agricultural land and assets attributed mainly to private farmers (80% of agricultural land) • Good soil quality and availability of agricultural land with 50% of the territory possessing favourable conditions (plains and valleys); • Agricultural incomes are around the national average of incomes; • At present, agriculture is not a great burden on the environment;
Weaknesses	• Non-suitable land use, farming structure is out of line with the features of cultivated areas, significant share of abandoned fallows; • Very low investment level resulting with outdated technology and low efficiency in agro-food sector • Low efficiency of agricultural activities and high degree of labour intensiveness (among highest in the South East European Countries) • Insufficient co-ordination of activities among individual agricultural enterprises and fragmentation of agri-business contacts • Obsolete agricultural production, especially in the area of use of specialised mechanisation and equipment and post-harvest activities; • Unfavourable terms for investment and working capital credits to undertake reconstruction, modernisation and new investment;

Opportunities	• Availability of EU resources (IPARD funds) and complementary increased National Agricultural Development Support Policies; • Potential for a thorough improvement via structural measures, such as land operations, producer groups, common marketing schemes • Increasing integration of producers, increasing number and potential of associations of agricultural producers • Promoting changes of production and product ranges to match increasing market and quality requirements • Growing number of SME and potential for their development and diversification of activities in agriculture • Fiscal benefits and high protection tariffs apply for agriculture sector • Strengthening of the role of extension services and research;
Threats	• Incomplete land cadastre and registry and weak land market development; agricultural land not accepted as a collateral • Lack of reliable data on farming structure (no established farm structure surveys or official farm register) • Great degree of small-scale farms, many of them producing mainly for self-subsistence and economically not viable • The existing disadvantages attributable to the lack of producer organisation may escalate as a consequence of the absence of the development of a market institutional infrastructure • Disappearing knowledge of traditional, organic production methods • The poor market position and high level of dependence of producers due to fragmented structure, long market chains and lack of marketing services including information.

1.7.2.1. SWOT Analysis of relevant sub-sectors under this Programme

Grape Production	
Strengths	• Experience and long tradition in the production of grapes and wine • Favourable climatic and agricultural conditions for grape production located in main wine growing areas; • Reputation of the country's wine quality on the regional markets and well established marketing in neighbouring and regional countries • Stable yields of wine grapes over the last 10 years (around 260,000 tonnes) • Significant local market and tourism related consumption;

Weaknesses	• The assortment of wine grape varieties is inappropriate in terms of quality and market attractiveness • A high percentage of the vineyards suffer frequent bud freezing due to inappropriate location • High planting and maintenance costs per hectare for the first three years • Obsolete cultivation practices and technical equipment • Grape sales to wineries are generally not regulated by long term contracts • Fragmentation of vineyard plots • Price of grape is determined only in relation to sugar content • The supply of vines for planting is inappropriate in terms of phyto-sanitary requirements and in terms of varieties;
Opportunities	• Increasing use of modern viticulture practices; • A cadastre system dedicated to vineyard has been established in a pilot zone and is being extended nationwide. • The development of reliable nursery stock resources and/or import procedures for grafted materials will improve vineyards • Domestic policy favouring introduction of quality vine varieties on designated areas • Legislation is being harmonised with EU Acquis • Increasing integration of producers, increasing number and potential of associations of grape producers and cooperatives;
Threats	• Unfavourable age structure of vineyards and decreasing trend of area under vineyards, which is likely to continue, since new plantings and replacements are around 2% per year of the total. • Widespread use of uncertified planting material • Huge number of small producers who are not sufficiently prepared for international markets – high production prices and no competitiveness
Fruits and Vegetables	
Strengths	• Favourable climatic and agricultural conditions for fruit and vegetable production throughout the country; • Availability of skilled labour due to tradition of specialisation in F&V production specially in production of early vegetable, at low costs • Reputation of the country's F&V fresh products quality and established marketing on neighbouring and regional countries • Domestic consumers are loyal to the local fresh F&V and build trust in the food safety and quality of the products • Protective domestic policy to support the adjustment of the sector (high protection tariff)

Weaknesses	• Majority of production is fragmented and performed on small size businesses and farms relying on household labour • Low level of investment contributing to ageing structure of fruit trees and absence of new technologies in the vegetable production • Fluctuating yields and product quality due to lack or inappropriateness of irrigation, crop protection and technology • Widespread use of non-commercial fruit varieties (apples, cherries unsuitable for storing/processing, etc). • No existing Codex of Good Agricultural Practices (GAP) • Entrepreneurial attitude is underdeveloped across the chain (conservative attitude of a great number of farmers, poor marketing skills) • Weak horizontal cooperation (farmer cooperatives and associations) leading to excess seasonal supply at low price; • Lack of modern post-harvest facilities (cooling, storing, grading, sorting and packaging) and marketing infrastructure for fresh produce. • Redundant intermediaries capturing the main marketing margin and growing pressure from distribution chains; • Absence of relevant market information and integrated Agriculture Market Information System • Weak vertical integration (farmers and processors). Poor contract enforcement both on farmers' and processors'/traders' side • Weak research and support from the extension services (especially for marketing) and lack of training and knowledge enhancement. • Complicated export procedures;
Opportunities	• Introduction of EUREPGAP on several specialised farms upgrading horticultural food safety and integrated crop management; • Growing interest and introduction of new varieties of F&V products (e.g. for table grapes, berries, sour cherries, organic fruits) • Interest of foreign companies is likely to develop into investments in processing and retailing and organize farmers' supply • Good development prospects for soft-fruits like berries, as well as sour cherry, organic fruits, peach and apple. • Good development prospects for pepper, red pepper, asparagus, early vegetables, organic vegetables, planted curative and aromatic herbs. • Increasing segmentation in the markets and supply of added-value products

Threats	• Strong competitors in export markets. Spain, China, Morocco, Turkey (vegetables) and Serbia (berries), Poland, Hungary (sour cherries). • Import liberalization, resulting in keen competition in the domestic market • Export markets are increasing their requirements for quality standards, food safety and consumer protection. • Low investment in multi-annual crops (obsolescence of fruit and grape plantations). • Imports of often uncertified fruit, grape and vegetables (potato, etc) seeds and seedlings
Dairy Farming	
Strengths	• Existence of specialised dairy farms in breeding high productive milking cows and use modern production methods • National Breeding Strategy fully operational • Abundant natural pastures and up-lands • Complementary with the field production i.e. farmers have good access to fodder crops and compound feed
Weaknesses	• Prevalent small production units and segmented dairy farms affecting the efficiency • Semi-nomadic sheep breeding affects the investments in farm buildings, milking hygiene practises • Cows and sheep breeding enterprises and holdings have problems in production technology and feeding management • Farms have insufficient knowledge about feeding practises • Low milk yield per cow / sheep (high production cost per litre raw milk) and fluctuation of raw milk quality • Most of the stables do not comply to the minimum animal welfare and hygienic practises; • Lack or inappropriate milking, feeding, cooling equipment available on-farm • Weak manure treatment practises and utilisation of energy efficient sources (e.g. biogas) • Insufficient hygienic knowledge on raw milk treatment, milking, udder and feeding
Opportunities	• Increased interest in goat breeding for milk production • The milk yield per cow / sheep can be increased through better management • Increase milk yield per cow and sheep via improved compound feeding strategies • Install milk cooling tanks and milking equipment thereby increase the milk price via the better quality of the milk • Animal I&R established for cattle farms (small ruminant registration on-going) • Scope for improvement of farm hygiene and animal welfare.

Threats	• No National system for monitoring the milk quality • Availability of live animals is weak and with decreasing trend. Weak reproduction centres for genetic material • Statistics about the country's dairy farm sector are totally insufficient • Lack of appropriate praxis-orientated advisory service • Lack of producer associations
Pig Farming	
Strengths	• Good pig herd genetics – internationally recognised company participation • Strong specialised leader pig breeders and existence of recognised pig breeders association with good co-operation/contacts with international pig breeders • Complementary with the field production i.e. farmers have good access to fodder crops and compound feed • National Breeding Strategy fully operational
Weaknesses	• Constant decreasing trend of pig numbers on the national level and single turnover focusing on single season of supply (before Christmas) • Lack of modernized stables for pigs for fattening and sows breeding according to the animal welfare and environmental standards • Lack of farm facilities and equipment for fodder storage • Extensive methods of breeding and selection, giving small effects and resulting in poor efficiency in pig farms
Opportunities	• Growing development of the domestic market for fresh pork • Domestic consumers build trust towards the domestically produced pork • Increasing support through the National Policies • Constant improvement of the favourable structure of existing specialised farms
Threats	• Continuous price fluctuations and conditions between producers, processors and in organization of transport • Meat processors unwilling to accept domestic pork (price/quality) • Cost of feed remains high compared with neighbouring countries
Poultry Farming	

Strengths	• Increased productivity (proper environment, management and equipment, etc) of specialised farms (the number of which is increasing), and good integration of these with the industry. • Egg and poultry meat enterprises are integrated from farm to market in production, • Self sufficient in egg production
Weaknesses	• Low productivity of small family poultry farms due to low productive crosses, poor nutrition (feed is maize-based and is costly for family farms), old on farm equipment. • Family owned layer farms need to be organized and integrated. • There are no marketing standards and pricing based on evaluation of carcasses on slaughter line. • Generally, the slaughtered animals are low live weight. • There are only two slaughterhouses in the country (total capacity of 2 million birds per year), which limits the development of broiler production
Opportunities	• Increasing domestic demand for poultry meat (especially fresh). • Since 80% of poultry meat is imported, this indicates that there is potential for development of the poultry sector from the perspective of the likely available market (Import substitution) • Increase of feed crop production. • Campaigns for increasing consumption of fresh poultry meat • Ostrich farming
Threats	• Without proper market regulations, there is large import of cheaper frozen poultry meat from other countries. • Egg production is pressed by un-favourable market prices. • Various Diseases and temporary market shrinking due to Avian Influenza.

1.7.3. SWOT Analysis of food processing industry

General Food Processing Sector Development Perspective	
Strengths	• Developed marketing knowledge and availability of skilled labour • Location of the processing capacities near the urban centres benefits labour mobility (availability of transport and services network) • Prominent role of the small and medium food processing enterprises as more flexible and competitive economic agents • Strong horizontal links among processors and well functioning association and Chamber of Commerce

Weaknesses	• Shortage of 'start-up' capital (low support for enterprises, shortage of information, incubators, low availability of credit); • Seasonal supply of raw materials contributing to over-capacities in the establishments • Very low investment level resulting in outdated technology and low efficiency in agro-food sector, low hygienic and quality standards, missing modern equipment for products with high value added), • Inadequate waste management • Absence of a common classification system of carcasses for slaughtered pigs (SEUROP system);
Opportunities	• Availability of EU resources (IPARD funds) and complementary increased National Agricultural Development Support Policies to bring processing industry into compliance with EU requirements and improve efficiency • Increasing urge for introduction of advanced quality standards HACCP, ISO, BRC among the food processing enterprises • Increasing integration of producers, increasing number and potential of associations of agricultural producers; • Growing number of SMES and potential for the development of small and medium sized enterprises and the diversification of activities in agriculture;
Threats	• General non-compliance of agro-food sector with EU requirements, results in limitation of export markets • The inefficient, technically outdated holdings will lose market because of the increasing operational costs due to the newly introduced standards come into force with the accession • Due to fragmented agri-business structures and lack of marketing services the market position of producers is poor, their level of dependence is high; uncertain vision of the future

1.7.3.1 SWOT Analysis of relevant sub-sectors under this Programme

Dairy Processing sector	
Strengths	• The country has a strong tradition in the production and consumption of dairy products (milk, yogurt, brined white cheese and kashkaval), both for commercial and niche (traditional) products; • Low transport costs for the country's dairies to the domestic dairy market and low marketing costs; • Consumers show loyal preferences towards domestic fresh milk and dairy products
Weaknesses	• Problems in meeting the food safety standards in the processing industry (of the total, only 1 dairy enterprise is “certified” for the EU); • Insufficient or mostly no Hygienic, ISO-certification, HACCP and waste water treatment • The marketing of the country's dairy brands is weak (advertising campaigns, rupture of stocks, vacuum packing and labeling); • Product quality and taste is often not constant and accompanied by shelf live problems; • Weak logistic link between dairy factory and wholesalers/ retailer ; • Lack of dairy processing technology management facing risks and traps in the production process because the management is based on experience and not on modern technological production methodologies; • Fluctuating quality of the raw milk affecting the shelf life; • Lack of sufficient network of equipped milk collection centres hampers the supply and quality of raw milk • Strong international competition on the domestic markets; • Problems to develop new products;
Opportunities	• Increase product supply logistic by strengthening the milk collection facilities • Restructuring of the sector by establishing modern production units and improvement of marketing to contribute to value added products • Develop new products (high profitable cheeses, sweet fruit yoghurts, puddings, etc) and branding • Improve marketing, advertising, packaging and labelling;

Threats	• Very small structured dairy farming causes high cost for milk collection and bad raw milk quality • Lack of raw milk test laboratories for daily testing • Lack of good production technology specialists • Weak food hygiene control capacity. Capacities which do not comply to the EU standards will be closed down upon accession • Strong international competition on the domestic markets (increasing import of high standard quality dairy products from regional and international markets). • Loss of consumer loyalty to the country's products due to quality variations. • High cost of milk collection and variable raw milk quality • Appearance of diseases which can influence domestic consumption and exports
Meat Industry-Slaughterhouses	
Strengths	• Emerging development of modern slaughter house capacities • Seven slaughter houses registered for EU exports (for lamb exports) • Consumer preferences weight towards domestic fresh meat products
Weaknesses	• Most of slaughter houses capacities do not comply with veterinary and hygienic conditions for food safety and EU requirements • Absence of a common classification system of carcasses for slaughtered pigs (SEUROP system) and absence of production units for value added fresh meat (especially for lamb and poultry); • Seasonality of slaughter leading to overcapacity for slaughtering but lack of slaughtering capacities for some products (poultry) • Lack of waste water treatment installations • Large number of uncontrolled slaughtering of animals (“Backyard” slaughtering) • No treatment or use of by-products obtained through the slaughtering process • No rendering capacity or organised scheme to treat the animal waste (bones and dead animals) • Weak respect to the animal welfare standards for slaughtering • There are only two poultry slaughterhouses in the country (total capacity of 2 million birds per year) insufficient to cover growing demand for fresh poultry meat.

Opportunities	• Growing domestic market for fresh meat products • Adoption of latest packaging technology and development of new products • Ability to create EU level facilities • Development "niche" products for both domestic and export markets • Ability to create new EU approved slaughtering/processing facilities • Supermarkets and internal competition will "force" sector to higher standard / quality levels
Threats	• Regional producers increase their market share for fresh meat • Overcapacities preclude the efficiency leading towards low accumulation of capital for investment • Appearance of diseases which can influence domestic consumption and exports • Capacities which do not comply to the EU standards will be closed down upon accession
Fruit and Vegetable Processing Industry	
Strengths	• The country's F&V processing sector is export oriented. • Products enjoy high reputation on regional and international markets; • There are around 50 F&V processors in the country. • A strong association of F&V processors is established. • Processing factories of horticultural products are located in production areas • Most of the seasonal workers are from rural areas, skilled in handling agricultural products • Around 50% of the processing facilities have implemented HACCP, and 25% are HACCP certified, while another 8% are certified ISO 22 000 (food safety standards).
Weaknesses	• Majority of F&V processors (85%) are micro and small enterprises (up to 50 full time employees) while the rest are medium size enterprises (50-250 employees). • Emphasized seasonal business activity of the enterprises • There is little vertical integration within the chain (only 15-20% of the quantities needed by the industry are contracted and delivered by the producers/traders) • Overcapacity in cooling and storing facilities as a result of weak execution of production plans and seasonal supply of raw materials • Lack of internal and external quality traceability systems and at reception

Opportunities	• The demand for processed products is growing on international as well on the domestic market; • Promotion of micro and small enterprises (they have higher demand for full-time labour and greater flexibility in employment of part-time seasonal labour) • Greater collaboration with producers to ensure an adequate supply at the right time; • Develop mechanisms to increase current under utilisation of the capacities that in return, would allow rapid expansion with minimum capital requirements; • Develop preferential/grant schemes aiming to support for the industry; • Provide strong marketing and promotional support to the exporters of processed F&V; • Identify, promote and facilitate model(s) for improved multi stakeholders' dialogue (companies, producers associations, MAFWE, MoE etc.).
Threats	• Low level of utilisation of installed production capacity (average utilisation 36% in 2006). • The EU market is very demanding in terms of food safety and quality standards. • Further trade liberalisation and competition. • The F&V processing sector is highly dependant on the domestic production/supply of agricultural products. (high import tariffs and complicated procedures for imports of fresh produce for processing) • Prices of raw materials vary heavily. • Access to capital and shortages of raw materials affecting growth of the industry
Wine Industry	
Strengths	• The country has long tradition for winemaking benefiting from climatic and geographical advantages. • The vineyard areas are suitable for growing internationally renowned grape varieties (Cabernet, Chardonnay, etc…). • The country has "autochthonous" varieties (Stanusina) and well known regional reputation for the wine quality; • Increasing number of wineries: 28 in 2003 – 43 in 2006. 4 to 5 additional new wineries should open during beginning of 2007. • A Wine Producer Association has been created (MakVino). • 11 companies have adopted HACCP standards. • 70% of total production is exported. • The country has a free trade agreement with EU as well as different non-EU countries.

Weaknesses	• Wine export is predominantly (92%) done in bulk • Three companies are contributing with around 80% of the national wine exports. • Lack of modern equipment for filtration, stabilisation, bottling and labelling. • No price differentiation between grape quality (only based on sugar level). • Tourism in wine region is only planned for Tikvesh region, but infrastructure needs to be improved. • Lack of vineyard integration weakens the HACCP implementation. • Lack of marketing knowledge and misuse of Collective brand and Private Brand.
Opportunities	• Domestic market is undeveloped and could absorb, in the future, a larger quantity of quality wines • To differentiate the wine sector with marketing practises, the development of autochthonous and regional varieties and updated wine production technologies • Increase of bottled wine for both domestic and export markets. • Tourism in wine region is developing (Tikvesh wine route). • National legislation on wine is being aligned with the EU Acquis
Threats	• Imports of quality wines from neighbouring and international markets at competitive prices • Imports of bottles and corks (no local production) • The current legislation on the wine quality system and hierarchy could create confusion among foreign wine buyers • The wineries which do not comply with the Law on Food Safety will be closed down therefore affecting the market

1.8. EX ANTE EVALUATION

1.8.1. Executive Summary

A. Scope of Ex-Ante Evaluation

This ex-ante evaluation of the draft IPARD Programme was carried out by a team of three evaluators over an eight-week period in June-August 2007. The evaluation was carried out in parallel with the finalisation of the draft IPARD programme and during the evaluation period comments and recommendations from the evaluation team were provided to the team preparing the IPARD programme. The evaluation has been carried out in accordance with the Terms of Reference provided to the evaluators and with reference to the EC Guidelines for ex-ante evaluations. Jho;ih

The findings, conclusions and recommendations in this Final Report are based on an extensive evaluation of the drafts of the IPARD Programme provided to the mission on July 12th and 25th [66] and consideration of a wide range of relevant documents including sector studies and other National Plans – in particular the NDP and NARDS. The evaluation team met and discussed relevant issues with a wide range of relevant people who are involved in developing and implementing agriculture and/or rural development programmes and projects in the country. An extensive field trip was also undertaken to meet with possible programme beneficiaries and to asses the relevance of the proposed programme in the context of the actual situation in rural areas.

B. Draft IPARD Programme – Design and Purpose

The draft IPARD Programme is designed to address identified problems in agriculture and rural development that are inhibiting development and proposes solutions by way of measures that are designed to address problem issues with particular reference to improving competitiveness, and accelerating alignment with relevant EC policies. The proposed measures are governed by the requirements and limitations of EC Regulations 1085/2006 (IPA) and 718/2007 (implementation of IPA).The focus of the programme is the provision of capital grants towards the cost of equipment and facilities. It is expected that the availability of grants will prompt farmers, processors and rural entrepreneurs to invest in equipment and facilities that otherwise they might not do. This is understandable and will help to establish interest and enthusiasm around the programme and inject momentum into the reform process. However, this emphasis on capital investment should not overshadow other important necessary investments and actions needed, especially in regard to improving horizontal and vertical integration, and improving farming and business skills.

D. Main Conclusions

D.1 General

The IPARD Programming exercise and the programme is a thorough, understandable and logical document that meets most of the requirements of the EC for Rural Development plans.

[66] IPARD Programme evaluation was Parts I, II and III dated 12th July with updates on 25th July as part of an evolving programming process. The Technical Measure Fiches (i.e. the most recent available within Ex Ante mission time constraints) were in the draft dated 12th July.

The link between objectives, gaps and proposed measures is logical given the requirement to focus measures within the parameters allowed by the governing EC regulations. A number of important areas of the programme are still incomplete – these include a description of the implementing arrangements (including monitoring and evaluation), lessons learned, and training strategy.

D.2 Part 1 - Analysis of the current situation

The analysis of the current situation including SWOT analysis is generally comprehensive and adequate in terms of determining issues to be addressed and priorities. The analysis builds on sector studies and other strategic planning documents, particularly the NARDS. Some weaknesses in the analysis are noted. The SWOT could be improved so that there is a clearer link between the analysis and the problems identified. Prioritisation of issues to be tackled could be improved with justification for prioritisation. The overall conclusion of the evaluators is that the description/analysis in Part 1 of the programme provides a good overview and understanding of the challenges for developing the agricultural and broader rural economy. The analysis of sub-sectors is generally good and is consistent with sub-sector studies and the SWOT analysis. The analysis of the broader rural economy in terms of its potential for development is not as strong as for the agriculture and processing sectors; this is mainly due to the lack of an in-depth study and the absence of reliable data. More discussion on infrastructural deficits and a clearer identification of problems would be recommended. Regional disparities could also be more clearly analysed and some justification made for any regional prioritisation for the planned measures.

The Main Recommendations in respect of the Analysis of the Current Situation are:

1. At the end of the description of each sector and sub-sector a short paragraph be inserted that would summarise the key issues that need to be addressed and the perceived priority in terms of overall objectives. This would improve the link between the sector analysis and the SWOT.
2. Section 1.6 (SWOT) should be revised to show more clearly the causal relationship between the situation analysis, identified needs and the proposed measures. In particular the “problems to be tackled” should be more explicit. It is recommended the Strategic objectives are referred to immediately after the SWOT (i.e. still in Part II) as a natural conclusion of the SWOT and a link into Part III.

D.3 Part 2 National Governance Context

This part provides a description and review of the relevant national legislation and policies, government supports to agriculture, the international co-operation projects and the National Strategy for Integration of the country into the EU. The legal and institutional framework and priorities in relation to the environment are also elaborated. Overall this part is comprehensive with a very detailed listing of priorities at the end of each section. These priorities elaborate on the policy or legal issues that need to be addressed in each sector or sub-sector. Section 2.4 on current national support policies is detailed but would be strengthened by a concluding paragraph that would summarise the proposed reforms of the current support policies and the steps that are underway to align the support measures more closely with the CAP.

While Part 2 is quite comprehensive it lacks a concluding synthesis that would show how policy and legislative reforms combined with government programmes will drive sustainable rural development in the country. In this section, some of the issues appearing in the SWOT analysis could be elaborated so that there is a more direct link with Part 3.

Recommendations

3. A concluding paragraph should be included in paragraph 2.4 that summarises the reforms underway of the current support policies and the steps planned to align the support measures more closely with the CAP.
4. It is recommended that identified priorities that have implications for the IPARD programme should be highlighted and where possible an indication given of any progress or action already underway.
5. A concluding synthesis of Part 2 should be included to provide a clearer link between Parts 1, 2 and 3.
6. A section on lessons learned should be included. This should be analytical and particularly refer to any lessons drawn from the current RD programmes.

D.4 Strategy and objectives of the IPARD Programme

Part 3 provided the overall strategy for rural development, details of available measures, the target groups and the strategic planning process of the IPARD programme. This is then linked to the objectives of the Programme that are set in the context of the higher level objectives outlined in the NDP and NARDS. Later in the Technical Fiches objectives at measure level are provided that are consistent with the objectives at strategic level. This part of the document is quite clear in setting out the strategic objectives of the programme and the links with higher level objectives on the one hand and objectives at measure level on the other. However the general objectives of the IPARD plan could be clarified further and emphasise competitiveness.

Main Recommendation

7. Competitiveness should be emphasised in the general objective.

D.5 Selected Measures

The IPARD Programme proposes three measures – two under Priority Axis 1 and one under Priority Axis 3. The measures selected are considered to be appropriate, relevant and coherent and are consistent with the earlier analysis and identified problems. The two measures selected under Priority Axis 1 complement each other quite well and should have a strong impact on modernisation of agriculture and food sectors. The measure selected under Priority Axis 3 is relevant to the overall objective of diversification of the rural economy. This is important in the context of structural reform of agriculture and the likelihood of substantial reduction in the numbers employed directly in primary agriculture.

While the selected measures are consistent with the overall objectives and reasonably well designed there are some areas for improvement. The expected impact of the measures should be more explicit in the measure fiches while the specific objectives could be reworded so that the specific expected results of the measure (and sub-measures) can be seen.

Eligibility and selection criteria should be reassessed in some areas. For measures 1.1 and 1.2 the selection criteria is quite limited and does not use the business plan in any meaningful way. Some of the weightings in the selection criteria should also be reassessed to ensure that the weightings reflect priorities. The allocation of 35% of funding for poultry under measure 1.2 is surprisingly high given that the analysis section does not suggest that it is a special priority or its competitiveness is soundly based.

For measure 3.1 the specific objectives should be re-examined to closer resemble the emphasis in Priority Axis 3 in IPA on wider rural development, including both farm and non-farm economic activities. Currently the emphasis is skewed towards on-farm diversification. It is also recommended to better justify or reassess the geographic areas eligible for farm-based rural tourism support as it currently seems too narrow. The selection criteria should be adjusted to better reflect the general objective and to encourage good uptake of proposals by suitably qualified rural entrepreneurs capable of making a real difference to local rural economies.

Main Recommendations

8. A short piece on the expected impact of each measure should be included in the measure fiches.
9. The selection criteria should aim to take account of the business plans that support the applications and also the weightings should be reassessed.
10. The allocation of 35% of funding under measure 1.2 to poultry should be better justified in the analysis or else the allocation be reassessed.

D6. Training

Article 181 (2) of 718/2007 requires that beneficiary countries shall prepare a training strategy. This strategy will identify training needs and establish criteria for the selection of training providers. The successful implementation of this programme is highly dependent on the availability of appropriate training courses and facilities. This training needs to be delivered in a flexible and imaginative way that takes account of the needs of beneficiaries. It cannot be institution led, it should be pluralistic in its approach (i.e. involving private and public sector delivery) and any training strategy must take account of this.

Recommendations

11. The training strategy should ensure that there is a broad range of training providers reflecting the diversity of IPARD. Training should be managed by a body independent of any of the training providers and should be pluralistic in delivery.
12. Mitigation actions against adverse environmental effects should include awareness and training activities in relation to environmental standards to secure cross-compliance and minimum standards.

E. Environmental Considerations

The IPARD Programme implementers and beneficiaries will need to pay particular attention to developments that will to some extent impact on water quality and use, waste management, biodiversity, land management, the natural and built environment, etc. Compliance with

national standards and movement towards EU standards, many of them newly introduced, will be important conditions of the various projects to be implemented under the three measures.

In the remaining period of programme finalisation attention should be given to better describing the rationale for defining the objectives for Measures 1 and 2 and 3 for the environmental context. Currently neither the strategy in Part III or the technical measure fiches adequately describe the rationale for proper care and attention to the environment within programme development, and the possible perceived contradictions between the goals of improved competitiveness and improved environmental compliance. This brief addition should include a note that the costs of compliance with environmental standards will not directly lead to increased competitiveness, but will indirectly open access to higher value markets that require compliance with exacting environmental standards.

A further recommendation for the first financial period (2007-09) includes setting up formal coordination structures with the MoEPP on screening applications for environmental compliance including decisions relating to the need for Environmental Impact Assessments (EIAs) and spatial development considerations.

Recommendations:

13. Include a brief addition to both the Strategy in Part III of the programme and technical fiches for all three measures on the rationale for environmental compliance and its relationship to wider competitiveness.
14. Set up functional coordination structures with MoEPP for screening applications for environmental compliance, including decisions relating to the need for EIAs and also for spatial development considerations.

F. Programme Implementation and Monitoring and Evaluation

Full details of the structures, processes and procedures for programme implementation were not yet completed at the time of this evaluation. Nevertheless substantial work has been done on planning for programme implementation and there would seem to be a good understanding of what is necessary in order to meet all EU requirements. Some important work remains especially further consultation with social partners, planning for promotion and publicity of the programme and the establishment of monitoring structures (including committees).

In relation to the establishment of M&E systems work on this will proceed over the coming months with the assistance of TA. This will concentrate on defining suitable monitoring indicators and systems for collection of monitoring data. In this regard the evaluators suggest that the first steps in M&E are very practical and simple. It is considered much better to establish simple systems that work and can be built on rather than some elaborate system that is unworkable. Initial M&E data should try and collect data relevant to each sub-measure (measure component) that will show if the specific objective of the measure is being achieved. At the same time when designing systems for M&E some consideration should be given to establishing processes for measuring impact. This may involve setting up some simple socio-economic surveys in pilot areas. Farmer and business registration systems, particularly including programme beneficiaries, should be an integral part of the M&E system.

Recommendations:

15. Systems to develop M&E should be established at sub-measure level but in a simple way that can be built on.

16. It may be possible to collect useful baseline data in the application form. This should be kept in mind during the planning for implementation. Farmer and business registration systems should be included in the M&E system.

17. Monitoring committees should be broadly representative of all Rural Development interests and not confined to government or solely agricultural organisations. Social inclusion, partnership and consultation are assumed in 3.5 but not described. A small descriptive addition should be included on what structures are anticipated to feed into the Monitoring Committee.

G. Other issues

The longer term development of agriculture and the rural economy is a major challenge that will require significant investment and radical and innovative policies. IPARD will contribute to this but will not provide all the investment or all of the solutions. Thus any evaluation of IPARD has to be carried out in the context of overall development plans – national and regional. Successful implementation of IPARD will depend not just on the programme design (the subject of this ex-ante evaluation) but on progress in other areas such as training and on the availability of private sector investment funds. The total public funds allocation of €25.3 million for the period 2007-2009 must be matched by funds from the beneficiaries of €24.3. It is expected that much of this will come from credit sources but lending to the agriculture sector at present is low and characterised by high interest rates and demanding security requirements. This is an issue that needs to be tackled prior to the implementation of IPARD, otherwise uptake under the various measures will be low or else confined to people who are already financially strong.

Recommendation:

18. Steps should be taken to present the IPARD programme to financial institutions during the planning phase with a view to these institutions designing financial packages that would facilitate potential beneficiaries.

PART II – NATIONAL GOVERNANCE CONTEXT

2.1. AGRICULTURE AND RURAL DEVELOPMENT

2.1.1. Agriculture and Rural Development

2.1.1.1. Legal and institutional framework

2.1.1.1.1. Agricultural sector legislation

Currently there is no systemic legal act for horizontal regulation of the agricultural sector and rural development. Certain areas in the agricultural sector are regulated by the following legal acts:

- Law on Agriculture and Rural Development (OG 134/07)
- Law on Farm Accountancy (FADN) (OG 110/07)
- Law on Wine (OG 69/2004)
- Law on Livestock Breeding (OG 61/97)
- Law on Agricultural Land (OG 25/98, 18/99 and 2/04)
- Law on Tobacco (OG 24/06)
- Law on Agriculture Activity (OG11/02)
- Law on Promoting Agriculture Development (OG 24/92, 32/92, 83/92, 78/93, 14/96)
- Establishing Agency for Promoting Development in Agriculture (OG 03/98)
- Law on Agricultural Inspection (OG 38/04)
- Law on Organic Agricultural Production (OG 16/04)
- Law on Pastures (OG 3/98 and 101/00)
- Law on Stock Exchanges of Agricultural and Food Products (OG 32/92)
- Legislation on the budgetary means for agricultural development
- Legislation on agricultural land
- Legislation on support of rural areas
- Legislation on setting up of registers in agriculture

2.1.1.1.2. Legislation on the budgetary means for agriculture development

The management and control of budgetary funds earmarked for support the development of agriculture is regulated by the following legal acts:

- Law on Budget (OG 64/05)
- Law on Promoting Agriculture Development (OG 24/92, 32/92, 83/92, 78/93, 14/96)
- Law on State Audits (OG 73/04)
- Law on Audits (OG 79/05)
- Law on Financial Operations (OG 42/93 and 32/97)
- Law on Investment Funds (OG 9/2000)
- Law on Banks (OG 63/2000, 103/00, 37/02, 51/03 and 85/03)

2.1.1.1.3. Legislation on agriculture land

- Law on Agricultural Land (OG 135/07) regulates the utilization, deposal and protection of the agriculture land. Agricultural Land as a good of public interest is under special protection and it can be utilized in the line with conditions and manners of this law. Due to better assessment of the land and carrying out tax policy, the following are recognized as agriculture land: plug field, garden, orchards, vineyards, meadow, pastures, morass, reed and fisheries, as well and other land which is utilized or not (not cultivated land), but with use of agro technical, agro meliorate, hydro meliorate and anti-erosion measure could be suitable for agriculture production. Agriculture land, which is in state ownership, could be given to utilization by concession, rent and usufruct. Protection of the agriculture land is provided with prohibition, limitation and prevention against direct insertion of harmful substance into the soil,
- Law on Pastures (OG 3/98 and 101/00)

2.1.1.1.4. Legislation on support of rural areas

The support in the rural areas is implemented in accordance with the partial programs implemented pursuant to the following acts:

- The Law on Indebtedness of the country at the International Fund for Agricultural Development for realisation of the Project for Rural Development of the Southern and Eastern Regions (OG 7/97 and 45/97)
- The Decision on Rising and Use of Funds from the Foreign Economic Assistance for Agricultural Development in the country (OG 1/98)
- Law on Promoting Agriculture Development (OG 24/92, 32/92, 83/92, 78/93, 14/96)
- Law on Establishing Agency for Promoting Development in Agriculture (OG 03/98)
- Law on Association of Citizen and Foundations (OG 31/98 and 29/07)
- Law on Waters (OG 4/98, 19/00, 42/05 and 46/06)
- Law on Water Communities (OG 51/2003 and 95/05)
- Law on Water Management Enterprises (OG 85/2003 and 95/05)
- Law on Promotion of Economically Underdeveloped Areas (OG 2/94 and 39/99)
- Decision on Determining Economically Underdeveloped Areas in the Period 2003 – 2007 (OG 28/03 and 2/04).
- Law on Hunting (OG 20/96, 26/96, 34/97, and 69/04)
- Law on Forests (OG 47/97, 7/2000 and 89/2004)
- Law on Nature Protection (OG 67/04, 14/06 and 84/07)

2.1.1.1.5. Legislation on setting up registers in agriculture

Currently there is no integrated legal act for the introduction of integrated systems of data collection and management of registers and databases to support the creation and implementation of the agricultural policy. However, this is regulated

with a general legal framework regulating the collection of data and information and setting up and management of databases and this area is regulated with the following legal acts:

- Law on Classified Information (OG 9/2004)
- Law on Personal Data Protection (OG 12/94, 4/02 and 07/05) harmonised with the following EU acts: 32001R0045 of the European Parliament and the Council on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data (OJ L 8, 12.01.2001); 32002R0831 on application of the Council Regulation (EC) No. 322/97 on Community statistics, related to access to confidential information for scientific purposes (OJ L 133, 18.05.2002)
- Law on Electronic Data and Electronic Signature (OG 34/2001 and 6/2002).
- Law on State Statistics (OG 54/97), harmonised in terms of data protection to 31997R0322 (OJ: L052 of 22/02/97 Act on Community Statistics); Council of Europe, Convention 108 (81) for protection of individuals with regard to automatic processing of personal data, Directive 96/46/EC of the European Parliament and Council of 24 October 1995 on protection of individuals with regard to the processing of personal data and on the free movements of such data (OJ of the European Communities No. L 281/31), Council of Europe, Recommendation No R (97) 18.
- Law on Trade Company (OG 28/04, 84/05, 25/07)
- Law on Surveying, Land Register and Entry of Rights to Real Estate (OG 27/86, 17/91).

2.1.1.1.6. Institutional framework

The Ministry of Agriculture, Forestry and Water Economy (MAFWE), with its sectors, administrations and inspectorates, is in charge of drafting the legal acts in the field of agriculture and rural development. MAFWE is designated as the Managing Body in charge of rural development in the country with the publication of the Government Decision (OG 05/2006)

The Agency for Financial Support in Agriculture and Rural Development was established with the Law on establishing Agency for Financial Support in Agriculture and Rural Development adopted on 1 June 2007 (OG.72/07) as an independent body of the state administration with a status of legal entity located in Skopje. Accordingly, the Agency should provide:

- Implementation of the agricultural policy and support to rural development of the country;
- Utilization of the EU pre-accession funds in compliance with the criteria provided for in bilateral agreement between the country and the European Union;
- Implementation of the Common Agricultural Policy of the European Union in the country;

- Implementation of the Common Fisheries Policy of the European Union in the country;
- Implementation of the government assistance measures within the agriculture and
- Implementation of other measures determined by the Government.

Within the scope of the activity for pre - establishing of the Agency, 19 persons were employed in the Secretariat for European Affairs and General Secretariat of Government in 2006, and 4 staff employed in the Sector for Financial Support of Agriculture and Rural Development within MAFWE dedicated for this activity which immediately after adoption of Agency's Book of rules for internal organisation and systematisation of working posts shall be transferred therein. The employed were also provided with office furniture and basic work equipment subject to further development under the World Bank loan project (Component II). Furthermore above mentioned staff including representatives of the National Fund within the Ministry of Finance in 2006 and 2007 were supported by the SLR Project in regards to organising and delivering number of training on PA procedures and IPARD Programming (through workshops, seminars, on-the job training and study tours).

The partial programmes for rural areas development are implemented through the Ministry of Local Self-Government, the Ministry of Transport and Communications, Ministry of Environment and Physical Planning, and other state institutions.

With regard to the rural development in 2006, MAFWE started the realisation of a new programme for rural development, for which €734,000 were allocated, intended for investment in agricultural mechanisation and equipment for natural and legal entities.

Due to the necessity of inclusion of the EC recommendations and the actual needs for support of the agricultural policy in the process of approximation to the EU Common Agricultural Policy (CAP), and in relation to establishing an integrated Agricultural Information System (AIS), Sector for agricultural policy analysis (SAPA) has been set up within the MAFWE, comprising three units. This Sector covers the following elements: analysis of the agricultural policy, integrated data system for agricultural holdings (data bases and registers), including all elements of AIS Farm Monitoring System/Farm Accountancy Data Network (FMS/FADN), market information system for agricultural and food products, agricultural statistics and economic accounts for agriculture.

2.1.1.2. Strategic documents

A National Strategy for Agriculture and Rural Development for the period 2007-2013 accompanied by operational plans for its implementation (Action Plan for Agricultural Development and Action Plan for Rural development) has been prepared and adopted by the Government. The objective of the strategy is to define a multi-annual agricultural and rural development policy in compliance with the EU Common Agricultural Policy (CAP).

2.1.1.3 Priorities

- Law on Agriculture and Rural Development (OG 134/07) was adopted. This Law is a systematic legal act for the sector that creates a legal framework for implementation of all reforms in the policy and institutions in the agricultural and food production sector and the rural areas. The basic principles of the Law are planning the agricultural development and the development of the rural areas, agricultural policy measures and the holders of the right to benefit from those measures, minimum quality and designations of the agricultural products, setting up of databases and supervision over its implementation. The Law on Agriculture and Rural Development will be in compliance with the provisions of the EEC Council Regulation No 26 applying certain rules of competition to production of and trade in agricultural products (OJ 030, 20.04.1962, p. 993), and will partially be in compliance with the EU legal acts in the following areas:
    - Establishment of advisory and expert bodies for support of the agricultural policy;
    - Regulating the markets of certain agricultural and food products;
    - System of direct support of the agricultural producers;
    - Protection of geographical indications, designations of origin and traditional specialty guaranteed on agricultural and food products;
    - Rural Development Support Policy;
    - Support for scientific and research projects in the area of agriculture;
    - Agricultural Information System (AIS).

Other Priorities

- Adoption of bylaws to the Law on Agriculture and Rural Development
- Drafting a programme for support of the introduction of certification and registration systems
- Introduction of Code of Good Agricultural Practice to be prepared in draft before end 2007 and adopted in 2008
- Adoption of bylaws to the rural development measures
- Adoption of bylaws to the Law on Establishing the Directorate for Financial Support of Agriculture and Rural Development
- Drafting a strategy and operational plan for development of sustainable and efficient Agricultural Information System (AIS)
- Law on Farm Accountancy (FADN) was adopted (OG 110/07)
- Law on fishery and aquaculture (in Parliamentary procedure, to be adopted by September 2007).

2.1.2. Livestock breeding

2.1.2.1. Legal and institutional framework

Law on Livestock Breeding (OG 61/97, not approximated to the EU legislation) regulates the breeding of and trading in cattle, sheep, goats, pigs, horses, poultry, rabbits and other animals of economic importance; also manufacturing of livestock

products, manufacturing and trading in semen and embryos, manufacturing and trading feeding stuffs products, and other livestock-related issues. The Law also defines the authorizations of the legal entities regarding the basic keeping of a Herd Book, selection and monitoring in livestock breeding, as well as regarding the authorizations to manufacture and trade in semen and embryos. In addition to the Livestock Breeding Act, the following legal acts also regulate the field of livestock breeding:

- Law on Veterinary Health (OG 113/07)
- Law on Animal Identification and Registration (OG 69/04, 81/07)

The Sector for Agriculture within the Ministry of Agriculture, Forestry and Water Economy is the competent body for drafting, proposing and implementation of the legislation, as well as for administrative and expert issues in the area of livestock breeding. The implementation of acts in the field of livestock breeding is under the competence of the Unit for Livestock Breeding (Department for Agriculture). Besides the Unit for Livestock Breeding, the State Agriculture Inspectorate, a body within the Ministry of Agriculture, Forestry and Water Economy, is directly responsible for the surveillance over the implementation of the provisions provided for in the Law on Livestock Breeding. The Inspectorate structure includes a Sector for inspection and surveillance in the area of crop production, livestock, fisheries, and land policy, with total number of twenty four (24) employees, out of which one head of a sector, five (5) head of regional units, and eighteen (18) state inspectors positioned in the six (6) regional units of the sector. The Institute for Livestock Breeding - Skopje of “St. Cyril and Methodius” University is the institution authorised for implementation of the National Breeding Programme (to keep the Herd Book, selection and monitoring of livestock).

2.1.2.2. Strategic documents

The strategic document that defines the policy and direction of development of the area is the National Livestock Breeding Program 2000 -2009 (OG 17/2000)

2.1.2.3. Priorities

- Amending the law on Livestock Breeding
- Adoption of bylaws:
- Guidelines on the manner of keeping the herd book and selection of breeding cattle and monitoring in the livestock breeding sector as well as the contents of the books and the forms for keeping the herd book
- Book of rules on the conditions to be met by an organisation for provision of semen for artificial insemination and the conditions to be met by an organisation for embryo transfer
- Guidelines on the manner of keeping records on the type, the quality, the quantity and the delivery of the semen for AI
- Book of rules on the necessary equipment and on keeping records on AI
- Book of rules on keeping records on the type and the number of fertilized ova and embryos, and on the manner of storing and transplanting embryos

- Book of rules on the necessary equipment and on keeping records of the performed embryo transplantation
- Book of rules on the manner of conservation of the genetic value of the indigenous livestock races and their maintaining in the original forms
- Book of rules on farm breeding and reproduction of poultry

2.1.3. Organic agricultural production

2.1.3.1. Legal and institutional framework

Law on Organic Agricultural Production (OG 16/04) regulates the production, processing, trading, import-export, labelling, expert control and certification, programme for promotion and development of the organic agricultural production, surveillance, and penalty provisions. The Law is in compliance with the Council Regulation (EEC) No. 2092/91 on organic production of agricultural products and indications referring to agricultural and foodstuffs, and is partially harmonised with the EU legal acts[67].

Pursuant to the law, the following three Books of rules were adopted:

- Book of rules on organic animal production (OG 60/06),
- Book of rules on organic plant production (OG 60/06),
- Book of rules on organic products processing (OG 60/06).
- Book of rules of the manner, procedure and methodology for providing expert control in organic agriculture production (OG 59/07)
- Book of rules on the format, content and the manner of keeping the register of legal persons for performing expert control in organic agriculture production (OG 44/07)
- Book of rules on the format, content and colour of the label of the organic agriculture products (OG 64/07)

The Ministry of Agriculture, Forestry and Water Economy, is the competent authority for organic agricultural production, setting and proposing policies related to this field. The Ministry of Environment and Physical Planning, issues licenses for export of products of self-sown plants and subsidiary forest fruits. The Ministry of Health is the institution competent for protection of human health and consumer protection against fraud. The Ministry of Economy is the institution in charge of regulating the turnover of the internal and external markets.

The following institutions are in charge of implementation of the regulations in the field of organic agricultural production, consumer protection, protection of human health, and trading in organic products:

The Unit for Organic Agriculture, Department for Agriculture within MAFWE with one employee is in charge of the following activities: development of policies for introduction and development of organic agricultural production, registration of the entities involved, monitoring and record keeping of the situation in the production,

[67] 31992R0094; 32001R1788; 31998R1367; 31999D0468

processing and trading in organic products, and cooperation with related governmental and non-governmental institutions and organisations;

- The State Agriculture Inspectorate, the State Market Inspectorate, the Food Directorate and the State Environment Inspectorate are bodies competent for surveillance and control of the implementation of the legislation in this area;

- The Ministry of Environment and Physical Planning is competent for sustainable use of natural resources through issuing licenses for exports and processing of certain plant varieties and their processed products, protection against extinction of endangered plant varieties by published lists of strictly protected species, and protection against pollution of waters, soil and biodiversity as a whole;

- The Ministry of Economy is in charge of consumer protection and inspection and surveillance of the implementation of the regulations related to the internal trade in organic products;

- The Ministry of Health is responsible for the protection of human health, which is defined in the Committees Codex Alimentarius;

- The Ministry of Finance is responsible for the implementation of the customs regulations through its Customs Administration;

- The Institute for Accreditation is responsible for accrediting the bodies authorised for organic agriculture inspection and certification, as well as inspection and certification of organic products in accordance with the international criteria;

- The Institute for Standardisation adopts the technical regulations (standards) in this area;

- The State Office of Industrial Property is in charge of registration of organic products trade marks;

- The Faculty of Agricultural Sciences and Food, as a scientific and educational institution, in its Department for Eco-agriculture educates staff in the field of organic production, prepares studies and analyses, participates in drafting legal acts and bylaws;
- The Agency for Promoting the Development of Agriculture provides appropriate services for producers and processors;

- Accredited bodies (authorised legal entities) for performing expert control in organic agricultural production;

- The Union of Organic Associations BIOSAN organises the associations and producers with a view to implementation of organic standards in the production, joint marketing and export.

2.1.3.2. Strategic documents

- Stabilisation and Association Agreement between the country and the European Communities and their Member States and Strategy with an Action Plan for European Partnership;
- Plan for protection of Biodiversity.

2.1.3.3. Priorities

- National Strategy and Action plan for organic agriculture was adopted with Government decision on 91st session of Government of RM held on 12 September 2007
- Adoption of bylaws

2.1.4. Wine

2.1.4.1. Legal and institutional framework

- Law on Wine (OG 69/2004) regulates the production and trading in grapes and wine and other products made from grapes and wine, the national register of vineyards, rights and obligations of the legal and natural entities producing and trading in wines, the description, designation, marking, presentation, and protection of wine. The Law on Wine, as the general frame regulating the sector, is in compliance with the EU measures respectively to the 31999R1493 on common organization of the wine market (OJ L 179 14) and also with 32000R1622 and 32002R0753

Table wine *is a wine which: is derived exclusively from vine varieties classified as wine grapes pursuant to article 11 of this law; - has, whether or not following application of an enrichment process, an actual alcoholic strength by volume of not less than 9.0% vol. and a total alcoholic strength by volume of not more than 15% vol. and has a total acidity content, expressed as tartaric acid, of not less than 3.5 grams per litre or 46.6 micro equivalents per litre.*
Regional wine *shall be the table wine with a geographical indication whose area of origin is a region, whose name belongs to the list of protected names for regional wines established by the minister of agriculture, forestry and water economy, and that complies with the following rules: It is produced entirely from grape varieties recommended for that region pursuant to article 11 of this law. At least 85% of the grapes originate in the designated region; it meets all the characteristics fixed pursuant to this law. The minimum natural alcoholic strength is 9.5% vol. and the wine has passed an analytical and organoleptic examination by a tasting commission.* ***Quality wine*** *shall be the wine with a geographical*

indication whose area of origin is precisely demarcated within a "Vinogorje"(sub-region) or within a smaller geographical unit, whose name belongs to the list of protected names for quality wines established by the minister of agriculture, forestry and water economy and that meets all the characteristics set for the quality wine concerned, including at least the following conditions: 85% of the grapes originate in the designated area of origin, The vine varieties are recommended Vitis Vinifera and belong to the classification established for quality wine pursuant to article 11 of this law, Cultivation methods are compliant with the provisions fixed for quality wine, The processing activities are carried out within the designated area or, where the minister of agriculture, forestry and water economy allows it, in the immediate vicinity of that area provided that the wine is processed separately, The minimum natural alcoholic strength is 10% vol., A maximum yield is fixed expressed either in tonnes of grapes or in hectolitres of wine per hectare, and It passed an analytical and organoleptic examination by a tasting commission.

***Premium quality** wine shall be the wine with a geographical indication recognised for its specific characteristics and high quality, whose area of origin is precisely demarcated within one or several "localities" (section of a village territory) or of smaller geographical units, whose name belongs to the list of protected names for premium quality wines established by the minister of agriculture, forestry and water economy and that meets all the characteristics set for the premium quality wine concerned, including at least the following: 100% of the grapes originate in the demarcated area whose name it bears, The vine varieties are recommended Vitis Vinifera and belong to the classification established for premium quality wine pursuant to article 11 of this law, The cultivation methods are compliant with the provisions fixed for premium quality wine, The processing activities are carried out within the vineyard or, where the minister of agriculture, forestry and economy allows it, in the immediate vicinity of that area provided that the wine is processed separately, The minimum natural alcoholic strength is 11% vol., A maximum yield is fixed expressed either in tonnes of grapes or in hectolitres of wine per hectare and the wine passed an analytical and organoleptic examination by a tasting commission.*

- Book of rules (OG 38/06) on the oenological means and procedures applied in the wine production and methods for partial dehydration of grape must
- Book of rules (OG 38/06) on methods for analysis for determining the chemical composition of the wines and the method of refractometer usage
- Classification of vine varieties for wine production (OG 6/2007)
- Book of rules on the form, the content and the dimensions of the wine label and other details on the label (OG 94/07).
- Book of rules on the conditions regarding the premises and equipment for wine production (OG 94/07)
- Book of rules on the conditions regarding premises and equipment of the authorized laboratories for oenological testing and analysis (OG 94/07)

The Department for Agriculture within the Ministry of Agriculture, Forestry and Water Economy is the competent body for drafting, proposing and implementation of the legislation in the area of wine production. The implementation of the Law on Wine is under the competence of the Unit for Viticulture, Wine Production and Fruit Growing within the Department for Agriculture. In addition to the Unit for Viticulture, Wine Production and Fruit Growing, the State Agriculture Inspectorate within MAFWE, is directly responsible for surveillance over the implementation of the provisions in the Law on Wine. Within the Inspectorate, there is a Sector for inspection and surveillance in the field of fruit growing, viticulture, wine production and seedlings, consisting of two regional units and one unit for expert and administrative operations. Currently, the sector employs five (5) persons, out of which one is a head of a sector, two (2) head of regional units and two (2) state inspectors – counsellors positioned in the regional units of the Ministry, and Unit for expert and administrative operations with 3 employees civil servant. The activities of inspection and surveillance of the trading in wine is carried out by the Food Directorate (Ministry of Health). A GIS based Vineyards Monitoring and Management System (VMMS) has been developed at pilot level (Kavadarci area), and is planned to be extended in 2008-09 nationwide to the rest of the vineyard areas of the country with support of the CARDS funded phase 2 of the VMMS Project.

2.1.4.2. Strategic documents

Stabilization and association agreement, Additional protocol for wine adjusting the trade aspects of the Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Republic of Macedonia, of the other part, to take account of the outcome of the negotiations between the parties on reciprocal preferential concessions for certain wines, the reciprocal recognition, protection and control of wine names and the reciprocal recognition, protection and control of designations for spirits and aromatised drinks

2.1.4.3. Priorities

In addition to the three adopted book of rules in the field of wine production, additional bylaws will be adopted emerging from the Law on Wine to ensure compliance with the EU legislation in the field of wine production. The book of rules foreseen to be adopted as short-term priorities is the following:

- Book of rules on the conditions regarding the premises and equipment for wine production,
- Book of rules on the conditions regarding the premises and equipment for wine production,
- Book of rules on identification of vineyards and identification of producers,
- Book of rules on registering of the wine producers,

- Book of rules on the manner of registering the grape and wine quantities produced in the last harvest, stocks of grape and wine from the previous years and stocks of imported grape must and wine,

- Book of rules on the conditions regarding the premises and equipment of the authorised laboratories for oenological testing and analyses,

- Book of rules on supply of marc and wine lees for distillation or vinegar production.

2.1.5. Inspection and surveillance of agriculture

Law on Agricultural Inspection (OG 38/04) regulates ways of organization, competence and authorization of the Agricultural Inspection. The State Agriculture Inspectorate is part of the MAFWE, established pursuant to the Law on Organisation and Operation of the State Administrative Bodies (OG 58/00). The Inspectorate includes two sectors: the Sector for Inspection and Surveillance of Crop- production, Livestock Breeding, Fisheries and Land Policy and the Sector for Inspection and Surveillance of fruit growing, viticulture, wine production and seedlings.

The Sector for inspection and surveillance in the area of crop production, livestock breeding, fisheries, and land policy in the State Agriculture Inspectorate has a total number of twenty five (25) employees, out of which one (1) head of a sector, two (2) head of regional units, and twenty two (22) state inspectors - counsellors positioned in the regional units of the Inspectorate. The Sector conducts inspection and control of the laws and regulations from the aspect of their application in the area of crop-production, land policy, livestock breeding and fisheries; inspection and control of marketing of raw materials (seeds, means of protection, fertilizers, premixes for feeding stuffs, fish, etc.).

The Sector for Inspection of Fruit Growing, Viticulture, Wine Production, and Seedlings employs five (5) persons, out of which one (1) head of a sector, two (2) head of regional units and two (2) state inspectors - counsellors positioned to the regional units of the Ministry and one head of the Unit for expert and administrative operations with three (3) employees. The Sector conducts surveillance and control of the laws and regulations from the aspect of their application in the area of fruit growing, viticulture, wine production, and seedlings, inspection surveillance of the marketing of wine and raw materials.

2.1.6. Fisheries and Aquaculture

2.1.6.1. Legal and institutional framework

The Law on Fisheries (OG 62/93) is the basic act regulating this area and refers to the usage, management and protection of the fish stock in the fishing waters. However, the current national legislation is not in line with the EU measures related to the structural and market policies, the fisheries, and aquaculture

information system. The MAFWE newly established Unit for Fisheries within the Department for Agriculture is in charge of drafting, proposing and implementing the legal regulation and dealing with the administrative and expert issues in the area of fisheries.

Besides the above-mentioned Unit for Fisheries, the State Agriculture Inspectorate is directly responsible for supervising the implementation of the provisions referred to in the Law on Fisheries. The Inspectorate also includes a Sector for inspection and supervision in the area of agriculture, livestock breeding, fisheries, and land policy, with a total staff of twenty four (24) employees, out of which one head of sector, five (5) heads of regional units, and eighteen (18) state inspectors in six (6) regional units of the sector.

2.1.6.2. Priorities

Adoption of the Law on Fisheries and Aquaculture in line the EU measures and bylaws in the following areas:

- bylaws on: (1) determination of fishing areas, zones and pools and recreational zones, (2)
- commercial fisheries, (3) recreational and sports fishery, (4) equipment, tools and other means of fishery, (5) manners and conditions of designation of competent institutions for fisheries.
- bylaws on control in fishery.
- bylaws on: (1) conditions, manner and procedure related to the use of assistance in the fisheries and aquaculture, (2) payment of compensations and damages in fishery, (3) fish and fish products quality, (4) forms of organisation and association in fishery.
- bylaws on record keeping in fishery.

2.1.7. Forestry

2.1.7.1. Legal and institutional framework

The Law on Forests (OG 47/97, 7/00, 89/04) regulates forests cultivation, use and protection, where the protection of the forests is an integral and indivisible part of forest management. Forest protection includes protection against: unlawful usurpation and use, illegal timber felling, fires, plant diseases and pests, cattle grazing, collecting acorns, unlawful collection of other forest products and other damages. With reference to the management of forests in state and private ownership, the Parliament adopts a general plan for forest management for a period of 20 years. On the basis of this plan, the forest managing entities adopt specific plans for forest management, for a period of 10 years.

In the adoption procedure is the Law on Reproductive Material of Forest Tree Species in which Council Directive 1999/105/EC on the marketing of forest reproductive material, is transposed.

The protection and rescue of people and material goods against natural disasters, epidemics, epizooties, epiphytotics and other accidents in peace and war conditions, as well as against war activities, are regulated by the Law on Protection and Rescue (OG 36/04 and 49/04) and the Law on Fire Fighting Services (OG 67/04).

The Sector for Forestry and Forest police sector within the Ministry of Agriculture, Forestry and Water Economy is the competent body for drafting, proposing and implementation of the legislation, as well as for administrative and expert issues in the area of forestry.

2.1.7.2. Strategic documents

In June 2006, the Government adopted the National Strategy for Sustainable Development of Forestry with Action Plan.

2.1.7.3. Priorities

After the adoption of the Strategy for Sustainable Development of the Forestry, in the forthcoming period, its implementation of all activities provided for under the Action Plan for the period 2007-2009 will start.

2.2. FOOD SAFETY, VETERINARY AND PHYTOSANITARY

2.2.1. Food safety and Control Policy

2.2.1.1. Legal and institutional framework

Law on Food Safety and Products and Materials in Contact with Food (OG 54/02 and 84/07) is the basic legal act that regulates the conditions for providing food safety and materials in contact with food, in the production and in the circulation process, the rights and the obligations of the natural and legal persons in order to protect the human health, to protect the consumers from inaccuracy and deception and to provide free circulation of goods in the internal and external market, partly in compliance with the EU Acquis. In the Law, the following EU legal acts[68] have been incorporated.

According to this Law, sixteen bylaws have been adopted harmonised with the EU legislation:

- Book of rule on the labelling of food stuffs (OG 118/05),

[68] 31998L0004, 31992R2082, 31997R0258, 32000L0013, 32001L0018

- Book of rule regarding the special safety requirements on infant milk-based foodstuffs (OG 118/05),

- Book of rule on checking methods and issues certificate for acquired basic acknowledgement in the area of food hygiene and protecting environment(OG 118/05), Book of rule on general hygiene requirements of food safety (OG 118/05),

- Book of rule on additives in foodstuffs which can be used in food production (OG 118/05),

- Book of rule on the requirements for cereal-based foodstuffs and baby foodstuffs for infants and young children (OG 32/06),

- Book of rule on quality of fruit juices and other similar products (OG 32/06),

- Book of rule on safety of natural mineral water (OG 32/06),

- Book of rule regarding on special requirements of quick frozen products (OG 32/06), Book of rule on sanitary-hygiene conditions of food production (OG 32/06),

- Book of rule regarding of special requirements on cocoa and chocolate products (OG 32/06),

- Book of rule on the special requirements regarding the safety of sugar (OG 32/06),

- Book of rule on types of foodstuffs intended for particular nutritional uses and permitted levels of daily intake of vitamins and minerals (OG 3/2007),

- Book of rule on way of issue the approval and required documentation for production of food for particular nutritional purposes and novel food (OG 3/2007),

- Book of rule for special requirements on safety of coffee and chicory extracts (OG 3/2007),

- Book of rule for special requirements on safety of fruit jams, marmalades and sweet osseous (OG 3/2007).

In accordance with the Law on Food Safety, the institutions, which are in charge of the implementation of the legal acts in the field of control and safety of food, are the Ministry of Health - Food Directorate and the Ministry of Agriculture, Forestry and Water Economy - the Veterinary Directorate.

The Food Directorate as a body within the Ministry of Health has the competences for carrying out the expert and administrative matters in the field of food safety and products and materials that come in contact with food. The Veterinary Directorate

as a body within the Ministry of Agriculture, Forestry and Water Economy carries out the matters that refer to the food of animal origin in coherence with the regulations for veterinary health and the general requirements provided for in the Law.

Commission for the country's CODEX ALIMENTARIUS is an expert advisory body (comprising 15 members and president), that considers issues that regulate the country's CODEX ALIMENTARIUS and the methods for food analysis based on international scientific findings.

The following institutions are included in the system of food control and safety: the Republic Institute for Health Protection, 10 regional units for health protection across the territory of the country, the Faculty of Veterinary Medicine – Food Institute, the Consumers Organisation, the Ministry of Economy, the Ministry of Environment and Physical Planning and entities for food production. The total number of employees in the Food Directorate is 75, working in 3 sectors and 12 units.

The Memorandum of Mutual Understanding and Cooperation between the Food Directorate, the Ministry of Health and the Veterinary Directorate, the Ministry for Agriculture, Forestry and Water Economy has been signed.

2.2.1.2. Strategic documents

The following strategic documents define the food safety policy:

- Strategy for adjustment of the country's Agricultural Sector with the CAP of the EU,
- Strategic plan of the Ministry of Health – Food Directorate 2007-2009,
- The National Strategy for Integrated Border Management with Action Plan.

2.2.1.3. Priorities

- Amending the Law on Food Safety and Products and Materials in Contact with Food (OG 54/02 and 84/07) is drafted with the aim of further harmonisation of the national legislation with the EU legislation concerning the following EU legal acts[69]. The general principles and competences, the risk assessment, communication and risk management, precaution and transparency principles, the regulations that refer to the food safety, the obligations of food operators and consumer protection, official food safety and quality control, keeping a register, permitting facilities to start production, storage, placing products on the market, export-import, accredited laboratories, crisis and emergencies management.
- By the end of 2007, 12 bylaws are planned to be adopted.

[69] 320002R0178, 32004R0852, 32004R0882, 32004R0853, 32004R0853, 32000R0013 and 31997R0258

- Adoption of a National Strategy for Food Safety.

2.2.2. Veterinary Policy

2.2.2.1. Legal and institutional framework

New Law on Veterinary Health (OG 113/07); this law is the primary law in the veterinary field that regulates the organisation of the veterinary services, the principles and procedures for implementation of activities related to the protection of people and animals against diseases which are transmitted by animals, products and fomites, for the combat of contagious animal diseases including zoonoses, the functions of the Veterinary Chamber and other issues of veterinary interest in the country. This Law is in compliance with the EU measures[70]:

Law on Animal welfare (OG 113/07); this law regulates the breeding, keeping, care and housing of certain species of animals and, in particular, the protection of animals in stock-farming, the protection and welfare of animals during transport, slaughter and killing, the protection of dogs and zoo animals and the protection of animals used for experimental or other scientific purposes. This Law is in compliance with the EU measures[71]. Law on Waste and By-products of Animal Origin (OG 113/07); this law regulates the categorization, collection, transportation, disposal, processing, use and storage of animal by products, as well as conditions that need to be fulfilled for approval of the processing, oleochemical, biogas and composting plants for animal by products, and additional provisions concerning the incinerators, co-incinerators and landfills. Also this Law lays down provisions applicable to the placing on the market and use of processed animal proteins and other processed products that could be used as feed material, pet food, dog chews and technical products and to the approval of related plants, as well as to importation and transit of certain animal by-products and products. This Law is in compliance with the EU measures[72]:

Law on Public Veterinary Health, (OG 114/07). This Law lays down general and specific animal health and public health rules for: obligations of food business operators, registration and approval of food business operators and establishments, imports and exports of food, official controls on food and financing of official controls, monitoring of residues and unauthorized substances, zoonosis and zoonotic agents and antimicrobial resistance, as well as other related issues. This Law is in compliance with the EU measures[73]: Law on Food Safety and Products and Materials in Contact with Food (OG 54/02 and 84/07) Law on Medicinal Drugs, Supplementary Treatment Substances and Medical Devices (OG

[70] 31982L0894, 31989L0662, 31990D0424, 31990D0638, 31990L0425, 31991L0496 , 31991L0628, 31992L0119, 31996L0043, 31997D0794, 31997L0012, 31997L0078, 31999L0031, 32000D0571, 32000D0666, 32000L0075, 32000L0076, 32001D0812, 32002L0099, 32002R1774, 32003D0136, 32003D0858, 32003L0085, 32003R0998,32004D0212,32004D0292, 32004R0282, 32004R0854, 32005D0176

[71] 31998L0058, 31991L0629, 31997L0002, 31997D0182, 31991L0630,32001L0093, 32001L0088, 31999L0074, 32002L0004, 32000D0050 , 31986L0609, 31999D0575,31993L0019, 31988D0306, 32005R0001, 31991L0628, 31998R0411, 31995L0029, 31197R255

[72] 32002L1774, 32001R0999, 32005R0092, 31996L0023, 31975L0442, 31996L0022, 32005R0093

[73] 32002R0178**,**32003R2160,32002L0099, 32005R2073, 32005R2074, 32005R2075, 32005R2076, 32003L0099

21/98); this Law regulates the production, circulation and use of veterinary-medical preparations Law on Animal Identification and Registration (OG 69/2004); this Law regulates the identification and registration of farm and other animals. This Law is in compliance with the EU measures[74].

The Veterinary Directorate is responsible and competent for implementation of the administrative matters and monitoring inspection activities deriving from the above mentioned laws and bylaws in the field of safety of food of animal origin, healthcare of animals, protection against diseases transmittable from animals to human beings, veterinary-sanitary checks and control of products, raw materials and wastes of animal origin, prevention of animal reproduction, veterinary protection and improvement of the environment and the nature, minimum mandatory degree of animal health protection against diseases, organisation and carrying out veterinary-health activity, veterinary health control of feed and the products for animal feeding, production, circulation and use of medicines for veterinary use identification and registration of the animals and animal welfare.

There are six units within the Veterinary Directorate. The Veterinary Directorate projects a total number of 205 employees, from which 95 are already employed. As state veterinary inspectors in the regional offices there are 44 employees, and as border veterinary inspectors there are 12 employees. The system for control of animal diseases and of safety of food of animal origin includes the laboratories within the Faculty of Veterinary Medicine, which have started with accreditation procedures. Through the CARDS Programme, equipment was procured for strengthening the inspection service, improving laboratory testing facilities as well as part of the equipment of the animal identification and registration system. Furthermore, laboratory equipment for avian influenza testing has been procured.

2.2.2.2. Strategic documents

The strategic documents that define the veterinary policy and the development of the Veterinary Directorate are as follows:

- Business plan in the Veterinary Directorate,
- The MAFWE Strategic Plan 2007-2009,
- The National Strategy for Integrated Border Management with Action Plan ,
- International Animal Health Code of the OIE (International Office of Epizootics).

2.2.2.3. Priorities

In 2007, the following law and bylaws are planned to be adopted:

[74] 32000R1760, 31990L0427, 31993D0623, 31997L0012, 31997R2629, 31997R2630, 31998R0494, 31999R0331, 31999R1663, 32000R1898, 32000L0015, 32000D0678, and 32001D0672

- Amendments to the Law on Animal Identification and Registration adopted (OG81/07)

- Book of rules on sheep and goats identification and registration,

2.2.3. Phytosanitary Policy

2.2.3.1. Legal and institutional framework

Law on Plant Health (OG 29/05) regulates the plant health, measures and obligations related to the occurrence of organisms harmful to plants, measures for eradication, biological measures for plant protection, exchange of information and information system, costs and reimbursements, competence of the authorities, competent services, authorities and bodies in the field of plant health, and other matters concerning plant health. This Law is based on the Council Directive 2000/29/EEC. Downstream to this law, the potato disease secondary legislation have been adopted: Order (OG 32/2007) on control of Potato Wart Disease, Order (OG 32/2007) on control of Globodera spp., Order (OG 32/2007) on control of Clavibacter michiganensis subsp. Michiganensis, and Order (OG 32/2007) on control of Ralstonia solanacearum (Smith) Yabuuchi et al.

Law on Plant Protection Products (OG 110/07) regulates approval, marketing, utilization and control of the plant protection products, placement on the market and control of active substances, maximum level of residues, equipment for products utilization, equipment and the measures for preventing harmful consequences from the use of the means for plants protection of the human and animal health, the environment and nature, exchange of information regarding the products, production of products, register of natural and legal entities involved in production and placement of products, authorizing condition of the bodies responsible for implementation, monitoring and control of this law. This Law is in compliance with the EU measures 91/414/EC.

The Phytosanitary Directorate within the Ministry of Agriculture, Forestry and Water Economy is in charge of the implementation of phytosanitary policy. The human capacity in the Phytosanitary Directorate is performing the following activities border inspection; the internal control, regional reporters and competent institutions for monitoring of the health situation of the plants in the country. In accordance with the Law on Plant Health, the State Phytosanitary Laboratory is established to conduct diagnostics and determination of harmful organisms, analysis of physical and chemical characteristics of the plant protection products, analysis of active substances, as well as biological examinations in certain fields of the phytosanitary legislation. The laboratory is in the course of staffing. The Institute for Agriculture – Skopje, the Institute for Southern Crops – Strumica, the Tobacco Institute – Prilep, the Faculty of Agricultural Sciences and Food and SPL – the State Phytosanitary Laboratory within the Ministry of Agriculture, Forestry and Water Economy are engaged in some of the activities.

The inspection supervision and control of the production, circulation and use of plant protection products is carried out by 26 state agriculture inspectors from the

State Agriculture Inspectorate within the Ministry of Agriculture, Forestry and Water Economy.

2.2.3.2. Strategic documents

Strategic documents that define the phytosanitary policy and the directions for the development in this field are as follows:

- The International Plant Protection Convention ;
- The International Convention for the Protection of New Varieties of Plants (UPOV);
- The Standards of the European Plant Protection Organisation ;
- The Strategy for Adjustment of the country's Agricultural Food Sector with the CAP;
- The National Strategy for Integrated Border Management with Action Plan;
- Institutional development plans for the Phytosanitary service and for the State Phytosanitary Laboratory.

2.2.3.3. Priorities

Adoption of by laws deriving from the Law on Plant Health: List of harmful organisms, registration of producers and importers of plants and plant products

2.2.4. Seed and planting material

2.2.4.1. Legal and institutional framework

Law on Seed and Seedling Material for Agricultural Plants (OG 39/2006) harmonised with EU Directives[75]. This Law regulates production, control, finishing production, certification, labelling, trade, import and export of seed and planting material from agricultural plants. Furthermore, this Law regulates the procedure on approval of new varieties, post-control of propagating material, holding the original samples in a gene bank, approval of public authorisations for performance of certain activities in terms of seed and planting material aimed at obtaining quality seed and planting material, adoption of an Annual Programme on seed and planting material as well as other activities in the area of seed and planting material.

- Book of rules on trade in seeds from cereals (OG 8/07)
- Book of rules on trade in seeds from forage crops (OG 8/07)

[75] 31996RL041, 31996RL042, 31968L0193, 31992L0033, 31992L0034, 31998L0056, 32002L0053, 32002L0054, 32002L0055, 32002L0056, 32002L0057

- Book of rules on keeping a register of suppliers of seeds material of agricultural plants (OG 8/07)
- Book of rules on trade in rape seeds(OG 8/07)
- Book of rules on spatial, technical, expert and organizational conditions to be fulfilled by the certifying body for seeds and seedlings of agricultural plants/crops (OG 20/07)
- Book of rules on trade in seeds of oleaginous and fibre plants (OG 32/07)
- Book of rules on trade in seeds from vegetable (OG 59/07)

Law on Protection of New Agriculture Plant varieties (OG 84/07), this law regulates the procedure on Protection of New Agriculture Plant varieties, obtaining and protection of the rights of the owner of the variety, register on application on Protection of New Agriculture Plant varieties and register of protected varieties This Law is in compliance with EU Directive 31994R2100.

The Seed and Planting Material Directorate within the Ministry of Agriculture, Forestry and Water Economy are in charge of the implementation of the policy.

The Institute for Agriculture – Skopje, the Institute for Southern Crops – Strumica, the Tobacco Institute – Prilep, the Faculty of Agricultural Sciences and Food and SPL – the State Phytosanitary Laboratory within the Ministry of Agriculture, Forestry and Water Economy are engaged in some of the activities of the Seed and Planting Material Directorate.

The inspection supervision and control of the production, circulation and use of the seed and planting material for agricultural plants is carried out by the state agriculture inspectors from the State Agriculture Inspectorate within the Ministry of Agriculture, Forestry and Water Economy. The inspection supervision and control in the area of seed and planting material is carried out by the State Agriculture Inspectorate in the primary plant production and in internal trade and phytosanitary rights on the border inspection points.

2.2.4.2. Strategic documents

- The International Plant Protection Convention ;
- The International Convention for the Protection of New Varieties of Plants (UPOV);
- The Standards of the European Plant Protection Organisation ;
- The Strategy for Adjustment of the country's Agricultural Food Sector with the CAP;
- The National Strategy for Integrated Border Management with Action Plan;

2.2.4.3. Priorities

The adoption of bylaws deriving from the Law on Seed and Seedling Material in line with the Directives[76].

2.3. ENVIRONMENT

2.3.1. Legal and institutional framework

2.3.1.1. Environment

The Law on Environment (OG 53/05, 81/05 and 24/07) is a framework Law in the area of environment, which has transposed the segment of the *Acquis communautaire* known as horizontal legislation. This law is in compliance with the EU measures[77]. The Law on Environment lays down the basic principles and procedures for environmental management and pollution control referred to in other sectoral laws. The Law regulates the environmental impact assessment (hereinafter referred to as: EIA), and in the course of 2005 and 2006 the relevant bylaws[78] concerning this matter were adopted, thus enabling full regulation of the procedure for implementation of the EIA. **Procedure for EIA**: The information on the intention to design a project shall be submitted by the investor, while Ministry of Environment and Physical Planning (MoEPP) identifies the need of EIA (screening) with decision for EIA. The scope of the EIA is defined by MoEPP (MoEPP may also authorize a person from the list of experts for defining of the scope of EIA). The study on the assessment of the impact of a given facility to the environment is prepared by a person from the list of experts, the Report for the appropriateness of the Study is prepared by MoEPP or by a person authorized by it from the list of experts, and its serves as a basis for a Decision, used for approval or for rejection of the request for the implementation of the project. The public participates in all the stages of the procedure for EIA (it is published on the web page of MoEPP, in a daily newspaper published throughout the country, on local radios and TV stations).

In addition to this, the Law on Environment implements the requirements under the Convention on Environmental Impact Assessment in a Trans-boundary Context - Espoo Convention (OG 44/99) that prescribes the procedures for environmental impact assessment in a trans-boundary context. The body responsible for the implementation of the overall EIA procedure is the Ministry of Environment and Physical Planning, including the segment of public participation in decision-making.

2.3.1.2. Air

The air quality management is regulated by the Law on Ambient Air Quality (OG 67/04), which is harmonised with the Framework Directive 31996L0096. Several

[76] 31966R0401, 31966R0402, 31968R0193, 31992R0033, 31992R0034, 31998R0056, 32002R0053, 32002R0054, 32002R0055, 32002R0056, 32002R0057

[77] 32001L0042, 31985L0337, 31997L0011, 31996L0061, 32003L0004, 31996L0082

[78] OG 74/2005 and 33/2006.

bylaws regulating individual limit values of emissions in the air are in force, adopted based on the old laws. On the basis of the Law on Ambient Air Quality some of those were replaced by adoption of the Decree on limit values of the levels and types of ambient air pollutants and alert thresholds, terms for limit values achievement, margins of tolerance for the limit values, target values and long-term targets for ozone, sulphur dioxide, nitrogen oxides suspended particles of 10 micro-meters, carbon monoxide and benzene (OG 50/05); and Book of rules on the criteria, methods and procedures for ambient air quality assessment (OG 82/06). Chapter XIX of the Law on Environment regulates issues of climate change, where the amendments of the Law assign the MoEPP as a body responsible for the reporting on climate change on national level.

In 2003, the First National Communication on Climate Change with Action Plan was adopted, and the drafting of the Second National Communication on Climate Change (2005-2008) is underway. The Strategy for Implementation of the Kyoto Protocol regarding the Framework Convention on Climate Change ("National Strategy on Mechanism for Clean Development – first period of the realised activities regarding the Kyoto Protocol 2008-2012), was adopted from the Government in February 2007.

The protection of the ozone layer is regulated with the established system of permits for trading in ozone depleting substances, based on the adopted National programme for elimination of ozone depleting substances (1996). In the period 1996 – 2006, several stages of the project for complete elimination of the ozone depleting substances were implemented. In addition to this, the Order for prohibition of the import of refrigerators, freezers or other cooling or freezing devices and of the import of ozone depleting substances was adopted (OG 82/06).

2.3.1.3. Waste

The Law on Waste Management (OG 68/04 and 71/04) establishes the framework for waste management, including hazardous waste management, as well as other types of specific waste. This Law is in compliance with the EU measures[79]. Based on this Law, several bylaws have been adopted, incorporating the requirements of the Acquis, and currently additional number of bylaws in this area is under preparation.

In the field of trans-boundary movement of waste, several laws and regulations are in force, such as:

- The Law on Ratification of the Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and Their Disposal (OG 49/97) and the Law on Ratification of the Amendment to the Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and Their Disposal and the Amendment to Annex 1, Annex 8 and Annex 9 (OG 49/04);

- Book of rules on the form and the contents of the forms for trans-boundary movements of hazardous waste (OG 37/03 and 38/03);

[79] 31975L0442 31991L0156 31996D0350 31991L0689, 31975L0439, 31987l0101, 31996L0059

- Decision on distribution of goods on export and import forms (OG 113/05),
- Law on Carriage of Dangerous Goods (OG SFRY No. 27/90, 45/90 and OG 12/93):
- Book of rules on the manner and conditions for waste storage, as well as on the conditions to be met by the sites on which waste storage is performed (OG 29/07)
- Book of rules on the form and the contents of the application for a permit for waste processing, treatment and/or storage, the form and the contents of the permit, as well as the technical requirements for the activity performance (OG 23/07)
- Book of rules on the minimum technical requirements in terms of environmental protection to be met by the waste transfer stations, requirements to be met by the sites where waste transfer stations are built or placed, as well as on the terms for waste storage in the waste transfer stations according to the waste types (OG 39/07)

2.3.1.4. Waters

The Law on Waters (OG 4/98, 19/00 and 42/05) establishes the legal framework for protection and management of waters. It regulates the manner of water use and exploitation, the protection against harmful effects from water, protection of waters against excessive abstraction and pollution, waters management, the sources and the funding of water management activities, granting of water for use by means of approval (concession), trans-boundary water resources and other issues of relevance for the provision of unique regime of water use. Series of bylaws have been adopted on the basis of this Law, for the purpose of its implementation. The Law is not approximated with the Acquis communautaire in this area.

The area of waters is also regulated by the following laws:

- The Law on Protection of the Lakes of Ohrid, Prespa and Dojran (OG 45/77, 8/80, 51/88, 10/90) and (OG 62/93);
- The Law on Hydro-meteorological Matters (OG 19/92 and 5/03);
- The Law on Mineral Resources (OG 18/99 and 29/02);
- The Law on Inland Waterways Navigation (OG 27/00 and 74/05);
- The Law on Fisheries (OG 62/93);
- The Law on Water Communities (OG 51/03 and 95/05);
- The Law on Water Management Enterprises (OG 85/03 and 95/05);

- The Law on Drinking Water Supply and Urban Wastewater Drainage (OG 68/04),

- The Law on Concessions (OG 25/02 and 24/03).

2.3.1.5. Nature

The area of nature protection is regulated by the Law on Nature Protection (OG 67/04, 14/06 and 84/07). This Law is harmonised with the EU measures 31992L0043, 3979L0409 and it also incorporates the obligations deriving from the ratified international agreements in the field of nature. Full implementation of this Law will be achieved through the adoption of the relevant bylaws.

The following strategic and planning documents have been adopted in this area:

- National Strategy for Biological Diversity Protection with Action Plan (2004);

- National Study on Biological Diversity (2003).

- In 2006, for the purpose of compliance with the Law on Nature Protection, the existing organisations of national parks and protected areas have been transformed into Public institutions for national parks and Public Enterprise, for the purpose of which several legal acts were adopted. In order to regulate the issue of adoption of protected areas management plans, the Book of rules on the contents of the protected areas management plans and the contents of the annual programmes for nature protection was adopted on the basis of the Law on Nature Protection (OG117/05).

- The network of protected areas includes 83 facilities, distributed on 7.40% of the national territory. Areas are defined as protected in accordance with the old classification, which includes the following categories: national park, strict natural reservation, area with specific natural features, some plant and animal species outside the protected areas and a monument of nature. In the Spatial Plan[80] for the period 2002-2020 increase is planned of the area of protected areas to about 12% of the territory of the country. In accordance with the Law on protection of nature, six categories have been introduced of protected areas (harmonized with the classification of the International Union of conservation of nature, IUCN. The following procedure is revalorization of the protected areas and their classification in accordance with the Law on protection of nature and criteria of IUCN. The same Law also protects areas with internationally recognized status[81].

[80] OG 39/04

[81] Monument of nature Ohrid Lake-World Natural Heritage (UNESCO list), Monument of nature Prespa lake-Ramsar place (Ramsar list), Monument of nature – Markovi kuli – World Natural Heritage (UNESCO – temporary list) and Monument of nature - Slatinski izvor / Slatino source-World natural heritage (UNESCO - temporary list).

- Natura 2000. The emerald network is a network of areas of special conservation interest (Areas of Special Conservation Interest, ASCI) that is areas with significant ecological importance for the endangered species and types protected in accordance with the Bern Convention[82] and is established on the territory of its Members States. Identification of areas is based on several resolutions and recommendations[83]. Activities for the development of the National emerald network started in 2002 and currently includes 16 areas[84], while identification of new areas shall continue until completion of the National emerald network, after which defining and implementation of measures of management. That will enable favourable situation of protection of the species and habitats and will establish continuous monitoring. The emerald network represents an efficient tool for preparation of the countries of the EU membership, in the part of implementation of the Habitats Directive (92/43/EEC) and Birds Directive (79/409/EEC) which will represent a basis for the establishment of the network Natura 2000.

Industrial pollution

The Directive on Integrated Pollution Prevention and Control (IPPC) has been transposed in the Law on Environment (OG 53/05, 81/05 and 24/07). In 2005 and 2006, several bylaws have been adopted, providing almost full regulation of this area. The sectoral laws, especially in the areas of air and waste, refer to the application of the IPPC provisions.

The Law on Environment stipulates awarding national eco-label. For this purpose, a Commission for eco-label was established and the Book of rules on the form and the contents of the eco-label, the manner, the conditions and the procedure for its awarding and use, as well as the composition and the manner of establishment and work of the Commission for eco-label (OG. No. 109/05) has been adopted.

Genetically modified organisms

In this area, through the cooperation with GEF and UNEP, the National Bio-safety Framework was developed (2005) as well as a working version of the Law on Genetically Modified Organisms.

There is no legal regulation regulating the issues concerning management of GMO and products containing GMO, deliberate release into the environment or release of GMO or of products containing GMO, as well as the export, the import and the cross-border transportation of GMO.

Chemicals

82 The Bern Convention is a Convention for the protection of wildlife and natural habitats in Europe adopted in 1979. The country has ratified it in 1997, and it entered into force in 1999.

83 Some of them are: Resolution no. 4 – which includes a list of endangered natural habitats that require specific measures for conservation, Resolution no. 6 – which includes lists of species needing specific measures for conservation of their habitats and Recommendation no.16 – which includes criteria for identification of the regions.

84 That is around 80% of the total Emerald network with an area of around 198 145ha.

For the purpose of reducing the current amounts of organic pollutants, and thus implementation of the Stockholm Convention, the National Plan for Reducing and Eliminating the Persistent Organic Pollutants was adopted (2005).

There is no framework law in the area of chemicals, which would regulate chemicals management in accordance with the relevant Acquis communautaire. The national legislation regulates issues of management of poisons, plants protection products, fertilizers, explosive matters, flammable liquids and gases, hazardous and harmful substances and products, etc. There are separate laws on flammable and explosive substances and on precursors. The Law on Environment regulates partially the issues in the area of ozone depleting substances.

Noise
The Law on Harmful Noise Prevention (OG 21/84, 10/90 and 62/93) regulates the area of protection against noise. Segments of this area are also regulated by:

- The Law on Environment (OG 53/05 , 81/05 and 24/07);
- The Law on Catering Industry (OG 62/04),
- The Law on Sanitary and Health Inspection (OG 19/95).

According to the Law on Organisation and Operation of the State Administrative Bodies (OG 58/00 and 44/02), the Ministry of Environment and Physical Planning (MoEPP) is the competent state body with regard to policy creation and implementation of policies in the area of environment protection, improving and monitoring the quality and the status of environmental media and areas: air, water, soil, waste, biological diversity and other natural resources, including also the national parks and the protection of the ozone layer. The MoEPP is also the responsible state body for protection against harmful impacts, such as: noise and vibrations, ionising and non-ionising radiation in nature, performance of different activities, polluting substances and technologies.

The MoEPP is the competent state body with regard to the preparation and coordination of the process of environmental legal acts drafting, where, taking into consideration the interdisciplinary nature of the environment and the need for integrated approach, the relevant state institutions are involved and consulted in this process.

According to the new environmental legislation, the MoEPP holds full responsibility for implementation of the laws. Namely, the MoEPP is the responsible state body for implementation of the environmental impact assessment procedure of certain strategies, plans and programmes, access to environmental information, adoption of strategic plans in the area of environment, sustainable development and climate change, protection against desertification and other global environmental issues, monitoring and reporting on the state of environmental media and areas, management of the environmental information system, environmental damage liability , environmental protection financing, etc.

On the basis of the adopted legislation, the MoEPP has adopted the new organisational set-up of the Ministry, in which organisational units related to the

obligations for the implementation of the Acquis communautaire have been created. The MoEPP is oriented towards creation of environmental policies, while the expert affairs in the area of environment will be performed by the Directorate for Environment and the Service for Spatial Information System as bodies within the MoEPP.

The inspection supervision over the laws implementation is carried out by the State Environment Inspectorate, a body within the MoEPP responsible for supervision over the environmental legislation implementation and enforcement. Within the Inspectorate, besides the state environment inspectors, state inspectors for nature protection have been introduced in accordance with the Law on Nature Protection.

According to the current competence of the state administrative bodies specified in the Law on Organisation and Operation of the State Administrative Bodies, besides the MoEPP, certain responsibilities in the domain of environment are performed by other state

administrative bodies, such as: the Ministry of Transport and Communications - State Communal Inspectorate, the Ministry of Health - State Sanitary and Health Inspectorate, the Republic Institute for Health Protection, the Bureau for Drugs, the Food

Directorate, the Ministry of Education and Science – Hydro-biological Bureau - Ohrid, the Ministry of Agriculture, Forestry and Water Economy - Water Economy Directorate, Hydro-meteorological Directorate, as well as the Protection and Rescue Directorate.

2.3.1.6. Cultural Heritage

The cultural heritage protection is regulated according to the Law on Cultural Heritage Protection (OG 20/04, 115/07).

The following strategic documents have been adopted in this area:

- The National Programme for Culture 2004-2008 (OG 31/98; 29/2003);
- Strategic Plan of the Ministry of Culture 2007-2009 (2006).

The competent Government authority is the Ministry of Culture. There is a professional service – The Cultural Heritage Protection Office, as an independent legal agency within the Ministry of Culture, which is responsible for implementation of the law and the National Register of Cultural Heritage. Institutional responsibility for cultural heritage (by types) rests with the Institutes for the protection of cultural monuments (immovable cultural heritage) and museums, libraries and the national cinématheque (moveable cultural heritage).

2.3.2. Strategic documents

Strategic documents in Environmental protection and spatial planning

- The National Strategy for conservation of the biodiversity (adopted by the Government in 2004) is an integral framework with defined vision and strategic objectives, and also includes efficient measures and activities for the protection of the basic components of the biodiversity: ecosystems, species, communities, dwellings and genetic resources. The main objective is the protection of the biodiversity and enabling conditions for sustainable utilization of the bio-resources for the human wellbeing, having consideration for the unique natural values. The main objectives are connected with the need to take appropriate measures for protection / conservation of the basic components of biodiversity a they correspond with the international standards, which should be achieved in the coming period. The Action Plan is an efficient mechanism for the implementation of the envisioned strategic objectives via implementation of projects and programmes on national and local level. The Strategy and Action Plan are designed for the period 2004-2008. The implementation of the Action plan is not implemented in accordance with the plan, mainly due to the insufficient funding.

- The Second National Environmental Action Plan (NEAP 2) (2006). The second national environmental action plan, enacted in the Government in March 2006, gives general directions in this field for the coming 5 years (until 2011). The process of the EU accession is the key reason for the decision to leave the classical concept for the preparation of NEAP as an “action plan”. Instead, it has been decided to connect NEAP, as much as possible, to the process of the EU accession and the principles of sustainable development, paying at the same time maximal attention to the process of decentralization and the new role of the units of the local self-government (UoLSG). Preparation of NEAP-2 was conducted via cooperation of all the relevant sectors, ministries and other organs of the state administration who have jointly proposed the measures of environmental protection per individual media and thematic fields.

- Environmental Monitoring Strategy (2006);

- Public Environmental Awareness Strategy (2005);

- Environmental Communication Strategy (2005);

- Environmental Data Management Strategy (2005);

- Strategy and Action Plan for the Aarhus Convention Implementation (2005);

- National Capacity Needs Self Assessment for Global Environmental Management (2005);

- Vision 2008 (2004);

- Physical Plan of the country (2004), (OG 39/04);

- National Environmental Health Action Plan (NEHAP) (1999);

2.3.3. Priorities

Environment

- Amendments of the Law on Environment,
- Adoption of bylaws

Air

- Amending the Law on Ambient Air Quality Management
- Adoption of bylaws

Waste

- Amending the Law on Waste Management
- Adoption of Strategy for Waste Management
- Adoption of bylaws

Water

- Adoption of the new Law on Waters fully harmonised with the EU law. In the Draft Law on waters, nine main objectives shave been incorporated to the Nitrate Directive on reduction of the water pollution caused by agriculture sources and prevention of further pollution. The complete transposition of the requirements of the Nitrate Directive will be enabled with the enactment of the legislation envisioned in the Draft Law on waters, for the following issues: for identification of waters sensitive to nitrates, identification of sensitive zones/areas, establishment of a Code of Good Agricultural Practice, establishment and implementation of operational programmes, defining and establishment of a monitoring programme and defining of the method of reporting of the Committee for the degree of implementation of the Nitrate Directive.
- With regard to the matter of wastewater treatment, it is planned to prepare and adopt a Strategic Coherent Framework and Operational Programme for transport and environment

Nature

- Amending the Law on Nature Protection
- Adoption of bylaws

Industrial pollution

- Adoption of bylaws

Genetically modified organisms

- Adoption of the Law on GMO

Chemicals

- Adoption of the Law on Chemicals
- Adoption of bylaws

Noise

- Adoption of the Law on Environmental Noise
- Adoption of bylaws

Cultural Heritage

- Adoption of the amendments of Law on Cultural Heritage Protection (adopted OG 115/07)
- Adoption of bylaws

2.4. NATIONAL SUPPORT TO AGRICULTURE/RURAL DEVELOPMENT

The expansion of the 2007 MAFWE budget up to MKD 2 billion (by 37.7% compared to previous year) is the second significant increase in the allocation of funds to the agricultural sector in the last decade after the one that took place in 2004 (by 40% compared to 2003). In fact, the current structure and size of 2007 budget resulted from the 2006 budget rebalance, when due to higher actual direct payments the planned amount of MKD 1.45 billion was increased to actual spending of MKD 2.12 billion. The 2007 budget level for the agriculture sector arrives near to the level of 1994, which is the year when considerable reduction started due to the Macro-economic stabilisation policy and budget reduction of spending.

The share of expenditures allocated to the agricultural sector through MAFWE budget out of central budget almost doubled between from 2001 and 2007 (from 1.37% to 2.52%). However, this share is a rather low relative to funds allocated in other regional competing economies; agro-food contribution to the country's economy[85]; its importance for development of rural areas and role of buffer of social instability during long-lasting transitional period.

[85] That accounts for 16% of GDP and employ 17% of the national workforce

Table II - 1 Trend of central and MAFWE planned expenditures (2003-07)

MKD '000	2003	2004	2005	2006	2007
State budget	67,374,067	66,666,000	66,538,469	88,576,000	79,552,497
MAFWE	890,267	1,493,721	1,459,518	1,453,972	2,002,140
Share	1.32%	2.24%	2.19%	1.64%	2.52%

Source: MAFWE Budget

In 2007, MAFWE has continued the budget organization of midterm budget planning on based on range of programs introduced since 2004. MAFWE expenditures are distributed throughout seven different programmes each supporting specific activities under its competence: agriculture, fishing and land policy; forestry and hunting; water economy (including capital investments in hydro-ameliorative systems and maintenance and improvement of water regime usage); veterinary and plant health (including seeds and seedling materials), as well as other activities performed stipulated by law. For the first time in 2006, an amount of MKD 45 million (€ 734,000, i.e. 3% of total MAFWE budget) was allocated to newly introduced pilot program for rural development, as a part of the poverty reduction strategy. In addition, aimed to make operational EU financial support for the agricultural and rural development measures for the country's farmers and rural communities (via the Instrument for Pre-accession assistance), in 2007 separate budget programs have been introduced for establishing and accrediting the IPARD Paying Agency and IPARD programming.

The functional breakdown of MAFWE budget for the last three years with planned amounts of funds allocated by programs is presented in Annex 12.

Activities aimed at supporting agricultural production (Agricultural Support Program), capital investments in irrigation and drainage (Water Economy Program), as well as protection of animal health accounted for around 90% of total MAFWE budget in the last three years. The agricultural programme reached highest amount of MKD 1.2 billion in 2007 or just above 60% of the total budget. The increase accounts on funds allocated to direct payments that are up by 150% as compared to planned amount a year ago (although the actual payments have been already increased with the budget rebalance in 2006 approximately at said 2007 level).

After a period of reduction in expenditures, in 2007 the Programme for protection of animal health also went up (to MKD 312 mill) approaching the amount allocated in 2004. Moreover, the most of arrears[86] that counted on about half of actual spending were already paid off in 2006. Due to completion of the Project for rehabilitation and reconstruction of irrigation as well as due to a significant reduction in the amount of the rest of capital investment projects, the expenditures in irrigation systems have halved compared to the last three-year period average.

The rest of funds are distributed over: programmes that support to implementation of governmental priorities (IPARD agency and programming), Forestry,

[86] Late payments to suppliers or contractors, vet stations, postponed to the following budget year

Phytosanitary/Seed and for Public administration by 3.9%, 3.6%, 1.7% and 1.1% from total MAFWE budget, respectively.

From the aspect of economic structure, approximately 71% of MAFWE expenditures in 2007 are distributed to Subsidies and transfers[87] (48% in 2005 and 44% in 2006). Supply of Assets distributed mainly to Water Economy's capital investments (including revitalization of villages program) and afforestation remains the second highest item though a significant reduction from MKD 607 million to MKD 247 million. Compensation of MAFWE employees as well as Goods and services have been increased in 2007 to 8% and 7% respectively from the total MAFWE expenditures.

Table II - 2 Economic structure of MAFWE budget in MKD '000 (2005-07)

		2005		2006		2007	
code	Description	amount	share	amount	share	amount	share
40	Compensation of employees	148,844	10%	156,071	11%	160,227	8%
42	Goods and services	35,149	2%	30,25	2%	131,05	7%
45	Interest	0	0%	9,225	1%	18,456	1%
46	Subsidies and transfers	707,2	48%	639,5	44%	1,424,126	71%
47	Social Benefits	2,8	0%	0	0%	0	0%
48	Assets	565,525	39%	607,5	42%	247,838	12%
49	Principal Repayment	0	0%	11,425	1%	20,443	1%
Total Expenditures		**1,459,518**	**100%**	**1,453,971**	**100%**	**2,002,140**	**100%**

Source: MAFWE Budget

2.4.1. National aid system for agriculture and rural development

Since 1990 and independence, agricultural policy has been under permanent change. Current policy attributes are remnants from the ex-federation policy practices shaped by inverse processes of market liberalization accompanied with heavily restriction of support induced by the stabilization and adjustment program (from 1994-2000), and subsequent reintroduction of state intervention schemes as a reaction to protect real incomes of the consumer and producers since 2001 onwards. Increase of expenditures for agricultural support continued in 2002 when it was almost doubled, but in the 2003 most of the allocated funds were spent on payment of the loans from the previous year.

Since 2004, the agricultural policy brings in a kind of interventions alike of EU implementing policies in agricultural sector, simultaneously being under a strong influence from the ongoing and intensive process of the country's integration in the

[87] Encompasses in transfers in Agriculture Support Program (MKD 1.132.426.000, i.e. 79.6% from total), Program for animal health (MKD 270.000.000, i.e. 19%), Program for plant health (MKD 14.000.000, i.e. 1%), Transfer to Agro-Berza (MKD 4.000.000, i.e. 0.3%) and Seeds and seedlings program (MKD 700.000, i.e. 0.05%).

international community especially accentuated by WTO accession[88] in April 2003. Ad hoc measures have been replaced by more CAP-like measures driven principally by the progress in the political aspects of EU integration process but still without truly committed and long-term designed reform agenda. Along with, an initial attributes of support measures typical for the both CAP pillars–a direct support based on area/headage payments to farmers as well as rural development schemes accompanied with establishment of appropriate institutional capacity, have been initially launched in 2004 and 2006, respectively.

The measures of support to the country's farmers are mainly implemented through the budget of the Ministry of Agriculture, Forestry and Water Economy. From 2002 to 2003, a newly established Agriculture Fund administrated most of direct support payments in agriculture. At the same time combined market support of intervention (buying at guarantee prices) and direct payments for certain products were provided by the Commodity Reserves Bureau (CRB). The operations of the Fund of Agriculture terminated by the end of 2003 while under the WTO agreement, activities of the CRB in 2004 were limited to secure lasting and continuous basic supply in case of war and other natural disasters, and it has no power to intervene for market stabilisation purposes[89].

By government decision (OG 05/06), MAFWE has been designated as the managing authority of the IPARD programme and made responsible for setting up the IPARD Paying Agency. During 2007, MAFWE is carrying out significant efforts to set sufficient institutional capacity of IPARD/Paying Agency capable to implement rural development and national direct payment policies.

Overall MAFWE implements the following groups of support measures in the sector:

- measures of direct payment,
- measures of rural development (that consist of on farm investments, investments in processing capacities, support to forms of organization of farmers, and rural infrastructure measures, primarily in the water economy),
- support to introduction of food safety and quality standards and improvement of the market promotion,
- supporting the rehabilitation of the irrigation network,

However, along with direct MAFWE support policy, further indirect support in the sector is also provided by:

- provision of free extension services for farmers,
- improving of the rural infrastructure by the Agency for development of less-favoured areas, Ministry of local self government,

88 As a result of WTO accession the most of the traditionally used price and trade policy instruments were either phased out or reformed to restrict market distortion practices and interventions, and in general allow to free and more transparent formation of agricultural products prices. Trade protection has been significantly reduced, market intervention almost moved out (expect for maintaining of security reserves), export subsidies terminated, variable levy converted into ad valorem tariffs and quota allocation based on first-come-first-served principle.

89 In accordance to the Law for Stock Reserves (OG.68/2004)

- Export promotion, introduction of quality standards and establishment of SME in rural areas, by the Ministry of economy.

2.4.2. Reform of the agricultural subsidies and support scheme

2.4.2.1. Strategic planning approach

Pursuant to the Decision on strategic priorities of the Government, the National Strategy for European Integration and the European Partnership Action Plan, the approximation of the country's agricultural sector to the EU has been set as a priority of the future activities and reforms. Initial efforts to raise general awareness and determine the frame of the agricultural policy and agricultural development in strategic manner and with policies aligned with CAP commenced by drafting the Strategy for approximation of the country's agro and food sector to the Common Agricultural Policy (CAP) of the EU adopted on the 32nd Session of the Government held on 29 November, 2004.

This document outlined the basic organizational steps needed in EU harmonization process of agricultural policy, institutions and legislation. Pursuant to the Strategy, the reforms in the agricultural sector will be implemented through three main pillars, i.e. through policy reforms, institutional reforms and legislation reforms. Policy reforms will be implemented through the following instruments: introduction of the structural measures for rural development intended for enhancement of the competitiveness of the producers, and support to environmental protection and organic production, as well as enlargement of the state support to agriculture. Accordingly, the Government adopted MAFWE's National for Agriculture and Rural Development Strategy (NARDS)[90] to set up necessary operational guidelines that have to serve as a basis for the IPARD Plan 2007-2009 and future programming period 2009-2013.

2.4.2.2. Legal Perspective

In line with the first National Program for adoption of the Acquis, initiated as early as 2001, the country accepted the obligations for approximation of its legislation with the Acquis communautaire of the EU, developed in the following three directions: approximation of all legal acts related to the agricultural and food sector, monitoring of institutional reforms through legal solutions and definition of legal and systematic frame for management of the sector policy, by enacting of the highest legal documents in this sector–Law on Agriculture and Rural Development. MAFWE has drafted it and currently the law is in a second phase of Parliamentary procedure.

The draft Law on Agriculture and Rural Development defines the objectives and measures of agricultural policy, institutions for support, eligibility for state support, and beneficiaries of agricultural policy thus allowing the accomplishment of structural programmatic goals of the Government in the reform of the agricultural

[90] Supported by the EU funded Project for MAFWE Structural and Legal Reforms

and rural policy. The law will abolish the existing Law on support of development of agriculture (OG 24/92, 32/92, 83/92, 78/93 and 14/96), setting a new concept of the support schemes approximated with CAP-like agricultural and rural development policies. However, specific issues covered by this law remain to be regulated by range of forthcoming by-laws as scheduled in the National Programme for Adoption of Acquis (NPAA).

The second important legislative act that regulates procedures for implementation of state support as well as market interventions in agricultural sector is the Law for establishing the Agency for financial support and rural development. This Law is meant to establish a sustainable organisation for the transparent implementation of financial support, monitoring and control of finances in the agriculture, as well as administrative and control of implementation. The Law was adopted on 1 June 2007 (OG 72/07) establishing the Agency as independent implementing body of agriculture, rural development, forestry, water economy, state aid and other related policies. The status of the Agency is State administration responding to the Government for the national policies and to the National Authorisation Officer (NAO) and the EC for the implementation of the pre-accession funds, with a status of legal entity located in Skopje.

Support of Economically Underdeveloped regions is regulated with Law on Promotion of Economically Underdeveloped Regions (OG 2/94 and 39/99) for the purpose to implement measures for promotion of economically underdeveloped regions listed in a separate Government decision (see Part I-Chapter 1.2.7.).

Support to tobacco production, a traditionally strategic product of the country's economy, is stipulated in Article 51 of the Law on tobacco and tobacco products (OG 24/06) which outlines the eligible expenditures of support of tobacco primary production and prescribes sources of financing of the support. In addition, the legal basis for supporting organic production is stipulated in the Law on organic agricultural production (OG 16/2004).

2.4.2.3. Principles of agricultural subsidies and aids policy

Agriculture subsidies and support measures are part of the combined and complementary reform that should set up a comprehensive basis for achieving development goals. Support schemes have been formulated according to following principles:

- The measures for support policy should promote development and economic growth with positive impact on the farmers income and social stability of rural population,
- Support is directed towards stimulating the competitiveness with the entrepreneurial producers and products with a prominent comparative advantage versus the foreign products on the domestic and international markets,
- Gradual approximation of the domestic measures with the Common Agriculture Policy of EU (CAP),

- Increase of amount of subsidies for agriculture production up to at least € 20 million by 2010[91].
- Decrease of the trade deficit with agro-food products that should approach towards surplus in 2010. In that direction, the envisioned measures should contribute to the increase of the value of the export (increase of the quantities of the exported products and improvement of the value structure of the export) and/or decrease of the value of the import with these import products have inexperienced potential for competitive advantage in view of the products coming from other countries.
- Complying with the commitments coming from the WTO accession of 2003 that refer to the restrictions in the part of the access to the market (the amount of the customs protection), the size of the aggregate measures of the support [92] and export support,
- Increasing the share of investment subsidies and rural development programmes in the overall subsidies to support primarily the most vital commercial holdings, as well as sustainable development of the overall rural area, especially through EU pre-accession funds,
- Strengthening the overall control and traceability in implementation of the support measures to a level of maximal compliance with the prescribed criteria and inline with EU practices of integrated administration and control.

To achieve the defined aims, the agricultural subsidies and aids is directed towards the following target categories of products/producers: Competitive, market-oriented traditional products; Intensive farming of alternative and non-traditional products; Traditional products with social significance; Products which participate significantly in the value of the import; Production of high - productive, certified, and adjusted to the domestic conditions seeds and seedlings material; Introduction of systems and standards of food safety and quality; and support to organizing of the farmers.

2.4.2.4. National agricultural support and rural development schemes

Direct support scheme. See Annex 12. The measures of the 2007 support programme are designed to support in parallel the farmer's incomes and the development and restructuring in order to increase their competitiveness. In order to provide continuity, long-term sustainability and efficiency in the implementation of the measures, planning of the support is designed based on previously defined goals and principles, introducing reliable eligibility criteria for obtaining the right to use the support funds. Thus, a minimal quantity for incentives for each product is specified. In addition, for the first time in 2007, the Government determined a maximum quantities for incentives for the wheat (50 ha) and cattle (50 heads), as one of the instruments which limit overspending of the budget, taking into account allocation priorities.

[91] In 2006 the amount of the allocated funds for support increased by 60% compared with 2005 (to 1.05 billion MKD or 17.1 million €) while in 2007 planned amount only for the measures of direct support accounts to 1.13 billion MKD.

[92] The total amount of domestic support (AMS) calculated, as 5% *de minimis* of the value of production must not exceed the amount of 16.3 million euros.

Pursuant to the sub-sectoral laws mentioned above, the total 2007 direct payments to farmers provided by MAFWE budget is organized within three separate functional programs: Agriculture Support Program (including sub-programs for livestock production, crop production and alternative/non-traditional production), Program for support of organic agriculture production and the Program for financing of activities in primary tobacco production. Equally, with the schemes initially introduced since 2004, the direct support in 2007 will be based on area/head age payment, whiles only the support for tobacco is going to be paid per kg purchased quantity (MKD 15/kg). For vineyard and orchards sub-sectors (including olives), the establishment of new areas will be supported.

The planned amount for production support in 2007 amounts to MKD 1.09 billion, and compared with the actual payments in year 2006 it increased by 6.4%. In the structure of the incentives for 2007, crop production dominates with a share of 62%, followed by support to livestock production sharing 36%. Initially introduced, measures for incentive to alternative/non-traditional/uncommon products and measure for support of specific, un-favoured areas[93] each allocated by 1% form total 2007 payments. Due to reduction in support to cereals planned allocation of funds for crop production in 2007 decreased by 24% over 2006. Contrary, through significantly higher support to sheep, goats and cattle production, as well as reintroduction of incentives on pig, poultry, beekeeping, fishery and improvement of pastures, livestock production subsidies are being increased by 50% over 2006.

In 2007, 82% of total production support funds are distributed over five products/group of products. Tobacco is the leader with MKD 276.8 million (25.4% of total direct payments), followed by support to sheep and goat production (MKD 218.5 million, or 20%), wheat (MKD 185 million, or 17%), establishment of vineyards and orchards (MKD 112.7 million, or 10%) and cattle (MKD 101 million, or 9%). See Annex 12.

Support to organic production is also supported in 2007, and amounts are much higher than for conventional production. However, the share of payments for organic production is 1% of all direct payments. The introduction of the standards stipulated by the Book of Rules for organic agricultural production of the producer/farmer i.e. production conversion from conventional into organic, causes yield decrease by 50%, i.e. increases the breeding expenses of livestock farms during first years, for which financial support is granted on the part of the reduced production/lost profit. The other measures compensate the expenses for control and certification and costs of lab analyses, support to implementation of the scientific – research project important for acquiring participation of foreign projects for organic agricultural production and educative and public awareness activities.

[93] 10% top-up on the total value of crop and livestock support measures for applicants who belong from specific regions (hilly-mountainously and border areas) in addition to 50% lower eligibility criteria.

Table II - 3 Planned expenditures on organic production support (2007)

Measures	MKD '000
Financial support for organic areas and areas under conversion from conventional to organic	4,000
Financial support of organic production in livestock farms	2,000
Financial support of expenses for control and certification of organic products	2,000
Financial support for the costs of lab analyses in organic farms	1,000
Implementation of scientific research projects	1,000
General measures	1,000
Total	**11,000**

Source: MAFWE

The IPARD measure "Investment in agricultural holdings" is complementary with national measures although it is more oriented towards economically viable farms, which have already achieved preconditions for efficiency in production and are capable of financing larger investments. Complementarities of the National Support Schemes with IPARD implementing measures presented in Annex 12.

Concerning the investments in viticulture and orchards, the national schemes support establishment of new vineyards and orchards with the purpose to avoid a drop of the total grape and fruit production due to the multi-annual period without any yields between the investment and achieving the yields from the new vineyards/orchards, as well as the very high percentage of old vineyards/orchards that should be replaced with new plantings. On other hand, IPARD measures will support only reconstruction of existing areas (removing and replanting activities). Both national and IPARD co-financed measures aim at maintaining the national viticulture potential below the 1996 areas, which were reduced considerably due to the transition period (lack of reinvestment in Kombinats, etc.). Only olive groves are expected to expand in the very limited areas in the south of the country. Concerning support to seedlings production, the national policy is aimed at supporting the sold production, and not investments (as is the case with the IPARD). Concerning alternative crops, the national policy consists of payments per ha/head, whereas IPARD is for the investments related to the establishment.

Rural Development Measures. A sizeable share of the total MAFWE budget expenditure is allocated to rural development measures. MAFWE is gradually conveying these stand-alone support schemes into an integrated programming approach. The forthcoming 2008 budget planning process will delineate the different measures in a more appropriate functional manner.

Table II - 4 MAFWE expenditures on rural development in MKD '000 (2005-07)

	2005	2006	2007
Total Rural development support	**115,161**	**67,937**	**85,568**
Investments scheme included into Rural development programme	**0**	**39,869**	**45,000**
Support to farmers groups	**0**	**0**	**2,500**
Water economy (in Agric. Support Program)	**95,416**	**13,068**	**23,068**
Construction & maintenance irrigation/ drainage schemes	46,210	5,600	10,000
Construction & maintenance flood protection schemes	43,403	4,400	0

Development of technical proposals	5,802	2,236	6,490
Support to restructuring of irrigation	0	832	6,578
Program for revitalization of villages	**19,746**	**15,000**	**15,000**

Source: MAFWE 2007

The financial period of the National rural development programmes is linked with the annual budget planning process of MAFWE. The first National rural development pilot Programme in 2006 was designed and implemented to mimic EU-type rural development programmes. The programme consisted of one measure - Investment in agriculture holdings with three sub-measures: (a) Purchase of agricultural equipment and machinery for plant production; (b) Purchase of agricultural equipment and machinery for livestock production; and c) Purchase of equipment for storing and cooling of agricultural products (post-harvest activities). The Pilot Programme was supplemented with a public awareness campaign. Initially sized at MKD 45 million, 2006 programme actually spent only MKD 38.9 million. Out of 404 received applications, due to the failure to comply with the specified criteria and incomplete documentation, only 165 applications have been approved and agreements for financial support signed. Finally, 146 projects (36% of the initial number of applications) were implemented by 47 legal entities and 99 individual farmers.

The 2007 National rural development programme starts with increased initial amount of total MKD 75 million allocated to following measures: Investment in agriculture holdings and Investment in processing capacities. Certain amount of funds (planned as MKD 1 million) is also allocated to cover implementation costs of the programme.

The objectives of 2007 National rural development programme are to improve sustainability of agriculture and rural areas by enhancing the competitiveness of targeted farm beneficiaries and small food companies through investment in updated technology. The programme is also aimed to establish and train in practice required administrative systems and procedures to manage successfully the future IPARD funds.

The Measure 1 - Investment in agriculture holdings, consist of one sub-measure Investments in equipment and mechanization for crop and livestock production. The range of eligible investments differs between agricultural producers with legal status of physical persons and registered in MAFWE according to the Law on agriculture activity (OG 11/02), and legal entities dealing primarily in agriculture and food industry established according to the Law on Trade companies (OG 28/04, 84/05 and 25/07) and the Law on Cooperatives (OG 54/02 and 84/05) as presented bellow.

Table II - 5 Legal status of beneficiaries and range of eligible investments

Legal status of beneficiaries	Range of eligible investments, MKD
physical persons	60,000-600,000
legal entities	300,000-1,000,000

Source: MAFWE

The Measure 2 - Investment in processing capacities includes five sub-measures of purchase of machinery, equipment, technology and technological lines in the following priority sub-sectors: fruit and vegetables, grape, production of fodder from arable crops, dairy and meet industry. The range of eligible investments can counts in the range of MKD 500,000 - 1,300,000.

Concerning both measures, the total public expenditure from the budget of the country shall in principle not exceed a ceiling of 50% of the total eligible cost of the investment. In addition, there is no list of specified eligible agriculture machinery and equipment prescribed. Purchase of new agriculture machinery and equipment is only acceptable. The projects should be selected based on evaluation of the application documents (simple application form for physical persons and business plan for the legal entities) based on the first-come–first-served principle. The legal entities and cooperatives with maximum ten permanent employees are eligible to apply.

The methodological approach that will apply in selection of measures/sub-measures for future national rural development programmes will strictly follow the principle of avoid to include measures and/or sub-measures identical with ones being part of actual IPARD programme. The national programme contents will complement but not overlap IPARD programme and primarily be utilized to pilot the measures planned to be introduced in the forthcoming planning period of IPARD.

With the aim of strengthening producers' groups, subsidies to operating costs of producers' associations have been allocated in the 2007 budget (MKD 2.5 million). The support to market oriented organizations is provided to cover 50% of the annual operating expenses related to engaging permanently employed manager and keeping accountancy. Eligible to apply are cooperatives or farmer associations, which trade the products of their members through jointly established companies according to Law on Trade Company (OG 28/04, 84/05, 25/07).

The selection should be made according the laid down ranking criteria to choose the organization-applicant such as: the quality of the implemented projects' activities, organizational capacity, number of members, amount of own investment up to that moment and export initiatives. Sectoral and regional participation shall be also taken into consideration. Producers' organizations, which produce plant and livestock products, defined as strategic ones by the direct support programme, particularly in the part of fruit and vegetable shall be specially considered in order to implement the strategic assignment towards establishing key CMOs in future. Operating machinery rings, as a form of rational utilization of agricultural machinery, is also one of the forms of association, which is considered to be a priority of the support.

Measures of rural infrastructure financed by the MAFWE budget are limited to investments in maintenance and renovation of irrigation systems. Irrigation, as a segment of water management, is a significant factor for stable and competitive agricultural production, especially necessary in the process of attaining competitiveness of intensive activities, particularly the growing of vegetables.

The programme for revitalization of villages and Water economy program from MAFWE budget cover construction and reconstruction of water-supply systems, participation in private public partnership activities of construction of sewage systems and maintenance of flood protection schemes at local level and preparation of technical documentation for previously mentioned water management activities.

Additionally, MAFWE supports the establishment of new entities – water communities within which the farmers organize themselves with respect to shared and joint management with the irrigation systems on the lowest level, level of infrastructure and small systems, according to Law on Water Communities (OG No. 51/2003).

Implementation of quality standards and food safety is an important pre-condition for increase of competitive position of the domestic agricultural products on the foreign markets, particularly on the EU market. Therefore, MAFWE has re-established the program to support implementation of internationally recognized standards, which has been launched initially in 2005 in amount of MKD 375.000.

Due to the fact that the expenses for implementation of internationally recognized standards like EUREPGAP, BRC, QS in primary and processing production are the highest during first years of implementation, MAFWE support farmers per area (MKD 2,000/ha) to cover costs due to changes of the production technologies, training, procurement of approved intermediate goods as well as compensate 50% of advisory and consulting services and certification fees.

The introduction of sustainable systems for utilization of natural resources (wild-growing varieties) implies to fulfilment of international standards for sustainable utilization of natural resources which has been used by the local population and includes preparation of elaborates for resources usage (full coverage of costs), registration of buy out points (MKD 50.000 per point), and registration and training of collectors (MKD 20.000 per training). Registration and receiving entitlement of using geographic label, origin label and traditional specialty is supported by preparation of elaborates and compensation of registration costs. Last measure, implemented quality standards of final market products, implies support of product standardization (by quality) which is sold on the market and again covers the costs for bar-code registration (100%) and certification (50%).

The support shall be carried out with total amount of MKD 10 million via the measures presented in the following Table.

Table II - 6 MAFWE planned expenditure for food safety/quality standards (2007)

Measure	MKD '000
Implemented safety standards in primary production	4,600
Implemented safety standards within the processing capacities (final processing)	1,000
Introduction of sustainable systems for utilization of natural resources (wild-growing varieties)	1,340
Registration and receiving entitlement for using geographic, origin and traditional specialty labels;	1,060
Quality control of unprocessed and semi-processed products through lab analysis	1,200
Implemented quality standards of final market products	800

Total	**10,000**

Source: MAFWE Budget

At the beginning of March 2006 the government also adopted a programme to support exporting companies. The Ministry of Economy will manage funds totalling €280,000 in 2006, part of which will be used to compensate companies for expenses incurred in connection with HACCP certification and product certification.

The IPARD measures are complementary to the national scheme and measures by focusing on the investments on farms and establishments needed to improve the standards related to hygiene, animal welfare and environmental conditions, which allow for higher quality production and processing. On other hand national schemes incentive farmers and processors through compensation in transactional expenditures of the costly process of implementation of standards.

2.4.2.5. Other Relevant National Subsidy Programmes

National Subsidy and aid programme in the economically under-developed regions. The total area of the less developed regions covers 64 per cent of the total area of the country, and is a living place for 21 per cent of the total population.

The most important aspects of the rural development policy in less-favoured areas in the country is enclosed in the Law on Stimulation of the Development of Less Developed Areas (OG 2/94 and 39/99), as well as in the Law on Self-government and the Law on Spatial and Urban Planning. However, The Law on Stimulation of the Development of Less Developed Areas regulates the development issues of those areas which, under the criteria set by the Law, have a status of less developed, which are mostly rural centres, mountainous areas and areas close to borders.

The wider objective of the policy is aimed towards reverting of the process of rural urban migration and promoting balanced regional economic development. The policy areas targeted are diversification of the economic activities, improvement of irrigation and water management, forestation and management of forests, building transport infrastructure in terms of better access to urban centres, accessibility to quality health care and education, public utilities in terms of promoting rural tourism.

The measures of the LFA policy are implemented through the Bureau for less developed areas[94], under the Ministry of Local Self Government while the eligible areas are set by a Government decision. In this respect, the Decision of eligibility for the 2004 - 2007 periods encompasses a total number of 1,092 settlements, out of which 500 in mountainous areas, 319 in mostly deprived areas and 116 settlements established as rural centres.

According to the Law the eligible measures and areas of development support include:

[94] Continues to work as a Bureau for regional development

1. Implementation of the economic infrastructure projects
- Construction, modernization and reconstruction of local roads;
- Construction and reconstruction of local water pipelines;
- Construction and reconstruction of electrification network;
- Construction of sewage network system (excluding user-by-user network). This measure allows functional completion of the already constructed local water pipelines, thus enabling full utilisation of the installations.
- Construction of water holes;
- Construction of micro-accumulations;
- Construction of anti-hail stations, which will provide more security and safety regarding the impact of hail damage on the agricultural production;
- Building and adaptation of roads, electrification, water and water holes supply for sheep farms, goat farms, cow farms and fish ponds.

2. Implementation of non-economic infrastructure projects
- Construction and reconstruction of elementary schools premises and facilities;
- Construction of new and modernization of the existing health and veterinary stations;
- Construction and reconstruction of the cultural objects (libraries, cinemas, cultural facilities in the rural centres);
- Construction of TV transceivers necessary for following the public broadcasting companies programmes, which will improve quality of life of the rural population, especially in cultural and educational sense.
- Transportation of schoolchildren, to the nearest inhabited place with elementary school.

3. Partial interest refund on the granted domestic and foreign loans, intended for investments in small and medium size production facilities, engaged in industrial, agricultural, production artisanship, and agricultural machinery repairing activities.
4. Granting funds for premiums for newly created production-related employments for small industrial facilities (currently not operational –due to lack of funds)
5. Funding the preparation of scientific researches, related to economically underdeveloped areas.
6. Participation in staff training for particular projects. The priority would be given to retraining for agricultural and livestock breeding professions, and for professions related to agricultural and mixed farming products processing.
7. Guarantee on loan, granted for livestock supply on the basis of the insurance premium payments.
8. Covering the pension-disablement and health insurance payments for individuals living in specific areas (hilly and mountainous, border areas and particularly underdeveloped) with high migration level, as well as for persons with a status of returnee.

The Law stipulates that the funds for development support of less developed areas are generated from the central budget, in the amount of 1 per cent of the GDP p.a. At its peak in 2002, the Bureau operated with annual budget of approximately € 9 million while in 2006 the budget was down to €3.3 million. In the last two years the activities of the Bureau were limited to construction and

reconstruction of local water pipelines, partial interest refund on the granted loans and reconstruction of electrification network.

Table II - 7 Work Program of the Bureau for economically under-developed regions[95] (2005-06)

Name of the measure/ Year	2005		2006	
	Amount Approved (MKD)	Amount Paid (MKD)	Amount Approved (MKD)	Amount Paid (MKD)
Construction and reconstruction of local water pipelines	14.592.556	10.681.314	14.115.071	14.088.177[96]
Partial interest refund on the granted loans	581.295	581.295[97]	268.669	268.669[98]
Reconstruction of electrification network	1.518.277	1.518.277[99]	0	0
Total	**16.692.128**	**12.777.886**	**14.383.740**	**14.356.846**

Source: Bureau for economically under-developed regions, Ministry of Local Self-Governance

However, mentioned program of the Bureau, stipulated by the Law on Stimulation of the Development of economically under-developed areas, will be phased out by the end of this year. Starting form 01.01.2008 the new Law on Balanced Regional Development defines new functions of the institution. In accordance with this, the current aforementioned Bureau will be transformed into Bureau for Balanced Regional Development and will be enhanced with new personnel.

The new law should define a legal and institutional frame for establishment of a system for policy management related to balanced regional development and coordinated direction of the activities and funds of the state bodies towards achievement of synergetic effects from the investments in the development of the areas with special status.

Improvement of agricultural support policies will be achieved through the establishment of a new regime of subsidies which will be traceable, carefully targeted and monitored as currently the payment mechanism for farm subsidies (per ha or per head of animal) does not allow adequate verification, mainly due to the absence of registers. The new regime of subsidies should be gradually shifted to an income support mechanism (decoupled payments) in accordance with Common Agricultural Policy EU (CAP), and shall comply with the commitments of the WTO that relate to the restrictions in the part of the market access, the amount of the summary measures for support and support to export.

95 The Bureau is planned to become the Bureau for Balanced Regional Development

96 8 project were supported

97 The Bureau granted funds to 19 beneficiaries from rural areas for purchase of cows, portable mechanization, purchase of sheep, equipment for heating of greenhouses, equipment for small plant for mineral water etc.

98 11 beneficiaries included

99 One project implemented.

Additional support for institutional capacity strengthening is required to increase the performance of central and local institutions responsible for rural development and to better involve the rural stakeholders in order to apply the EU Acquis.

In addition, the following challenges the rural and agricultural sector have been identified during the preparation of the programme that needs to be seriously addressed in the soon future;

- Improvement of the low competitiveness of key rural sectors, including agriculture, food processing, etc;
- Strengthening horizontal institutional linkages and between ministries and other public bodies;
- Overcome the lack of coordination between different authorities concerning policy and strategy development and enforcement as well as the implementation of activities in the agricultural and rural sector;
- Enhanced development of rural infrastructure;
- Improved access of rural population to public goods and natural resources including rural credits;
- Improving the level of education of rural population, organization of rural population in professional associations, and strengthening their linkages with rural support services;

2.5. PRE-ACCESSION AGREEMENTS AND MEASURES

2.5.1. Stabilization and Association Agreement (SAA)

The country established diplomatic relations with the EU in 1995, followed by signing the Cooperation Agreement. Including the country in the PHARE Program[100] in 1996 gave a more significant impetus to the Euro-integration processes, leading to further accession to the Union. Introducing the regional approach towards the Western Balkans countries in 1997, as well as the stabilization and association process in 1999, the EU set the framework for the future relations with the country. The Republic of Macedonia was the first country from the region to sign the Stabilization and Association Agreement with EU in 2001, which entered into force on April 1, 2004. The Agreement set the frame for cooperation between the EU and the country, and allows gradual approximation of the corresponding policies, legislations and institutions of the country with the Union's principles and standards. With the Thessalonica Agenda, "The Western Balkans towards European Integration" of 2003, the European perspective for these countries has been confirmed, and stabilization and association processes expanded with new instruments: the European Partnership, access to EU programs and instruments for Technical Assistance and Information Exchange (TAIEX) and Twinning

[100] PHARE – „ Poland and Hungary's Assistance to Economic Reconstruction" a classical pre-accession EU instrument, introduced in 1990 in a form of a Technical Assistance Program to the Central and Eastern European countries.

2.5.2. The European Partnership (EP)

In accordance with the European Communities Agreement[101] and the Thessalonica Declaration of the EU - Balkans Summit held on June 2003, on March 22, 2004, the EU Council, on the recommendation of the European Commission and the consensual opinion of the European Parliament, adopted a regulation[102] by which the European partnership is placed in the framework of the stabilization and association processes. In June of the same year, the European Council adopted the principles, the priorities and the conditions, included in the European Partnership with the country.[103]

The process of the European partnership is based on identifying a list of priorities aimed at accession to the European Union, which will serve as a basis for the EU integrative processes. The priorities are in line with the specifications of the stabilization and association process. The EU funding program is based on the priorities determined with the decision for the European Partnership.

The decision for the European Partnership with the country points to a range of priority areas to take activities in the process of preparation for further EU integration. Mainly, the whole process refers to the great importance of strengthening implementation of laws, besides the process of incorporation of EU *Acquis*[104] into the national legislation, as well as strengthening the capacity of the country to fulfil the criteria set up by the European Council of Copenhagen 1993 and the stabilization and association requirements, especially the ones defined in the Council's Conclusions of April 1997 and June 1999, and in included the Final Declaration of the Zagreb Summit of November 24, 2000, and the Thessalonica Agenda.

The sector policies comprise the priority areas in the agriculture sector, that is, adoption and implementation of structural reforms in the area of agriculture; adoption and implementation of all-inclusive reforms, including border and internal inspections, plant and animal health protection, agricultural policy analysis, development of agriculture information systems, agricultural statistics, and coordination of roles of the existing public and private institutions and services in the sector. In accordance with the decision for European Partnership with the country, the work progress on the priorities is followed by mechanisms set up in the stabilization and association process, that is, through the Annual Report on the stabilization and association process.

The partnership is a pre-accession strategy instrument which determines the candidate countries' particular needs on which pre-accession assistance should be targeted and provides a framework for: the short and medium-term priorities,

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101 In accordance with Article 181 from the consolidated Draft of Agreement: „In the framework of sphere of authority, the Community and the member states will cooperate with the third countries and the competent international organizations".

102 Council Regulation no. 2004/533/EC

103 Council Decision no. 2004/518/EC

104 *Acquis communautaire* is a pool of rights and duties of all EU member states. It includes all European laws, i.e. all the regulations and directives in their present form as adopted by the European institutions.

objectives and conditions determined for each candidate country on the basis of the accession criteria (Copenhagen criteria) in accordance with the Commission's opinion on its membership application and pre-accession assistance.

National Programme for the Adoption of the Acquis (NPAA) is a crucial control mechanism of the Government's activities in the area of European integration. It reflects the country's readiness to carry out concrete measures in order to reach its priority goals in the process of integration into the European Union. The Programme combines the annual planning, the setting of short-term objectives, and the monitoring of the association process in various sectors within a strategic approach based on assumed obligations, and our own possibilities and national interests.

On 29.03.2006, the country adopted its first National Programme for the Adoption of the Acquis (NPAA). A year later on 13.04.2007 a new National Programme was presented which set out a timetable for putting the partnership into effect.

In the NPAA 2007, Agriculture is treated under Chapter 3.11.; Food safety, veterinary and phytosanitary policy under Chapter 3.12 and Fisheries sector under Chapter 3.13.

2.5.3. National Strategy for Integration of the country in the EU

The National Strategy for Integration of the country in the European Union adopted by the Government on 06.09.2004 sets out the fundamental aims, policies and priorities in the process of acquiring membership of the European Union (EU).

The key challenge for the agricultural sector is the development of competitiveness so that the country's agriculture can compete in the integrated regional markets of the European Union and South East Europe. The reforms in the agricultural sector are focused on strengthening the efficiency of agricultural production, processing and marketing; building effective public and private institutions to support the development of agriculture; strengthening the regulatory framework for veterinary protection, phytosanitary systems and food safety; optimal and sustainable use of limited resources (land, forests and water); and, sustainable rural development. The reform of the direct financial assistance system will be implemented within the scarce budget resources, and in accordance with the principles of the EU Common Agriculture Policy. The support will focus on "green measures". Employing the EU structural instruments to support the country's agricultural sector would ensure sustainability of the reforms and adjustment to the requirements of the common market.

2.5.4. Donor programmes and Projects

The European Union has been assisting the country from 1996 through various programmes (PHARE, CBC, and CARDS) mainly oriented to legal, institutional and administrative strengthening, and supply of related equipment. Total approximate value of assistance is € 21 Million. The main project and aims are listed in Annex 13.

2.5.5. Other programmes in the framework of international co-operation

The Netherlands PSO programme. The Netherlands PSO programme for Cooperation with Countries in Eastern Europe (from July 2005 replaced by Programme for Co-operation with Emerging Markets -PSOM) has consistently supported the country from 1998 to 2007, mainly focussing on pilot operations in different agricultural sub-sectors, and including transfer of knowledge, technology, hardware and software. *SENTER-Netherlands* has implemented PSO programme for the country since 1998 including over 25 projects out of which 16 have been approved for the agro-food sector and their implementation is under the responsibility of MAFWE. Total approximate value of assistance is € 10 Million. The main project and aims are listed in Annex 13.

United States Assistance for International Development (USAID). USAID funded activity, provides technical assistance to the Government in the process of accession and preparation for WTO negotiations. The activities of USAID also include a microfinance programme, which provides access to capital for micro and small enterprises, in the agricultural sector (and other sectors).

USAID recognized agribusiness as one of the key economic sectors in the country and since 1993 implemented a number of projects in the agriculture sector. Total approximate value of assistance is € 24 Million. The main project and aims are listed in Annex 13.

Other various donor activities are presented as Table in Annex 13.

2.5.6. Other programmes in the framework of IFIs

International Fund for Agriculture Development (IFAD). The International Fund for Agricultural Development (IFAD) interventions in the country are designed to address the financing constraints of smallholders and rural entrepreneurs, with particular focus on sustainable agricultural production in disadvantaged rural areas. Total approximate value of assistance is € 12 Million. The main project and aims are listed in the table below.

Table II - 8 IFAD projects

Project title	Project description	Budget € million	Period (from-to)
Rural Rehabilitation Project (IFAD 1)	Provided credits through establishment of a crediting mechanism suitable to the needs of the rural sector in the project area, strengthened the institutional capacity of the governmental agencies involved in the revitalization of the rural areas.	5.5	05.09.1997-31.12.2005
Agriculture Financial Services IFAD 2	Involves a number of banks providing credit products (micro group loans, primary production loans, agro-processing loans, and rural trading loans) and provides agricultural training and business planning services, to ensure that beneficiaries implement commercial activities with sound financial management.	6.4	05.2002-2007
Facility for Farmers' Access to Markets in the Balkan Area	Supports the pro-active brokerage, TA and training; sectoral mapping exercises; Agribusiness Information System (AIS); and exchange programmes.	0.6	07.10.2004-30.06.2007

Kreditanstalt für Wiederaufbau (KfW)

The South Vardar valley irrigation project. The project for irrigation of South Vardar Valley refers to the restructuring and modernization of the irrigation systems for agricultural areas in the southern Vardar river region. The goal of this project is sustainable increase of agricultural production and productivity of the irrigation systems, as well as improvement of living conditions of the rural population in the Southern Vardar River Valley. On the basis of the proposed projects for financial cooperation with the German Government, the project was approved in 1999. Besides the 2005 project budget, MAFWE provided financial resources to the amount of MKD 190 mill. In 2006, MKD 45.8 mill. were allocated from the budget and MKD 240 mill. as a loan from KfW Bank to complete the project. The project is planned to be completed by the end of 2006.

***WORLD BANK*.** The World Bank financed *Private Farmer Support Project,* supported development of new services for private farmers such as extension services, to improve their productivity and incomes. The project funds were used among other things, to provide technical specialists, training, equipment, vehicles and a number of small support grants to sector service providers mainly to support the consolidation of the regional Bureaus/Offices for support to individual farmers into Government Agency for Instigation of Agriculture (National Extension Agency). The project was completed in September 2002.

The Irrigation Rehabilitation and Reconstruction project. The goal of the Project for recovery and restructuring of irrigation is to enable individual farmers to regain potential irrigation facilities, through recovery of the three main hydro-melioration systems (Tikvesh, Bregalnica and Polog), improved management of the irrigation systems through restructuring of the water management organizations and introduction of a process of management on the basis of participation. This project, with a total budget of €25 mill. began in 1997 and it was initially planned to be open until June 2005. The Project for Recovery and Restructuring of Irrigation is funded from three sources: loan from the World Bank (IDA/IBRD) 38.5%; a grant from the Dutch Government contributing 36.9% and the budget participation of 24.6%. In the budget for 2005, MAFWE allocated funds for this project an amount of MKD 130 mill. In 2006, MKD 67 mill. were allocated from the budget of MAFWE, MKD 90 mill. expenses from donations from the Dutch Government and MKD 120 mill. from a loan of the World Bank. The project finished in December 2006.

The project hydro-system „Zletovica" provides a multi-purpose system for water supply to the population and industry in the following municipalities: Kratovo, Probistip, Stip, Sveti Nikole, Zletovo, Karabinci and Lozovo; irrigation; production of electric power, and flood protection. The total budget allocated for this project is estimated at €115 mill. in which the Japanese Government would participate with 74%, while the country will provide the rest of the funds. The MAFWE has allocated funds to an amount of MKD 70, 5 mill. for this project from the 2005 budget. In 2006, the funds from the budget of MAFWE to the amount of MKD 179, 8 mill. and MKD 500 mill. and a loan from the Japanese Government are allocated

for construction of access road and dam with accompanying facilitates and facilities for the water supply system.

For the *construction of Lisice dam,* MKD 74,025 mill. budget funds were allocated in 2005 and in 2006 about MKD 190 mill. from the budget funds of MAFWE and MKD 306 mill. loan from the Kingdom of Spain for construction and finishing the project and for hydro-mechanical equipment. The construction of the dam with accompanying buildings is intended to be finished in 2007, while further activities are planned for construction of an irrigation system for 4,000 hectares of new land and for 2,100 hectares on the left bank of the River Vardar.

In order to support the EU integration process in agriculture sector, special loan arrangement is concluded with the World Bank for "Agriculture Strengthening and Accession Project" (2007-2010)". The objective of the project is to strengthen the capacity of MAFWE to support the agriculture sector, including improving its ability to formulate and implement effective policies and increase effectiveness of public expenditure in agriculture in an EU-compliant manner. In addition, it seeks to build the institutions necessary to meet EU accession requirements and to implement pre-accession assistance. Further, it aims to strengthen veterinary and phytosanitary capacity to help producers and agro-processors meet EU food safety standards. Lastly, it aims at alleviating irrigation-related constraints on productivity, by building on the ongoing reform of the irrigation sector conducted under the previous World Bank Irrigation Restructuring and Rehabilitation Project to extend the benefits of the project to other areas in the country. To achieve these objectives the project is divided into four components:

Component 1: Strengthening MAFWE's administrative and management capacity in compliance with EU accession requirements.

This component will improve MAFWE's management, administration, information technology, staffing and institutional structure by establishing or upgrading the capacity needed for an efficient design, implementation, management, monitoring, control and evaluation of national agriculture policy in accordance with EU accession requirements. Subcomponents include:

a) Initiation of an Integrated Administration and Control System (IACS);
b) Establishment of an Agriculture Information System (AIS);
c) Strengthening Agricultural Inspection Services;
d) Establishing adequate institutional capacity in MAFWE;

Component 2: Strengthening MAFWE's ability to deliver EU rural development funds

This component will help establish the Paying Agency that would acquire accreditation to administer IPARD funds on behalf of the EU before accession, and CAP funds after accession; and improve the capacity of potential beneficiaries to make successful applications for IPARD grants. Subcomponents include:

a) Supporting establishment of the IPARD Paying Agency (PA)
b) *Supporting PA capacity building needs* for: (i) taking over the responsibility for the administration of the national direct agriculture payments; and (ii) administering the newly accredited measures under the IPARD program.

c) *Supporting an IPARD-tailored capacity-building program for rural advisory services providers* in order to make specific IPARD advisory services available to the potential beneficiaries.
d) Supporting capacity-building in the Rural Development Department in order to improve MAFWE's capacity to design, implement, monitor and evaluate rural development policies and programs; and to ensure adequate preparation of multi-annual rural development strategies and plans as a pre-condition for accessing and disbursing IPARD funds.

Component 3: Creating a cost-effective veterinary and phytosanitary capacity

This component will develop effective veterinary and phytosanitary capacity as part of the creation of a functioning integrated food quality system consistent with EU requirements. It will include the following subcomponents:

a) Strengthening the Veterinary Directorate (VD)
b) Strengthening the Plant Protection Directorate (PPD)
c) Strengthening the Veterinary Laboratory (VL),
d) Strengthening the State Phytosanitary Laboratory (SPL)

Component 4: Strengthening agricultural water resources management capabilities

This component will help ensure that public sector institutions and water-users associations make better use of water infrastructure, technology and management practices. Subcomponents include:

a) Liquidation of WMOs and PWEs.
b) Rehabilitation of Strumica irrigation systems (off-farm primary and secondary channels).
c) Improvement of the physical conditions of irrigation dams.
d) Establishing an Irrigation Development Fund
e) Strengthening capacity of institutions responsible for water management.

2.5.7. Lessons learned from implementation of donors and IFI's support

The country has benefited from a number donor–funded aid programs. Results have been mixed during the period, with some centres of excellence and some with weaker impacts. The main lessons learned from the programs related to Legal, Administrative and Institutional reform are that:

- Absorption capacity of the MAFWE has been low in the past, although it is steadily growing especially since the country achieved Candidate status. The administrative weakness lies essentially in the lack of sufficient numbers of qualified human resources to deal with the new tasks required by the legislative alignment process and poor capacity to invest in technical resources (premises and equipment).
- A number of EU harmonised primary and secondary legislation has been adopted, but substantial work still lies ahead to achieve full alignment in the different fields (veterinary, phytosanitary, food safety, environmental, and other) and improve enforcement capability to EU requirements.

- There is a need for continued and improved involvement of the research and extension system to assist farmers in administrative, technical and marketing fields.

The main lessons learned from programs focussing on pilot operations in different agricultural sub-sectors, and including transfer of knowledge, technology, hardware and software are that:

- Projects have been generally successful when private entrepreneurs and farmer and industrial associations were involved, and when pilot operations were understood as potential higher income generators or could secure/maintain domestic and export markets. Projects have shown however that associations are still weak and require to be strengthened.
- The Rural credit programs have been very successful, showing that there is a need to favour the expansion of the rural credit, and to combine advisory services (business plan preparation, etc) to applicants and to the lending institutions (banks) in loan processing.

PART III – STRATEGY OF THE IPARD PROGRAMME 2007-2013

3.1. STRATEGY AND OBJECTIVES OF IPARD PROGRAMMING

On July 17, 2006, the Council of the European Union adopted the Regulation No 1085/2006[105] of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA). As a candidate country[106], the Republic of Macedonia has access to all five IPA components[107]. The overall objective of pre-accession assistance is to support the country's efforts to comply with the Copenhagen accession criteria in terms of establishing stable institutions guaranteeing democracy and the rule of law, operate functioning market economy and adoption and implementation of the Acquis and show ability to assume the obligations of EU membership. This also involves preparing for the implementation of the Community's cohesion policy and rural development instruments by introducing strategic planning and management principles, which guide the implementation of EU structural instruments.

The basic policy documents setting down the priorities for programming of assistance under IPA are the European Partnership 2006, the Enlargement Strategy Paper, which presents the Commission's overall enlargement policy for the candidate and potential candidate countries, as well as the annual Progress Report on advances made on the road towards the EU, including implementation and enforcement of Community standards.

3.1.1. General Background of the IPARD Programming process

The country is in the process of acquiring full membership of the European Union thus being eligible for pre-accession assistance in accordance with Council Regulation (EC) 1085/2006 of 17 of July on establishing an Instrument for Pre-accession Assistance (IPA). Consequently, under the IPA fifth component for rural development (IPARD), the country is entitled to pre-accession financial aid for sustainable agriculture and rural development with focus on preparation for the Common Agricultural Policy (CAP) and related policies and for the European Agricultural Fund for Rural Development (EAFRD) and adjusting the sector towards the Common Market.

The IPARD strategic planning process was initially introduced in the scope of Multi-Annual Indicative Planning Document (MIPD), outlining the main priority areas for intervention. Accordingly, a Multi-Annual Operational Programme for the whole IPA implementation period 2007-2013 is prepared in a form of National Agriculture and Rural Development Plan (IPARD Programme)[108].

105 Official Journal L210, page 82.

106 Decision by the European Council of Ministers on the 17th of December, 2005

107 The IPA instrument consists of five components IPA-I: the Transition Assistance and Institution Building component; IPA-II: the Cross-Border Cooperation component which applies to border regions between beneficiaries from member states, candidate states and countries in pre-accession status; IPA III, IV and V: the Regional, Human Resources and Rural Development components which are planned for Candidate Countries.

108 Article 184, IPA Implementing Regulation (EC) No: 718/2007. of 12 June 2007

The IPARD Programme consists of a coherent set of priority axis and developed appropriate implementing measures and operations (group of investments) to address a set of objectives for agriculture and rural development in the country, as well as description of the financial contribution which is needed to implement the defined strategies in the MIPD. Therefore, the set of priority axis of the IPARD Programme are in synergy with the National Strategy for Agriculture and Rural Development (2007-2013) relating to the strategy and objectives for development of the agriculture sector and the rural areas in the period of 2007-2013, and provide an added value to the pre-accession process.

Numerous background investigations were conducted in the course of preparation of the Programme to identify the main problems concerning agricultural production, food industry, and economic activities in rural areas. Following the requirement of the IPA regulation[109], additional in-depth analysis of the sectors concerned - wine and grapes, fruit and vegetables, milk and dairy products and meat and meat products were conducted, involving independent expertise. The selection of the priority sectors proposed by the Ministry of Agriculture, Forestry and Water Economy (MAFWE) were adopted by the Government with a Decision of 25th of July, 2006.

The IPARD Programme has been prepared by the Ministry of Agriculture, Forestry and Water Economy with the support of the EU-funded Project *Structural and Legal Reforms of MAFWE* and in co-operation with other state agencies and coordinated with various non-governmental institutions (relevant social and economic partners) and stakeholders.

The set of priority axis and appropriate measures as outlined in the MIPD, are as follows:

Priority Axis 1

Measure 101: Investments in agricultural holdings to restructure and to upgrade to Community standards;

Measure 103: investments in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to Community standards.

Priority Axis 3

Measure 302: Diversification and development of rural economic activities; and,

Supporting Measure 501: Technical Assistance for the implementation of the IPARD Programme

The three main measures to be applied under this Programme were outlined in the Multi Indicative Planning Document (MIPD) developed for the purpose of the initial financing period starting 2007 until 2009 of the pre-accession instrument[110]

[109] Article 184 paragraph 2 (b), IPA Implementing Regulation (EC) No 718/2007 of 12 June 2007

[110] Multi-annual indicative financial framework (MIFF) for the period 2008-2010 [COM (2006) 672 final - Not published in the Official Journal]. This Multi-Annual Indicative Financial Framework, which

and further elaborated in detailed operations (projects and group of projects) on the basis of the encountered weaknesses in the frame of the in-depth analysis in the relevant sub-sector studies.

Additional measures will be considered to be introduced in the forthcoming financial period (2010-2013). These are:

Priority Axis 1:

Measure 102 Setting-up of producer groups;

Priority Axis 2:

Measure 201 Pilot promotion of Agri-environment measures ;(Preparation for implementation of actions relating to environment and the countryside)

Measure 202 Leader approach (Preparation and implementation of local rural development strategies)

Priority Axis 3:

Measure 301 Improvement and development of rural infrastructure;

Measure 303 Improvement of training

In advance to their introduction within this Programme these measures will be subject to piloting with national funding or donor assistance in the immediate period before introduction under IPARD funding.

The main beneficiaries of the measures applied under the Programme will be agricultural holdings, agriculture cooperatives, food industry, rural economic operators, rural entrepreneurs, and the rural population as a whole. The IPARD Programme will be implemented under the guidance of the Ministry of Agriculture, Forestry and Water Economy through its Managing Authority in collaboration with the IPARD Monitoring Committee and the Agency for financial support of Agriculture and Rural Development (IPARD Agency). Communication with the EU Commission on financial matters will be carried out through the National Fund (Ministry of Finance) and on programming matters through the IPA Monitoring Committee and National IPA Coordinator.

3.1.2. Overall National Development Objectives

In February 2007, the Government adopted the National Development Plan 2007-2009 (NDP). Based on the detailed assessment of the current economic, social and environmental situation in the country, the strategic objective of the NDP is:

"to increase international competitiveness of the country that is required for a sustained economic growth and higher employment".

At a more operational level, the NDP's five sub-objectives are the following:

covers 2008-2010, is therefore the first MIFF under IPA and confirms the 2007 figures, which were provided to Council and Parliament in the Commission's Preliminary Draft Budget 2007.

I. To strengthen economic competitiveness of the corporate sector through intensification of broad range structural reforms, including improvements of the business environment and investment climate, conducive to economic growth and job creation.

II. To develop new and improve existing physical infrastructure, particularly those related to transport, energy, ICT, environment and irrigation, in order to support economic growth and improve the overall competitiveness of the country.

III. To improve quality of education and training so that it will respond effectively to the requirements of the labour market, including the requirements of the knowledge based economy.

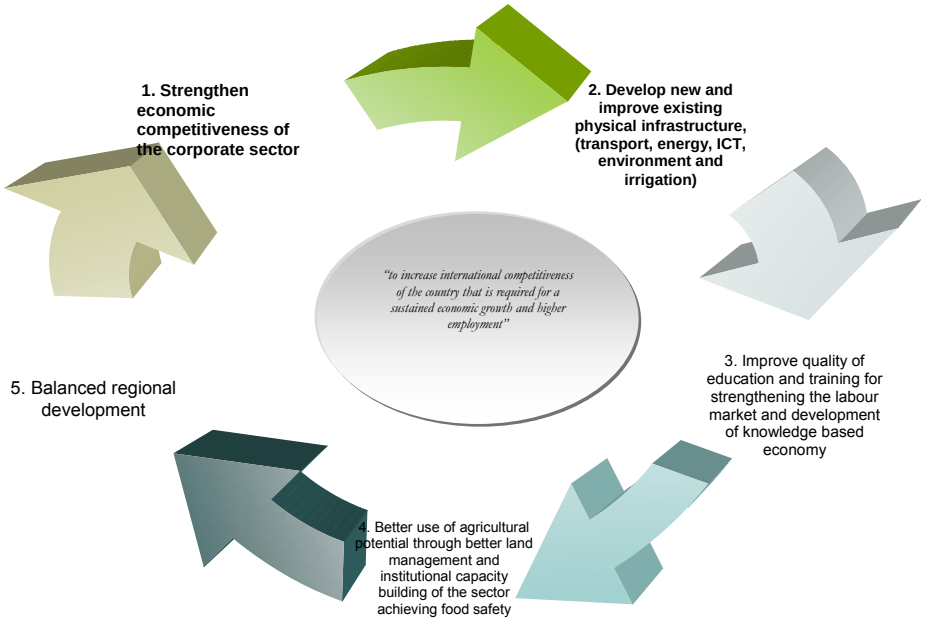
IV. To create preconditions for better use of agricultural potential of the country through better land management and institutional capacity building of the sector, through strengthened rural development, and through establishing conditions for safe food production and trade.

V. To create preconditions required for effective design and implementation of the balanced regional development policy within the country.

Agriculture and rural development are one of five development priorities through which the NDP's objectives are to be achieved. The document specifies that the majority of agriculture and rural development "investment needs"[111] (estimated at around 1/2 of the total needed investments), mostly concentrate towards the development of the agriculture sector and capacity enhancement of MAFWE in the period of 2007 – 2009 as well as investment activity in the rural development sector.

[111] According to MAFWE, consolidated "investment needs" for this NDP priority increase from 57 million EUR in 2007 to 84 million in 2009 (with share within total "investment needs" from 14 to 12 per cent in the same period).

Figure III - 1 *National Development Objectives, 2007-2009*



3.1.3. National Agriculture and Rural Development Strategy 2007-2013

As a follow up of intensive integration of the country in the international courses of commodity exchange, primarily via the accession of the country to the WTO and signing of other multilateral and bilateral free trade agreements, in a specific situation where the sector experienced slow and incomplete restructuring conditions and low competitiveness, the country's agriculture is facing major challenges. Additionally, due to the process of political access to EU whose aim is to increase the capacity of domestic economy to act in the conditions of the single European market and approximation to the European standards of food quality and safety, the country's agri-food products should be brought in line with the demands of the domestic and European markets regarding the price, quality and expectation of the consumers in conditions of increased market competition.

To that end, it is necessary to restructure the predominantly unfavourable structure of agriculture producers who either produce limited market surplus or produce for the needs of their households, into specialised farmers and processors with increased economy of scale, thereby reducing the costs, improving the productivity of the factors of production and increasing the development potential in accordance with the real comparative advantages. On the other hand, the less competitive farmers should be allowed to diversify their economic activities in terms of production of non-traditional agriculture products demanded on the markets, which generate higher income out of limited resources, but also in activities, which are not necessarily linked with agriculture production.

The overall national objective and the fundamental principles outlined in the National Development Plan (NDP) above described constitute the framework for

the national objective concerning sustainable agriculture, forestry, fisheries and rural development. According to the National Agricultural and Rural Development Strategy (NARDS)[112], MAFWE has translated the overall development vision into following long-term sectoral strategic objective as the basis for agricultural and rural development and formulation of future agricultural policy:

"To strengthen the ability of the country's agriculture to compete in the integrated regional markets of the European Union and south-eastern Europe through measures to increase the efficiency of agricultural production, processing and marketing, and to build appropriate, effective public and private institutions; to improve farm incomes; to ensure that consumers have access to safe, healthy food; to optimize the use of scarce land, forest and water resources, in an environmentally sustainable manner; and to build viable rural communities through sustainable rural development."

This objective directly contributes to four out of five of the NDP's key sub-objectives outlined above (see Part III-Chapter 3.1.2.).

In order to achieve the stated strategic objective, the NARDS outline the following focal areas for policy formulation, to be addressed during the period 2007-2013:

I. Increase Agriculture sector competitiveness by enhancing the efficiency of the key factors of production namely land, labour and capital, and improving agricultural support policies and the modernisation of the processing industry.

II. Improve structural linkages of the agricultural sector through a more structured horizontal and vertical integration, in line with EU requirements.

III. Achieve Food Quality and Safety through increased control and appliance of food safety systems (both at production and processing levels) and increased quality of plant and animal products.

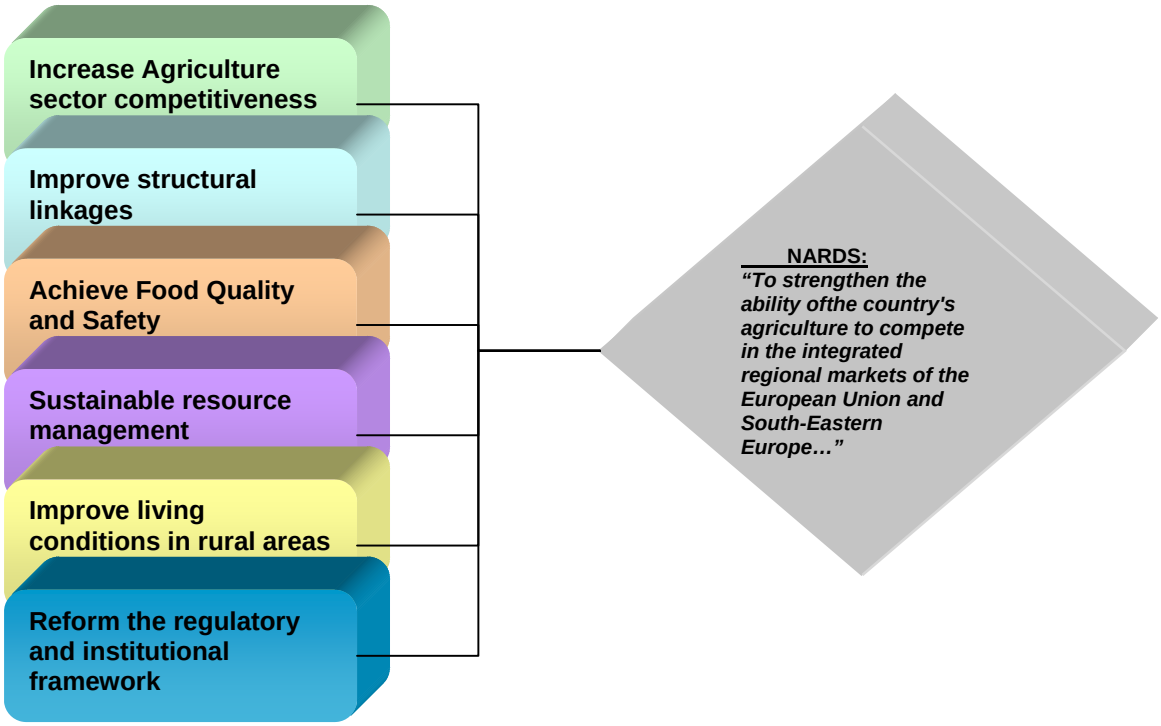
IV. Achieve sustainable resource management in an environmentally acceptable manner.

V. Improve living conditions in rural areas through the improvement of the physical infrastructure, favouring of creation of off-farm employment and income generation opportunities, and through diversification of agricultural production.

[112] The National Strategy for Agriculture and Rural Development 2007-2013 (NARDS) was adopted by the Government on 29.06.2007.

VI.	Reform the regulatory and institutional framework in the key areas of food safety, veterinary, phytosanitary, seeds and propagating materials and animal nutrition; Common Markets Organization and Rural development (by establishing enabling legislation and administrative structures that are capable of rural development planning, identifying the structural needs in rural areas, the development, implementation and management of rural development programs; control of financial flows and measures undertaken; monitoring, reporting, control and evaluation of programs).

Figure III - 2 *National Agriculture and Rural Development Objectives, 2007-2013*



So far, the various national support schemes for Agriculture and Rural Development, (detailed in Part II, Section 2.4.), have insufficiently incorporated all necessary measures to improve the quality, hygiene, environmental and animal welfare standards in the production and processing sectors, as well as to stipulate effective economic development and social cohesion to achieve a sustainable rural development process, particularly being deficient of instruments to support investments for achieving mentioned goals as a result of limited funding availabilities in the period of sustaining Macro-economic stabilisation and control of Budget spending.

3.1.4. Strategic planning process of the IPARD Programme

The pre-accession assistance strategy for the whole implementation period of 2007-2013 of the rural development component is provided within the frame of National Agriculture and Rural Development Plan (IPARD Programme) and in coherence with the national strategic objectives for EU Integration.

Thus, the IPARD Programme is aimed at contributing to achieve the overall national development goals as well as the specific objectives for the agricultural and rural sector which are outlined below; in synergy with other national and international multi- and bi-lateral programmes and actions; and compliant to the structural and procedural frameworks set up for the purpose of preparation for EU accession.

The IPARD Programme constitutes a strategy which aims at tackling specific shortcomings in the agriculture development and rural areas, which were identified in the analysis of strengths, weaknesses, opportunities and threats (SWOT) of the agricultural and rural sector in the country (detailed in Part I-Chapter 1.7.) with consecutive concerted solutions to priority problems.

3.1.4.1. Summary of SWOT

The following section attempts to present a focused summary of the links between the situation analysis and the SWOT: the advantages and disadvantages, the threats and possibilities of agriculture, food processing and rural areas and should lead towards better clarity of the choice of IPARD scheme for each of the priority sector concerned providing benefits to the rural population as a whole.

This analysis has twofold purposes. Firstly, to present the strengths and weaknesses, more specifically for agriculture sectors and the rural areas. Secondly, the opportunities and threats which relate to external conditions and which constitute factors that have to be taken into consideration when defining the appropriate strategies.

The SWOT has an organic relation with the analysis provided in NARDS since both strategic documents complement each other towards achieving the same objectives as a common root for both analyses. More detailed analysis on some aspects of the agricultural economy that are not directly related to the measures of the IPARD Programme is available in the NARDS.

A detailed status survey in Part I explores the situation, the advantages and disadvantages, as well as the possibilities and threats of rural areas agriculture, and food processing industry. Based on the findings, the most important areas that demand urgent intervention, determining this way the directions of rural development, are summarised as follows:

» The dis-balanced population density, economic development and the social capital feeds the process of out migration in the rural areas thus affecting the perspectives of development of rural areas;

- » Agriculture is a predominant activity of the rural population who is being heavily dependant on agriculture income as a result of primary production.
- » The age composition of the population in agriculture is extremely unfavourable: the proportion of young generations (below 40) is very low as regards employees and private farmers.
- » Agriculture holdings lag behind in capital investments for modernisation and implementation of environmental protection, hygiene, product quality, food safety and animal welfare; Insufficient regulation of the sector hinders furthermore the interest for investments in the sector;
- » The occupational skills and competence of small-scale private farmers are inadequate: their complex business administration skills (business administration, operation, finances, and marketing) as well as EU-related knowledge (standards, support conditions) are particularly deficient; besides, the system of such services (including extension services) is also underdeveloped.
- » Small and medium-sized enterprises are lack of capital and additional operational assets, which hinders the implementation of developments and operations in compliance with EU requirements in the fields of environmental protection, hygiene, product quality, food safety and animal welfare.
- » The underdeveloped manure and wastewater management in animal husbandry, as well as absence of integrated crop management systems in plant production is continuously endangering the quality of surface and subsurface water.

The status survey of agriculture and rural areas revealed a number of advantageous features:

- » Advantageous geographical location (near the European markets, crossroads of transport routes and main European transport corridors);
- » Domestic consumers are loyal towards the domestic agri-food production and express loyalty and significant preferences towards domestic brands;
- » Natural preconditions for growing traditional crops and corresponding regional distinction of agriculture production regions providing base for specialisation and quality increase;
- » Low cost labour acquired with traditional skills for agriculture production;
- » Growing trend of establishment of micro and small enterprises for agri-food processing and production in the rural areas, relying on most of the raw materials from the local producers and developing specialised products thereof;
- » Increasing awareness for the benefits and development potential out of horizontal integration among producers for procurement and sales either in production or food processing and marketing.

- » Rich biodiversity of natural habitats and flora and fauna; Abundance of high quality natural environment (lakes, mountains, protected areas), attractions (landscapes, traditional villages, hunting, fishing, SPA resorts, etc) and of rich historical/cultural heritage;
- » Growing demand of rural tourism promoting diverse culture and tradition of rural settlements and preserved old-life style throughout the rural areas;

With the help of the IPARD capital-grant scheme, these features can be utilised to a greater extent during the implementation period. Weaknesses and unfavourable conditions can be mitigated through accompanying compensations increasing the ratio of environmental conscious food processing operations and further possibilities of modernised on-farm production and additional investments.

All these factors may improve the conditions of competitive, EU-compatible and environment-friendly production and the chances of increasing the ratio of marketable special products of the country that comply with the EU standards and higher quality requirements and represent higher added value. The chances of market possibilities of safe and environmentally sound agricultural products and the growing demand from the whole society for healthy and sound amenity values, the rural areas can be improved without the expansion of the volume of production.

Opportunities will be provided to diversify agriculture activities through exploring the natural potential of the country, the tradition and cultural heritage, while the majority of agricultural jobs may be maintained. The rich bio-diversity in rural environment can be preserved, while conditions of living and subsistence in rural areas can be improved.

In drawing up both the detailed SWOT analysis (Part I-Chapter 1.7.) and the above summary table, an attempt has been made to ensure that the findings contained in previous chapters have been taken into account. This has helped to ensure that consistency is achieved in the subsequent identification of the priorities of the programme. The SWOT analysis constitutes the basis for taking decision on the appropriate strategy and priorities, which is taken into account the IPARD Programme.

3.1.5. General Objectives and Priorities of the IPARD Programme

The general objectives of the IPARD Programme derive from the principles of IPA in the candidate countries in the pre-accession period laid down in Council Regulation (EC) 1085/2006, article 12 that specifies the rules concerns to rural development component:

“1. *The Rural Development Component shall support countries listed in Annex I in policy development as well as preparation for the implementation and management of the Community's common agricultural policy. It shall in particular contribute to the sustainable adaptation of the agricultural sector and rural areas and to the candidate countries' preparation for the implementation of the Acquis communautaire concerning the Common Agricultural Policy and related policies.*

2. *In particular It may contribute towards the financing of the type of actions provided for under Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD[113]).”*

Although the basic source for setting down the priorities of EU assistance is the enlargement package, coherence of the MIPD with the above-mentioned national and sectoral priorities has been ensured through consultations with the national authorities. The priorities set out in the MIPD’s component V will serve as a basis for the annual programming of EU pre-accession funds for rural development in years 2007, 2008 and 2009. The component has the specific triple long-term objectives of preparing the agro-food sector to meet the requirements of the EU Acquis (concerning the Common Agricultural Policy and related policy areas such as food safety, veterinary and phytosanitary matters), helping the beneficiary country to get ready for effective implementation of programmes under the European Agricultural Fund for Rural Development (EARDF) upon accession and contributing to the sustainable development of rural areas. In particular, the envisaged activities aim at progressively restructuring and upgrading the agricultural production and processing sector to Community standards and to improving employment and income opportunities in rural areas.

Building on past and ongoing financial assistance and drawing on the European Partnership's recommendations, the MIPD identifies priorities are to be implemented from the very beginning of programme implementation for making the overall strategy operational. Taking also into account the results of the analysis of development disparities, strengths and weaknesses, corresponding national policy action and the shortcuts in the implementation of the above-described National Strategy for Agricultural and Rural Development, the identified development priority areas of the IPARD Programme are as follows:

- **Priority Axis 1: Improving market efficiency and implementation of Community standards**

Under priority axis 1 the potential key issues to be addressed are investments in agricultural production to restructure and upgrade the sector to Community standards and to increase competitiveness. The ultimate goal of the pre-accession assistance under component V to prepare the agricultural sector for the EU accession and therefore the upgrading of the farms and the food establishments to meet the EU environmental, hygiene, food safety and animal welfare standards is of high importance.

- **Priority Axis 3: Development of rural economy**

Under priority axis 3 the potential key issues to be addressed in country are investments to develop and to diversify economic activities in rural areas, which will help rural population to build up economic activities (on- and off-farm) creating additional income sources and employment opportunities in rural areas.

[113] OJ L 277, 21.10.2005, p. 1.

The two priorities focus on the economic development of specific sub sectors on the whole territory of the country or in the rural areas targeted for the purpose of implementation of the Programme. Specific details are defined in the framework of the Programme.

The implementation of the Priority Axis 2: 'to launch preparatory actions for implementation of agri-environmental measures and the 'LEADER-approach' in order to contribute to the sustainable development and to the development of public-private partnerships in rural areas', considering the complexity involved in preparation of such measures and the required mechanisms for implementation, shall be considered in the forthcoming financial period 2010-2013.

The main general objective of the country's IPARD Programme is thus to:

"Improve the competitiveness of agricultural holdings and food industry bringing them into compliance with Community standards, while ensuring sustainable environmental and socio-economic development of rural areas through increased economic activities and employment opportunities."

3.1.6. Specific Objectives of the IPARD Programme

Having a limited volume of funds within the financial period 2007-2009, the specific objectives of the IPARD Programme will partly cover the difficulties illustrated in the SWOT analysis of the agricultural sector and the rural areas focusing to those measures which have a high expectable impact on the rural economy and living conditions and which meet an urgent need for intervention.

In support to the structural adjustment of the country's agricultural sector, the emphasis will be placed in particular on increased production competitiveness and higher quality of products. **The IPARD measures focus at improving the competitiveness of economically viable agricultural holdings and food industry in selected sub-sectors through investment policies to improve technological and market infrastructure aimed at increased added value of agricultural products and achieved compliance with EU quality, health, food safety, animal welfare and environmental standards.**

To achieve the priorities of pre-accession assistance, the priorities in the agro-food sector and considering the situation in the agricultural sector as detailed in this document the **measures to be implemented under the priority Axis 1** shall be as follows: "Investments in agricultural holdings to restructure and to upgrade to Community standards" and "Investments in processing and marketing agriculture products to restructure and to upgrade to Community standards".

Equally, the IPARD assistance should contribute to **improved quality of life of the rural population, increased income and creation of new employment opportunities** through the development and diversification of on-farm and/or off-farm activities to counterbalance disparities between regions and compared to urban areas.

In general, a lack of diversity in economic infrastructure is a common characteristic of the country's rural areas being one of main factors of lagging behind in economic development. Besides the diversification of on-farm activities, in particular those that will contribute to the added value of basic farm production providing for supplementary or alternative income on farm households, there is also a need for the development of alternative off-farm economic activities. Considering the high unemployment level in the country it is suggested that the measure **"Diversification and development of rural economic activities" will be implemented in order to achieve the goals of the priority axis 3**. Due to limited availability of corresponding funds, this measure will be subject to geographical targeting.

Above defined specific objective per priority area that will be made operational through corresponding measures will be implemented as the main instruments of the IPARD Programme 2007-2013. All are presented in the following table.

Table III - 1 Specific objectives per selected priorities

Priority (Axis)	Specific Objective	Corresponding Measures
Axis 1 Improving market efficiency and implementation of Community standards	Improving the technological and market infrastructure of commercial agricultural holdings and food processing industry aimed at increased added value of agro-food products and achieved compliance with EU quality, health, food safety and environmental standards	• Investments in agricultural holdings to restructure and to upgrade to Community standards • Investments in processing and marketing agriculture products to restructure and to upgrade to Community standards
Axis 3 Development of rural economy	Improved quality of life of the rural population, increased income and creation of new employment opportunities	• Diversification and development of rural economic activities
Technical assistance		

The specific conditions of the IPARD 2007-2009 Plan are set out in the technical fiches for each measure in the Part III, Chapter 3, of this document.

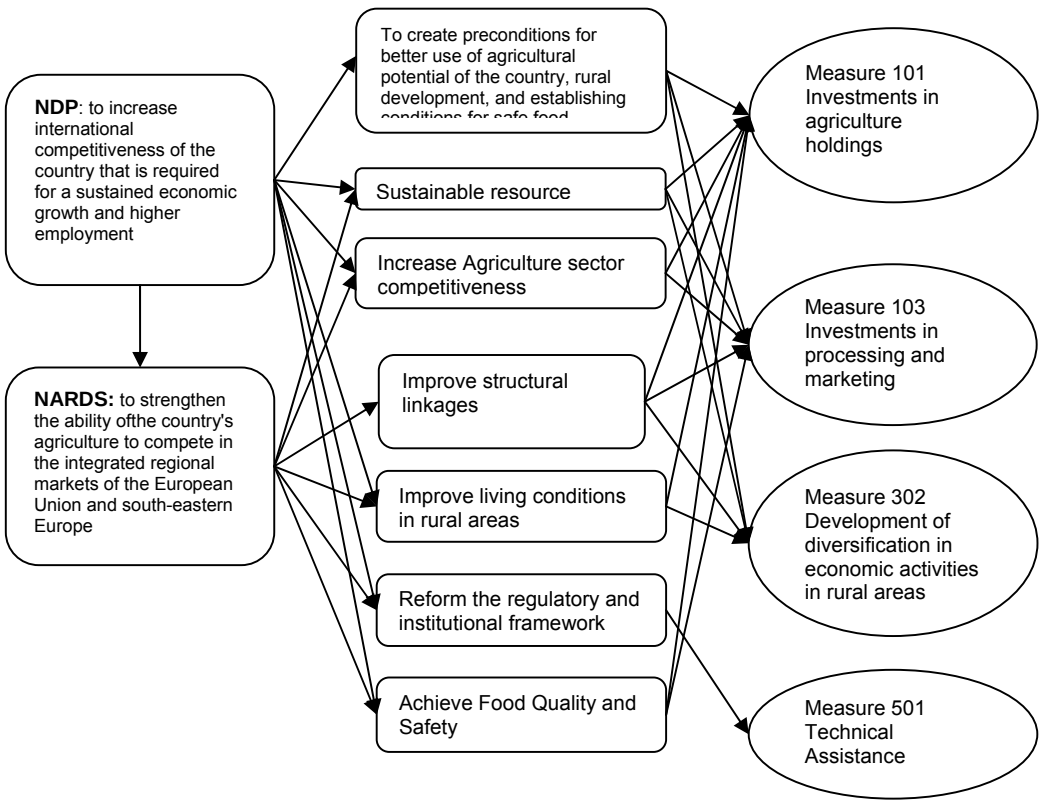
In the national agricultural support policy framework, the concepts of Additionality and Complementarity to IPARD measures will be applied. While the direct payment scheme targets small-scale holdings in order to increase their productivity and efficiency levels thus supporting the process of transfer from self-sustainable farms into economically viable farms, the IPARD programme increases the possibility of access to financial means to invest in the costly modernisation of economically viable agricultural holdings and processing industry in order to comply with EU minimum standards.

In the area of support to sustainable rural development, the country has already acquired substantial experience with the implementation of pilot national rural development programmes in 2006 and 2007. The methodological approach that will apply in selection of future national rural development measures will be avoiding of inclusion of as same as IPARD programme measures but piloting ones which shall be launched at a later stage. In addition, given the need to improve the rural infrastructures in the country, it should be considered whether the infrastructures could be supported under the national schemes or support programmes of IFIs before carry out them through IPARD programming period 2009-2013.

Besides, national support will also focus on supporting research and development activities, improvement of the marketing mix, preparation and certification of introduction of food quality and safety standards and development of human resources.

For better understanding of the links between the overall objectives of the government programmes and specific roles of the IPARD measures envisaged for the planning period 2007-2009, the objective tree chart is presented below.

Figure III – 3 *Hierarchy of Agriculture and Rural Development Objective*



3.2. DESCRIPTION OF THE ELIGIBLE MEASURES

3.2.1. Investments in agricultural holdings to restructure and to upgrade to Community standards

Applying article 174 (2)(a) from the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 the measure has as a general objective the support tangible or intangible investments in agricultural holdings to upgrade them to Community standards and to improve their overall performance.
Support to this type of investments gains special importance in relation to mid-term and long-term development of competitive agricultural holding as outlined the in the National Agriculture and Rural Development Strategy (henceforth the NARDS). This specific measure will be implemented in the orchard and vineyards farming, early and open-field vegetable production, dairy breeding (dairy cattle, sheep and goats) and pig and poultry fattening.

The rational for applying the measure is due to the gradual and inefficient structural adjustments of the agriculture sector in the period of transition followed by closing the traditional markets of the country's agriculture products, insufficient market regulation and low level of state support, which contributed to most of the fixed assets available in the country's agricultural sector being depreciated over the last 15 years. In addition, considerable changes have taken place in the structure of agriculture – numerous relatively small agricultural holdings with low competition and diversified and inefficient on-farm production have been established. Labour intensive agriculture, which is one of the highest in the region, worsens the situation.

The country's accession to the European Union confronts the agricultural holdings to more demanding economic, social, and ecological environment. The small-sized holdings and inefficient agriculture will face the competition on the common market and compliance to the *Acquis communautaire* in the area of animal welfare, veterinary, sanitary and phyto-sanitary requirements and environmental standards as requirement. To adjust the farmers to these conditions a strong effort of the policies towards the increase of the competitiveness is necessary in a transition period bearing in mind the slow pace of structural adjustments of the agriculture sector. The competitiveness of agriculture must be achieved by restructuring and modernisation of agricultural holdings. The modernisation in the sense of technological updating, larger market orientation, and the observation of the requirements of the *Acquis communautaire* in the area of the protection of animals, food safety and environmental issues followed by strengthening of the standards in the process of approximation of the national legislation.

Yet, the rapid harmonisation of legislation with EU imposes strict requirements that could not be reached without significant farm improvements in terms of technological modernisation and restructuring, with special attention being given

to veterinary, phytosanitary, animal welfare, hygiene and environmental requirements.

The Investment in agriculture holdings is a capital grant scheme, which will contribute to the improvement of the ineffective and non-competitive structure of agricultural holdings. The measure shall be implemented with priority for activating the agricultural potential at the same time with the valorisation of local resource in view of making efficient the practised exploitation to insure the agricultural income.

This measure will be put in practice taking into account operational objective to promotion of investments in animal and plant sectors at farm level, in order to restructure the perennials (vineyards and orchards), improve the farm buildings and to clothe it with new machinery and equipment.

For perennial crops (vineyards and orchards), it is expected to improve the age structure and the variety structure to high quality, which is one of the aims of this measure. In addition, the improvement of vegetable production, in particular early vegetable production, through the means of greenhouses reconstruction and modernisation is foreseen. Irrigation improvements, envisaged under this measure, will result in a reduction in production costs per unit in the priority sectors, due to stable yields, as well as efficient use of water, which is not the case with the current deteriorated on-farm irrigation systems (mainly furrow irrigation through open channels). Agricultural holdings from the plant production sector face an insufficient endowment of agriculture machinery in particular specialised machinery and equipment for cultivation and crop protection, with a high degree of physical and economic depreciation, so the measure will address this problem adequately.

The support to livestock breeding for milk and meat production aims at improving of animal welfare for breeding and hygienic conditions that will result in the improvement of products' quality mainly in milk production. The support targets the dairy farms, which provide around 40% of the milk output on a national level and will not result in an increased milk output at national level at the end of the program. The improvement of the quality of the milk produced by the small-sized dairy farms will be addressed through supporting and prioritising group projects or projects submitted by agriculture cooperative as well as through investments in setting up and modernisation of regional milk collection centres envisaged in measure 2, since the small-sized dairy farms take significant share in the total milk output in the country. The micro farms, owning 1 to 3 cows, are considered as semi-subsistence farming and it is expected that their number will gradually shrink and eventually disappear due to their ineffectiveness and poor quality of milk not complying with the national requirements.

The main beneficiaries targeted with this respect are economically viable farmers (natural persons) or private agricultural enterprises responsible for carrying-out and financing the investments in the agriculture holding in a legal form of individual agriculture producers, agriculture co-operatives, trade companies established by association of agriculture producers and agriculture commercial

companies; and within a range of specific requirements for the eligible size (ha or number of animals) of the holding per each of the concerned priority sector and in compliance with specific criteria to be respected with the proposed investments/projects in a form of business plan. The minimal conditions of viability for each sector of production are fixed in the measure, as regards the minimal and maximal agriculture area or the minimal and maximal number of animals bred, as regards the minimal technical conditions of breeding and feeding, and using of manure, as regards the minimal conditions in order to respect the national legislation of environment. The concerned investments must be compliant with the Community standards applicable for the concerned intervention area (priority sector) or bring the agriculture holding as a whole in accordance with the Community standards.

In addition, bearing in mind the small size structure of the farms in the country and the problems appear with on-farm fragmentation this measure attempts to improve this structural weakness by putting the emphasis on projects submitted by group individual producers who do not achieve the prescribed criteria individually taking any legal form according to the Law on Trade Company (OG 28/04, 84/05, 25/07) or Law on Cooperatives (OG 54/02 and 84/05), as well as encouraging the operation of agriculture cooperatives or trade companies established by association of agriculture producers as a suitable organization form for achieving efficiency of agriculture production and a mean for implementation of higher quality standards for the primary products.

Bearing in mind that Agriculture Census has not been performed since 1969, there is an evident problem to appropriately set the specific requirements for the eligible beneficiaries to be supported by this measure. The existing Law on Agriculture activity (OG 11/02) defines the individual agriculture producer as a natural person who is performing agriculture activity on agriculture land of which he/she either has the right on ownership or has obtained the right of possession or use from the actual owner on legal basis (concession, rent, usufruct or other form). However, this Law does not provide suitable definition for individual farmer and agriculture family holding, neither provides a distinction between semi-subsistence or economically viable farming on small-scale or large-scale.

The same problem applies for defining currently existing viable individual farmer, agricultural family holding and agriculture co-operative/commercial Company dealing in agriculture subject to absence of an integrated Farm Registry. The definitions attempt outlined in this Programme may be subject to amendments before ‘conferral of management’ as a result of the initial reports the Agriculture Census, which will be available in December 2007 and the subsequent establishment of integrated Farm Register due by the end of first half of 2008.

The measure covers the whole territory of the country.

3.2.2. Investments in processing and marketing of agricultural products to restructure and to upgrade to Community standards

Applying article 171 (2)(c) from the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 the measure has, as a general objective, the support to tangible or intangible investments in processing and marketing of agricultural products, covered by Annex I to the Treaty. Such assistance shall be primarily aimed at assisting enterprises in upgrading to Community standards and to improve their overall performance. This specific measure will be implemented in the dairy sector, slaughtering and fruit and vegetable processing sectors, including wine production.

The measure has as a general objective the support for investments, destined to the improvement and rationalisation of processing and marketing of agricultural production in order to accomplish progressively the accordance with the Community standards, contributing thus to the increasing of competitiveness and added value for these products, being in the same time a sector with a big potential in creating new jobs.

The agro-food processing sector is of great importance to the country's economy. This is due to the volume of production, its share in the employment as well as the dependence of the agricultural sector on the food processing industry. There is a strict correlation between agro-food processing and the pace of farm modernisation. The processing plants have a “pulling effect” on their suppliers (agriculture holdings) for quality improvement of raw materials. Therefore, they considerably stimulate modernisation of farms.

The processing plants are increasingly interested in large uniform deliveries of raw materials, which meet the required quality standards. This condition may be fulfilled only in the case of deliveries provided by large specialised farms or smaller farms associated in agriculture cooperatives or producer groups. The establishment of competitive and viable processing and marketing structures is one of the key priorities of the structural adjustment of the sector. The improvement of marketing structures is a decisive precondition for the successful development of the country's agriculture.

Consequently, the operational objectives are focused towards improving the conditions for agricultural products processing and marketing in order to enhance their competitiveness on both domestic and foreign markets. To achieve competitiveness and processing efficiency, the EU requirements must be met. The food industry has to be rendered more effective and flexible to meet the changing market requirements and consumers’ demands, this can be done by increasing the production of value added products and thus providing primary agricultural producers with benefits. At the same time, implementation of necessary environmental standards linked to the processing plants operations are targeted under this measure.

The need for this measure relates was outlined in the National Agriculture and Rural Development Strategy. The purpose of the measure is to provide a sound

basis for financing projects co-financed by the European Union. This specific measure will be implemented in the dairy, slaughtering and fruit and vegetable processing sectors, as well as wine production.

The investments attempt to address the encountered weaknesses in the concerned priority sectors:

The **wine sector** in the country comprises 50 registered wineries (five of which registered in 2007), located in the main wine producing areas (wine regions). During the last few years, the number of new private wineries (mainly small and medium-sized plants) has considerably grown, even though the overall vineyard surface shows a continuous decrease. The installed capacity of the country's wine cellars amounts to 1,615 million hl in 2007 and therefore their processing capacity is almost twice the annual wine production. Among the 45 registered wineries, 39 have between 50 to 50,000 hl capacity, 3 have between 50,000 and 150,000 hl capacity and 3 wineries have between 150,000 and 500,000 hl capacity. Currently, additional 5 wineries are in the process of registering in the MAFWE Register of wineries according to the Law on Wine OG 69/04.

In 2003, total capacity was over 2 million hl with only 28 registered companies (compared with 45 in 2007) demonstrating that the evolution of the country's wine industry is moving toward a larger number of smaller entities. However, some of the small wineries have an urgent need for own internal laboratories, well equipped for quality and food safety purpose analyses.

In order to better compete in national and international markets, in addition to adapting to EU standards, the country's wineries should adopt ISO standards and HACCP requirements, the latter, according to the new law on Food Safety, being an obligation for all wineries by 2009. At the moment, only 11 wineries have implemented HACCP standards and three are in the process of implementation. Adoption of these new standards, through the cost of implementation, has a financial impact that could be difficult to bear for the small and medium size companies.

The country’s wine sector is placed at the low-value end of the wine market. Wine export is predominantly (92%) done in bulk. Some of the country's wineries have been able to maintain long-term bulk-wine relationships with export markets (notably in Germany), but these low-value products generate low margins.

Due to high purchasing prices of modern equipment for filtration, fermentation, cold stabilisation and bottling, these equipments are not common in small wineries. Providing assistance in purchasing reliable and modern equipment of this kind would result in an increase of quality of the country's wine and a reduction of wine bulk exports in favour of bottled wines for both domestic and export markets. Encouraging wineries into developing production of wine in bottle (versus bulk wine), necessitates the provision of assistance in purchasing filtration, bottling and cold stabilisation equipment, which are a priority to increase quality of the country's wine.

In the wine sector, there are many enterprises meeting the EU requirements. Therefore, investments are to be made mostly in product development and waste and wastewater treatment. This specific measure is meant to restructure food-processing industry in the sectors mentioned above, simultaneously avoiding increase of capacities available. Assistance will be targeted to micro, small ad medium-sized enterprises.

The **fruit and vegetable processing sector** consists of around 50 processing establishments. In general, around 90% of the overall activity is vegetable processing, while roughly around 10% is fruit processing. In relation to the type of processing, the largest portion of the processors are involved in canning (preservation), a small number of them have drying and freezing capacities, while the rest of them have combined production lines.

The industry over the period 2003 – 2006 shows a continuous increase in production, mainly due to the increased demand for the country's processed goods by foreign buyers, and domestic market growth resulting from strong penetration of the retail chains and changes in the lifestyle of the population (buying processed products rather than preparing them at home). In 2004, the industry output was 4.7 thousand tons higher than in 2003 or + 22.4%, while in 2005 the production was 2.5 thousand tons higher than in 2004 or + 9.7%. According to the estimates from the survey the production output in 2006 will reach a record high, outrunning the volume from 2005 by 15.4 thousand tons or + 54.6%.

The vast majority of the F&V processing companies are classified as small-sized companies (88% in 2005 and 90% in 2006). Only 5 companies in 2005 and 4 in 2006 have more than 50 employees, out of which only 3 have more than 100 employees. There are no large-scale enterprises in the F&V processing industry.

The general characteristic of the F&V processing industry is a low level of utilization of installed production capacity. The average utilization in 2005 amounted to approximately 27% and approximately 36% in 2006 showing high dependence of the raw material supply which is highly seasonal. Consequently, the lack of planning of both-production of raw materials and processing is putting the emphasis of weak horizontal and vertical integration within the fruit and vegetable market chain. Investments in collection points and in the corresponding equipment for quality assurance, traceability and storage are needed to address the major weakness in this sector.

Since the overall installed capacity for processing of F&V is around 122,000 t of final output and being underutilised, investments aiming at increase of the capacities will not be supported. Also as a result of the conditions in which many fruit and vegetable processors meet the EU requirements, investments are to be made mostly in product development and quality control and traceability systems as well as the waste and wastewater treatment.

The dairy processing plants are considered as small or medium size processing plants with average of 50% usage of the installed processing capacities. Only one dairy processing company is registered for export to EU.

The annual production at processing plants for 2003 is: UHT and fluid milk (60.000 t), yogurt and sour cream (15.500 t), cheese (3.400 t), butter and other products (1.000 t). The annual production at individual farmers for 2003 is: milk (56.300 t), cheese (10.700 t), butter and other products (1.600 t). Domestic production is covering 76% from the market needs and 24% are from import. The main problems constraining the development of dairy sector are the optimisation of the capacities, the update of the processing facilities; and the necessity to develop new technologies and new products. Investments aimed at modernisation and increasing of the milk powder and butter production capacities will not be supported.

Table III - 2 Structure of the dairy enterprises

Type of establishment	Number of licensed establishments	Export establishment	EU export license
Establishment for milk processing and dairy products	70	6	1

Source: MAFWE, Veterinary Directorate

Dairy industry is in range from sophisticated modern fascilities to small artisanal operations producing traditional dairy products for the local community. The size of this processing units is quit varible from number of medium sized enterprises to majority of small and micro scale units with very limited resources for effective technological input. Therefore it is necessery to provide incentives for efective expansion of theese small units in terms of absorbtion of modern production technology.

Regarding to the implementation of HACCP systems for hygienic and quality management, many of the dairy companies are situated with the problem of information and documentation flow and quality assurance. For implementation of the HACCP many technical measures and hygienic preconditions must be achieved. According to the Law of Food Safety and Products and Materials in Contact with Food (OG 54/2002, and amendments OG 84/2007) and secondary legislation Book of rules for sanitary and hygiene requirements for food production (OG 32/2006) all dairy establishments should implement Good Manufacturing Practice (GMP) standards and HACCP system until end of 2008. It should highlight the need for considerable and urgent improvements in the dairy industry, in terms of facilities, infrastructure and procedures.

However, improving milk hygiene conditions throughout the food chain is more than necessary. Investments in construction and reconstruction of collection centre and the complementary equipment for raw milk to improve the raw milk quality and hygiene is very much linked to the quality of the dairy products in particular to their shelf-life.

In meat sector currently 143 establishments operate for production and storing of products of animal origin, for which the Veterinary Directorate has issued veterinary-sanitary license. Out of these 130 are active in meat and milk sector.

The Veterinary Directorate keeps a register of establishments for production of products of animal origin as well as of export establishments in the country. Export establishments, which produce products of animal origin, shall possess export control number, whereas the establishments, which place their products on the domestic market, do not possess permission number.

Table III - 3 Structure of the meat enterprises

Type of establishment	Number of licensed establishments	Export establishment	EU export license
Slaughter houses for red meat	21	7	7 lamb slaughter lines
Poultry slaughter houses	2	1	
Game meat	-	-	
Establishments for meat processing and meat products	37	11	
Total	**60**	**19**	**7**

Source: MAFWE, Veterinary Directorate

The establishments for animal slaughter, processing and storage of products of animal origin, according the Veterinary Directorate Register for meat establishments, are divided into the following categories:

- Establishments for animal slaughter;
- Establishments for meat cutting;
- Establishments for processing and cutting of game meat;
- Establishments for meat processing and preparation of products of animal origin;
- Establishments for cooling, freezing and storage of products of animal origin.

With regard to construction, technical equipment, capacity, methods of operation and organization of veterinary inspection, they are classified as follows:

- Establishments with larger production capacity - industrial establishments;
- Establishments with smaller production capacity - crafting establishments;
- Establishments (rooms) in households for milk processing and preparation of dairy products, processing of honey and collection, sorting and packaging of eggs.

The above establishments have to fulfil the general conditions that are common for all establishments, and are related to location, yards, roads, water supply and drainage of waste water, materials used in facility construction, equipment, ventilation, lights, premises for equipment sanitation, premises for general needs of personnel and veterinary inspection, and hygiene of the employees. The special conditions depend on the type and scale of production.

The Veterinary Directorate is in charge of performing control of activities and application of the laws concerning foodstuff of animal origin. The obligation to register the establishments for animal slaughtering, treatment, processing, production, collection, storing, refrigerating, freezing and trade of products and raw material of animal origin is laid down in the Law on Veterinary Health (OG No 28/98) Chapter 3 – veterinary-sanitary prevention in trade and production. In accordance with the above Law, poultry and fish stocking for reproduction, production of eggs for reproduction, animal slaughtering, collection and production of products and raw materials of animal origin and intended for export is allowed only in establishments for export, for which the Minister of Agriculture, Forestry and Water Economy, based on a proposal from an expert committee appointed thereby, confirms the compliance with the requirements required under this Law, or the requirements issued by certain countries. The VD maintains a register of establishments for production of products of animal origin, as well as a register of the export establishments in the country.

Currently, there are seven slaughterhouses meeting the EU standards for the slaughtering lines for lamb and are registered for export to the EU. As there is over-capacity in slaughtering and the sector has low productivity, investments aimed at increasing slaughtering efficiency will be supported in particular the slaughtering lines of pig, cattle and poultry. Lack of slaughtering capacity only noticed in the poultry sector will overcome through new investments in slaughtering houses for poultry to sustain the expected growth of this potential sector. The meat processing industry although characterised by a big number of enterprises with low capacities already have modern technologies. An evident problem that almost all of the meat processing plants face is non-compliance with the environmental standards for waste and wastewater treatment according to the EU requirements. Such investments are envisaged within this measure.

There is neither an animal waste collection system at national level or on communal level nor rendering capacity exists in the country. The support to rendering capacities is envisaged within this programming period (2007-2013) being subject to Feasibility study preparation under the Technical Assistance Measure. The results of the study will provoke inclusion of investment in this sector under IPARD as well as the type of support and the eligible criteria and beneficiary definitions.

The gradual adoption of the EU related standards will lead to sectoral restructuring and gradual transfer of capacity from plants unable to adjust to increasing sanitary and veterinary requirements in the pre-accession period, to upgraded recognised plants. However, an increase in capacity at the sectoral level is not anticipated but special attention is to be given to attaining compliance with the EU requirements, achieved by developing new technologies and solid and liquid waste handling issues.

The main beneficiaries targeted with this respect are small and medium enterprises in the area of fruit and vegetable processing and marketing, dairy industry, slaughtering line for pig, cattle and poultry, and wine production. In particular case of investments in collection centres (for raw milk or for fruit and

vegetable), aid can be granted to agriculture cooperatives in order to improve the concentration of the supply as well as to improve the quality of raw materials at the same time supporting the organisational structure of the production and market chain (horizontal and vertical level). To better target the investments to achieve efficiency, the definition of eligible beneficiaries is supported with the level of required installed capacities (or in case of new investment-the capacity to be achieved by the investment) per each of the concerned priority sector and in compliance with specific criteria to be respected with the proposed investments/projects in a form of business plan. The minimal conditions of viability for each sector of production are fixed in the measure, as regards the minimal and maximal installed capacities for processing or the minimal and maximal number of animals slaughtered, as regards to the existing capacities within the concerned priority sectors. The structure of the sectors is obtained from the Veterinary Directorate Register of milk and meat establishments, MAFWE Register for wine enterprises and Chamber of Commerce register of fruit and vegetable processing enterprises. The concerned investments must be compliant with the Community standards applicable for the concerned intervention area (investment) or bring the enterprise as a whole in accordance with the Community standards in particular with the environmental standards.

The measure covers the whole territory of the country.

3.2.3. Diversification and development of rural economic activities

Applying article 171 (4)(b) from the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 the measure has, as a general objective, the support to tangible or intangible investments in development of the rural economic activities. Such assistance shall be primarily aimed at for the creation and development of micro and small enterprises, crafts and rural tourism, with a view to promoting entrepreneurship and developing the economic fabric.

Rural communities are living and working environments that provide livelihoods and which can make a significant contribution to the economy of the country, as a whole. However, many are disadvantaged simply because of their remoteness from the main population centres. Their viability is being threatened by the demise of essential local services, healthcare provision and recreational amenities. Where agriculture activity is dominant in the local economy, average wage levels can be relatively low and employment may be seasonal. Out-migration of younger people is leaving behind an imbalance in the population structure.

The problems facing rural communities in the country are recognised in the NARDS and are incorporated as a priority to reinforce the need to build a strong, sustainable and modern rural economy across all parts of the country.

The measure aims to capitalise on some of the country's strengths in the rural areas; namely the existence of high value natural and man-made landscapes and the resourcefulness of its rural communities. They can provide a springboard for

economic regeneration and a solid foundation for maximising the potential of the areas' cultural and social way of life, and for the better integration of rural areas in the national economy. The measure aims to harness, enhance and nurture the wealth of community skills, knowledge and ideas available in every rural community through the development of projects and strategies that address local needs. These will focus on creating a sustainable future for rural communities by encouraging diversification of the economic base, reducing the impact of peripherality on the local economy, improving access to basic services, developing higher value tourist activities while encouraging a positive approach to the environment.

For the purpose of implementation of the measure concerning the development of the rural economic activities two types of support schemes are envisaged:

1) Support to micro enterprises in the rural areas which covers on-farm diversification of agriculture activities through investments in processing units for traditional niche products and support to craftsmanship;

2) Support to rural tourism activities which encompasses group of investments for on-farm tourism on targeted territory particularly linked to the wine tourism and on-farm tourism investments in the villages, which are advantaged to be near Natural Protected Zones, Cultural/Archaeological sites and are listed as settlements in municipalities with rural centers, hilly and mountainous, border, economically under-developed areas and specific regions listed in Annex No.19.

Micro enterprises operating in the rural areas and promoting rural entrepreneurship is found to be suitable form for utilizing the best available resources in the rural areas (see Part I-Chapter 1.3.1.). Therefore, the measure supports investment for micro enterprises for establishment, expansion or modernization of businesses processing specialty/niche food products using on-farm resources (such as honey products, fruit jam and preserved fruit, traditional vegetable products-pepper powder, "ajvar", "pindzur", preserved vegetables; fruit-berries processing and medical/oil herbs and spices, mushroom cultivation and processing, etc.) for local markets (construction and renovation of processing facilities and purchase of installations); and for revitalization of traditional handicrafts.

Another activity which contributes towards diversification of the rural economy whilst providing economic value to the natural and cultural heritage and job opportunities is the rural tourism. Rural tourism sector is found suitable for providing sustainable income for rural women and attractive sector for the young rural population. The main obstacle for rural tourism is the lack of investment means; therefore, the providers of the service fail to offer their customers with safe and hygienic service of required quality. The accreditation requirements set in the country are relatively high and apply more to commercial hoteliers rather than rural accommodation in traditional manner. One of the reasons is that the tourism sector lies in the responsibilities of the Ministry of Economy for which economic benefits often overcome the social features of the rural communities and their way of life compatible with the surrounding nature.

Since this measure targets various fields of rural economic activities the definition of targeted beneficiaries applies accordingly with respect to the national definitions in different legislative acts concerned. The main beneficiaries for the rural tourism purposes are existing micro-enterprises for wine production vineyard farms located in the "Wine Road" area established among the municipalities Negotino, Kavadarci, Demir Kapija and Rosoman in the Tikvesh wine region (see Part I-Chapter 1.3.4.); rural entrepreneurs who aim to restore old buildings of cultural interest in hilly-mountainous areas defined as economically under-developed regions and are located near the Natural Protected Zones and Cultural/Archaeological sites; fish pond private concessionaires and forest concessionaires for better utilisation of the economic value of the natural resources, located in the Natural Protected Areas; individual farmers who have registered micro-enterprise for food processing; agriculture producers and rural entrepreneurs skilled in agriculture machinery repair and traditional handicrafts will be supported as well as agriculture cooperatives in order to improve the concentration of the supply of mushrooms and medical and oil herbs and spices.

To better target the investments to achieve efficiency, the definition of eligible beneficiaries is supported with the level of required farm size in the case of establishment of processing and the capacity of the accommodation for rural tourism purposes as well as the minimum quality of accommodation to be achieved with the investment. The project per priority sector must be in compliance with specific criteria to be respected with the investment.

It is worthwhile to emphasise that the chosen priority sectors target improvement of the existing potential of the country and better utilisation of the natural and human endowments in the rural areas aiming at the same time to sustain what is left from the tradition and cultural heritage and to boost further interest in what was so far neglected and should not be forgotten (with reference to Part I Chapter 1.7).

On the other side, since this measure provides totally new approach related to the in-so-far national policy approach for development of rural economic activities, the most of the support is targeted on NUTS 5 level to pilot the effectiveness of the proposed measure at the same time bearing in mind the funds limitation.

The measure covers the rural areas in the country as defined by the Government. The detailed description of the Measure 302 is in part IV Technical fiche per measures.

3.2.4. Technical Assistance for IPARD Programme Implementation

Applying article 182 of the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 this measure consists only technical assistance for activities related to the preparation, monitoring, evaluation, information and control activities which are necessary for the implementation of the Programme.

In particular the measure relates to technical assistance, studies, information and publicity campaigns, monitoring and evaluation, needed for improving the IPARD programme implementation and is consequently a key element for the overall Programme roll-out and implementation especially in conditions where institutional capacity for formulation, monitoring and implementation of policies is still needs to be significantly improved.

In particular, for the purposes of this Programme, the following activities are envisaged to be subject to technical assistance within the programming period (2007-2013):

1. Monitoring of the Programme implementation and support of the activities necessary to discharge the responsibilities of the Monitoring Committee

The progress, efficiency and effectiveness of the programme in relation to its objectives shall be measured by means of indicators relating to the baseline situation as well as to the financial execution, outputs, results and impact of the IPARD programme. Therefore, the Sectoral Monitoring Committee will be established to satisfy itself as to the effectiveness and quality of the implementation of all expenditure under the IPARD Programme and to make recommendations in this regard to the Managing Authority[114].

The sub-measure should support setting up of the Sectoral Monitoring Committee and its monitoring activities, specifically including: studies and surveys of the Programme implementation contracted and realised via expert assistance, interpretation and translation, contracting of companies or external experts and/or fixed-term employment of personnel for the performance of monitoring, payment of costs associated with the Sectoral Monitoring Committee operation and activities, i.e. editing, per diem and travelling, and other costs of meetings, etc. Fees for the Sectoral Monitoring Committee members and ordinary administrative expenses associated with the Programme management and civil servants normally hired are excluded.

2. Evaluation of the programme

The IPARD Programme shall be subject to ex-ante and to an on-going evaluation system which shall take the form of interim evaluations and ex-post carried out by independent evaluators under the responsibility of the Managing Authority.

The activity is aimed to provide basis to take corrective actions in due time whiles performing programme evaluation as to check results attained and propose improvement, identify critical points and opportunities emerged as well as to improve the Programme management and optimise its results through perform sector studies and evaluations centred on areas of special interest related to the programme objectives, or specific implementation procedures, in order to define and activate technical or procedural intervention.

[114] The establishment and the role of the Sectoral Monitoring Committee is in detail elaborated in PART III Chapter 3.5.2.2. IPARD Monitoring Committee

The sub-measure shall incorporate actions of contracting of independent expertise for performing programme evaluations, technical studies and surveys to collect specific data for evaluation including coordination activities and costs related to operation of expert steering groups.

3. Information and publicity campaigns

The sub-measure should basically ensure equal dissemination of information on the IPARD programme among of potential beneficiaries, advisory services of central/local public institutions involved in the Programme implementation and the general public as well as building awareness about IPARD implementing procedures.

The sub-measure shall incorporate actions of:

- preparation and publication of the informational materials (such as brochures, leaflets, newsletters);
- organization of general public awareness campaign (throughout officials workshops, conferences and information seminars);
- promotion of information exchange and collaboration initiatives between potential beneficiaries, journalists and central/local government (through surveys and technical assistance in the identification of areas and situations with similar interests and common workshops to analyse and disseminate individual experiences)
- training of advisory services-both private and public, to support the beneficiaries in the application process etc.;

4. Study and research activities in preparation of measures in the programme, including future measure

As to ensure effectiveness in implementation of the measures in the programme, activities related to the preparation of measures, including those measures whose application is foreseen at a later stage, are envisaged.

The sub-measure consists of conducting studies and research activities in support of:

a) Measures to be considered in the programming period 2007-2013 in principle including, but is not limited to:

- preparation of feasibility study for rendering plant including technical documentation, design and Bill of Quantity),
- study of the potentials for rural tourism development in selected areas, research on the integrated development of selected areas, by means of natural, historic, cultural and handicraft resources, typical agricultural products, sports and/or recreational activities to be performed,
- research on the training requirements of potential beneficiaries, in the various sectors envisaged and preparation of specific training programmes/curricula and training modules;

b) Future measures planned to be included in the Programme such as, but not limited to:

- Feasibility Study on establishment of Common Market Organisation (CMO) for fruit and vegetable with particular emphasis on setting-up of producer groups and introduction of improvement of the market chain for fresh fruit and vegetable;
- Study on the rural tourism potential
- Study on the current situation of the Rural Infrastructure;
- Preparation of National Agriculture Training Strategy for the implementation of the operations envisaged improvement of occupational skills and competence of persons engaged in agriculture sector;
- Preparation of National Agri-environment Plan and future measures;
- Introduction of Leader approach and local action groups.

5. Establishment and operation of a national rural network

As stipulated in Article 183 of the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006, the beneficiary countries and organisations established in the beneficiary countries and administrations of beneficiary countries active in the field of rural development shall have access to the European Network for Rural Development[115]. In order to establish and operate of a national rural network capable to coordinate activities of preparation and implementation of local rural development strategies, a technical and organizational support is foreseen This can also cover expenditure associated with the future establishment of a national rural development network in line with the EU rules for Member States as well as the expenditure linked to participation in the European Network for Rural Development established by Article 67 of Council Regulation (CE) No 1698/2006

6. Other support provided

The support under this measure will also include:

- translation and interpretation at the request of the Commission;
- visits and seminars;
- ex-ante evaluation for future measures.

The beneficiary of activities under the measure for Technical Assistance is the designated Managing Authority, established in accordance to the requirements set in Article 21 (1) (f) to perform the activities as in Article 28 of the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006.

[115] established by Article 67 of Council Regulation (CE) No 1698/2005

3.3. FINANCIAL PLAN, AID LEVEL AND EU CONTRIBUTION

In compliance with Article 173 of the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006, the share of public funds in individual measures varies.

For the purpose of this Programme and within the frame of the proposed measures the following aid intensities are considered:

(a) For investments within the Priority axis 1, "Improving market efficiency and implementation of Community standards", the share of public funds in principal shall not exceed 50% of the eligible investments providing that the beneficiary private co-funding is also 50%. The share of the EU funds in the public funds is 75% and the contribution of the country is 25%.

In particular, cases the following aid intensity applies for Measure 101 Investments in agriculture holdings:

- 55% for investments in agricultural holdings made by
- young farmers (between 18 and 40 years of age);
- 60% for investments in agricultural holdings in mountain areas*;
- 65% for investments in agricultural holdings in mountain areas made by young farmers;

* In order to benefit in full the aid intensities, MAFWE has prepared List of Mountainous Areas in the country with reference to the areas as in the first subparagraph of Article 50(2) of Council Regulation (EC) No 1698/2005[116]. The adopted criterion for delineation of mountainous areas is elaborated in the sub-section 1.2.2.2 Designation of Mountainous Areas and in the List of mountainous areas as included as Annex 19 to this Programme.

(b) For investments within the Priority axis 3, for the measure "Diversification and development of rural economic activities" the public aid is 50% of the eligible investments providing that equal rate of 50% of the approved investment is co-funded by the beneficiary. Public funds comprise the share of the EU funds of 75% and the share of the National co-funding of the country of 25%.

(c) Implementation of the measure „Technical assistance" is financed with 100% of the eligible expenditures out of which 80% are covered by the EU funds following 20% contribution of the National funds of the country. The ceiling of EU contribution will be raised up to 100% financing in the case where those activities are taken at the initiative of the Commission;

[116] OJ L 277, 21.10.2005, p. 1.

3.3.1. IPARD Financial Plan 2007-2012

Table III - 4 Maximum EU Contribution for IPARD funds 2007-2012[117], in EUR

IPA Component	2007	2008	2009	2010	2011	2012	total
Rural Development	**2,100,000**	**6,700,000**	**10,200,000**	**12,500,000**	**16,000,000**	**17,991,604**	**65,491,604**

Table III - 5 Financial Plan per Priority axes 2007-2012, in EUR

Priority Axis	Total public aid	EU contribution rate	EU Contribution
(1)	(2)	(3=4/2), %	(4)
Priority Axis 1 - Improving market efficiency and implementing Community Standards	**65,011,828**	75%	**48,758,871**
Priority Axis 2 - Preparatory actions for the implementation of agri-environmental measures and Leader	**1,743,435**	80%	**1,394,748**
Priority Axis 3 - Development of the rural economy	**16,957,761**	75%	**12,718,321**
Measure 501: Technical assistance	**3,274,580**	80%	**2,619,664**
TOTAL	**86,987,604**	75%	**65,491,604**

[117] Multi-Annual Indicative Financial Framework (MIFF) proposed by the Commission in accordance with article 5 of the IPA Regulation (EC) 1085/2006.

3.3.2. Indicative breakdown by measure 2007-2012

Table III - 6 Indicative financial plan of IPARD Programme per measure 2007-2012, in EUR

Priority Axis/Measure	**Total public aid**	**Private contribution**	**Total expenditures**
(1)	**(2)**	**(3)**	**(4=2+3)**
Priority Axis 1 - Improving market efficiency and implementing Community Standards(1)	**65,011,828**	**63,318,830**	**128,330,658**
Measure 101: Investments in agricultural holdings	34,449,079	34,449,079	68,898,159
Measure 102: Support for producer groups	1,692,997	0	1,692,997
Measure 103: Investments in the processing and marketing of agriculture and fishery products	28,869,751	28,869,751	57,739,502
Priority Axis 2 - Preparatory actions for the implementation of agri-environmental measures and Leader(2)	**1,743,435**	**0**	**1,743,435**
Measure 201 Preparation for implementation of actions relating to environment and the countryside	1,162,290	0	1,162,290
Measure 202: Preparation and implementation of local rural development strategies	581,145	0	581,145
Priority Axis 3 - Development of the rural economy(1)	**16,957,761**	**12,951,878**	**29,909,639**
Measure 301: Improvement and development of rural infrastructure	2,766,107	0	2,766,107
Measure 302: Diversification and development of rural economic activities	12,951,878	12,951,878	25,903,756
Measure 303: Improvement of training	1,239,776	0	1,239,776
Measure 501: Technical assistance(3)	**3,274,580**	0	3,274,580
Total	**86,987,604**	**76,270,708**	**163,258,313**

(1): the Community contribution for this priority is 75% of the total public expenditure
(2): the Community contribution for this priority is 80% of the total public expenditure
(3): for Technical Assistance, the Community contribution to financing shall, as a general rule, be 80% of the total public expenditure.

3.3.3. Indicative allocation of EU contribution by measure 2007-2012

Table III - 7 Indicative allocation of EU Contribution by Measure 2007-2012, in EUR

	EU Contribution						
	2007	2008	2009	2010	2011	2012	2007-2012
Priority Axes and Measures	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Priority Axis 1 - Improving market efficiency and implementing Community Standards(1)	**1,638,000**	**5,226,000**	**7,956,000**	**9,125,000**	**11,680,000**	**13,133,871**	**48,758,871**
Measure 101 Investments in agricultural holdings	903,000	2,881,000	4,386,000	4,750,000	6,080,000	6,836,810	25,836,810
Measure 102: Support for producer groups	0	0	0	250,000	480,000	539,748	1,269,748
Measure 103: Investments in the processing and marketing of agriculture and fishery products	735,000	2,345,000	3,570,000	4,125,000	5,120,000	5,757,313	21,652,313
Priority Axis 2 - Preparatory actions for the implementation of agri-environmental measures and Leader(2)	**0**	**0**	**0**	**375,000**	**480,000**	**539,748**	**1,394,748**
Measure 201 Preparation for implementation of actions relating to environment and the countryside	0	0	0	250,000	320,000	359,832	929,832
Measure 202: Preparation and implementation of local rural development strategies	0	0	0	125,000	160,000	179,916	464,916
Priority Axis 3 - Development of the rural economy(1)	**378,000**	**1,206,000**	**1,836,000**	**2,500,000**	**3,200,000**	**3,598,321**	**12,718,321**
Measure 301: Improvement and development of rural infrastructure	0	0	0	375,000	800,000	899,580	2,074,580
Measure 302: Diversification and development of rural economic activities	378,000	1,206,000	1,836,000	1,875,000	2,080,000	2,338,909	9,713,909
Measure 303: Improvement of training	0	0	0	250,000	320,000	359,832	929,832
Measure 501: Technical assistance(3)	**84,000**	**268,000**	**408,000**	**500,000**	**640,000**	**719,664**	**2,619,664**
TOTAL	**2,100,000**	**6,700,000**	**10,200,000**	**12,500,000**	**16,000,000**	**17,991,604**	**65,491,604**

(1): the Community contribution for this priority is 75% of the total public expenditure
(2): the Community contribution for this priority is 80% of the total public expenditure
(3): for Technical Assistance, the Community contribution to financing shall, as a general rule, be 80% of the total public expenditure.

Table III - 8 Percentage allocation of EU contribution by measure 2011-2012 (for monitoring purpose only)

	EU contribution		
	2007-2010	2011	2012
Priority Axes and Measures	**%**	**%**	**%**
Priority Axis 1 - Improving market efficiency and implementing Community Standards	**74%**	**73%**	**73%**
Measure 101 Investments in agricultural holdings	39%	38%	38%
Measure 102: Support for producer groups	2%	2%	3%
Measure 103: Investments in the processing and marketing of agriculture and fishery products	33%	33%	32%
Priority Axis 2 - Preparatory actions for the implementation of agri-environmental measures and Leader	**2%**	**3%**	**3%**
Measure 201 Preparation for implementation of actions relating to environment and the countryside	1%	2%	2%
Measure 202: Preparation and implementation of local rural development strategies	1%	1%	1%
Priority Axis 3 - Development of the rural economy	**19%**	**20%**	**20%**
Measure 301: Improvement and development of rural infrastructure	3%	3%	5%
Measure 302: Diversification and development of rural economic activities	15%	15%	13%
Measure 303: Improvement of training	1%	2%	2%
Measure 501: Technical assistance	**4%**	**4%**	**4%**
TOTAL	**100%**	**100%**	**100%**

The indicative financial plan for annual distribution of the IPARD Funds for each measure and group of investments per priority sectors are outlined in the Technical fiche per each measure.

3.4. COMPLEMENTARITY WITH OTHER COMMUNITY POLICIES

3.4.1. Rules of competition

Competition rules in the country are laid down in the Law on Competition (OG 4/05, 70/06 and 22/07) the purpose of which is to safeguard free competition in the extraction of natural resources, manufacture of goods, provision of services, sale and purchase of products and services, and to prevent and eliminate the restriction of competition in other economic activities based on the interests of free enterprise. The Law also applies if the action or omission directed at restricting competition takes place outside the territory of the country but restricts competition in the territory of the country.

The Law applies to: Companies, joint companies, linked companies and state administration, legal entities which founders or owners of shares or stocks are the Republic of Macedonia, municipalities, municipalities in City of Skopje and city of Skopje.

The Law prohibits contracts, other transaction and agreements of concerted practice, which have as their object or effect the restriction, prevention, limitation or distortion of competition. The Law contains a definition of dominant position in market, abuse of dominant position and response of abuse of dominant position. An undertaking dominating market is an undertaking which accounts for at least 40 percent of the turnovers in the market. The Law also defines the institution for protection of the competition, which is Commission for protection of competition, independent state institution with status of legal entity.

For implementation of IPARD, the competition rules will be respected according to the Article 6 of the Sectoral Agreement.

3.4.2. Award of contracts

The Law on public procurement (OG. 19/04) is regulating the way and procedure of public procurement, way of choosing the best offer and contracting. There are several ways of conducting public procurement: open public call for bids, closed call for bids, negotiated procedure, call for project design, closed call for consulting services. The award of contract for public procurement of goods and services concerning the IPARD Technical Assistance Measure must comply with Article 23 of the Framework Agreement and Article 33 of the Sectoral Agreement on rules of procurement and the relevant provisions as covered by the Commission decision to confer management.

In case of award of contracts in the process of dissemination public funds to beneficiaries (direct aid or capital grant scheme) in relation to the implementation of the National Support Scheme, the procedure differs depending on the scheme and legal basis. Each of the Annual Programme for support is supported by implementing Decision signed by the Minister as internal Act. For the purpose of the IPARD implementation, contracts will be awarded according to the Article 33 of the Sectoral Agreement.

3.4.3. Protection of the environment

Environmental assessment is an integral part of the business plan and an Environmental Impact Assessment will be implemented where applicable according to national legislation.

The Law on Environment (OG 53/05, 81/05, 24/07) lays down the basic principles and procedures for environmental management and pollution control referred to in other sectoral laws. The Law regulates the environmental impact assessment (hereinafter referred to as: EIA), and in the course of 2005 and 2006 the relevant bylaws[118] concerning this matter were adopted, thus enabling full regulation of the procedure for implementation of the EIA. **Procedure for EIA**: The information on the intention to design a project shall be submitted by the investor, while Ministry of Environment and Physical Planning (MoEPP) identifies the need of EIA (screening) with decision for EIA. The scope of the EIA is defined by MoEPP (MoEPP may also authorize a person from the list of experts for defining of the scope of EIA). The study on the assessment of the impact of a given facility to the environment is prepared by a person from the list of experts, the Report for the appropriateness of the Study is prepared by MoEPP or by a person authorized by it from the list of experts, and its serves as a basis for a Decision, used for approval or for rejection of the request for the implementation of the project. The public participates in all the stages of the procedure for EIA (it is published on the web page of MoEPP, in a daily newspaper published throughout the country, on local radios and TV stations).

In addition to this, the Law on Environment implements the requirements under the Convention on Environmental Impact Assessment in a Trans-boundary Context - Espoo Convention (OG 44/99) that prescribes the procedures for environmental impact assessment in a trans-boundary context. The body responsible for the implementation of the overall EIA procedure is the Ministry of Environment and Physical Planning, including the segment of public participation in decision-making.

3.4.4. Equal opportunities

The IPARD Programme implementation will not tolerate any discrimination towards potential beneficiaries based on religion, ethnicity, sex or physical disability. Equal gender opportunities will be fully respected in the composition of the Sectoral Monitoring Committee and Technical Committees for projects assessment and elsewhere, where necessary.

The equality principle has been taken into consideration in the preparation of the IPARD Plan according to provisions deriving from the Constitution where fundamental liberties and rights cannot be discriminated on the basis of gender, race, colour of skin, language, religion, national or social background, material or social status.

According to this provision of equality, Law on equal opportunities for women and men (OG 66/06) is enacted, where the main objective is promotion of

[118] OG 74/2005 and 33/2006.

equal opportunities for women and men in political, economical, social, educational and other areas of public life.

In addition, the Ministry for Labour and Social policy prepared National plan for Action for Equal opportunities of women and men for the period of 2007-2012, with directions and measures for achievement of the goals in the areas of employment, social security and health protection, education, family relation and representation of women and men in public life.

As a follow up, a Project “Implementation of the Law on equal opportunities for women and men and establishing mechanism for gender equality on local basis”, funded by the Government of Kingdom of Norway has been implemented. The main activities of the Project is training and education of the public administration relating to the aforementioned Law. Ministry for labour and social policy started to realize the Project activities in December 2006 covering all involved entities in implementation of the Law. Project objectives are to provide better realization of the obligations and commitments deriving from the Law and bringing in the gender concept in the policy formulation, programmes and project on national and local level.

3.4.5. Complementarity with other IPA Components

The development of the rural economy is closely linked to the connection to the urban centres and the availability of transport infrastructure. The quality of life in rural areas also depends on the provision and quality of public services, health and education, public infrastructure as water supply networks with access to clean water and sewerage systems. This implies a strong correlation between the measures foreseen under the Component V and Component III and IV.

The complementarity between Component V and Component I is needed especially in terms of capacity building of the public institutions, especially to the Managing Authority. The CAP like measures requires robust systems for implementation of the measures-both in terms of institution building and administration capacity upgrade.

The education structure and occupational skills of agriculture producers is a basic factor to support the development of the agriculture sector. The provision of training to farmers, transfer of know-how from the research centres to the farmers is of limited quality. The extension services through the National Extension Agency are financed by public expenditure, which performs advisory service to the farmers but in limited scope of quality. This will be partly addressed by component IV and under the national scheme.

In respect of above mentioned strong coherence and coordination between the measures that will be supported under first, third, fourth and fifth IPA components will be needed.

The IPARD Agency through its administrative, control and monitoring system will ensure that actions to be financed are in line with defined criteria and are in line with the strategy. Also, the IPARD Agency will ensure that no "double" financing trough different measures available takes place.

3.5. IMPLEMENTATION ARRANGEMENTS

3.5.1. Designation of the Operating Structures for IPARD Programme

In the country, the following authorities and the responsible bodies are designated for management and implementation of the IPARD Programme:

3.5.1.1. National Fund (NF)

The NF is a body located in the Ministry of Finance and has central budgetary competence and act as central treasury entity. The NF is in charge of tasks of financial management of assistance under IPA, under the responsibility of the NAO.

The NF in particular is in charge of organising the bank accounts, requesting funds from the Commission, authorising the transfer of funds from the Commission to the operating structures or to the final beneficiaries and the financial reporting to the Commission.

3.5.1.2. Competent Accrediting Officer (CAO)

The Minister of Finance is appointed as CAO by the Government Decision on appointment of CAO.

In accordance to Article 10 of the IPARD Sectoral Agreement, the CAO is responsible for issuing, monitoring and suspending or withdrawing the accreditation of the national authorising officer (NAO) both:

- as the head of the national fund bearing overall responsibility for the financial management of EU funds in the country and being responsible for the legality and regularity of the underlying transactions;
- with regard to the NAO's capacity to fulfil the responsibilities for the effective functioning of management and control systems under IPA.

The accreditation of the NAO is also covering the national fund (NF).

The CAO shall notify the Commission of the accreditation of the NAO and shall inform the Commission of any changes regarding the accreditation of the NAO. This includes the provision of all relevant supporting information required by the Commission.

Prior to accrediting the NAO, the CAO shall satisfy himself that the applicable requirements set out in Article 11 of the IPA Implementing Rules are fulfilled. This includes the verification of the compliance of the management and control system set up by the country for effective controls in at least the areas set out in the Annex to the IPA Implementing Regulation (accreditation criteria). This annex provides for the following overall requirements:

- Control environment (establishment and management of the organisation and the staff) comprising ethics and integrity policies, irregularity management and reporting, staff planning, recruitment, training and appraisal including sensitive post management, sensitive functions and conflicts of interest, establishment of legal bases for bodies and individuals, formal establishment of accountability, responsibility,

delegated responsibility and any necessary related authority for all tasks and positions throughout the organisation);

- Planning and risk management comprising risk identification, assessment and management, objective setting and allocation of resources against objectives, planning of the implementation process;
- Control activities (implementation of interventions) comprising verification procedures, procedures for supervision by accountable management of tasks delegated to subordinates, including annual statements of assurance from subordinate actors, rules for each type of procurement and calls for proposals, procedures including checklists for each step of procurement and calls for proposals, rules and procedures on publicity, payment procedures, procedures for monitoring the delivery of co-financing, budgetary procedures to ensure the availability of funds, procedures for continuity of operations, accounting procedures, reconciliation procedures, reporting of exceptions, amongst others exceptions to normal procedures approved at appropriate level, unapproved exceptions and control failures whenever identified, security procedures, archiving procedures, segregation of duties and reporting of internal control weaknesses;
- Monitoring activities (supervision of interventions), comprising internal audit with handling of audit reports and recommendations, evaluations;
- Communication (ensuring all actors receive information necessary to fulfil their role) comprising the regular coordination meetings between different bodies to exchange information on all aspects of planning and implementation and the regular reporting at all appropriate levels on efficiency and effectiveness of internal control.

3.5.1.3. Operating Structures

The operating structure is a body or a collection of bodies within the administration of the country. The operating structure is responsible for managing and implementing the IPARD programme or programmes concerned in accordance with the principle of sound financial management.

As in accordance with Article 6 of IPA FwA and Article 12 of the Sectoral Agreement, the beneficiary country shall designate Operating Structure to deal with the management and implementation of assistance under the IPA Regulation. The Operating Structure consists of the following separate bodies:

- the Managing Authority, within the MAFWE,
- the IPARD Agency, within the Agency for financial support of Agriculture and Rural Development (AFSARD).

3.5.1.4. Managing Authority

Pursuant to the Government Decision from 18.11.2005 (OG 05/06), the Ministry of Agriculture, Forestry and Water Economy (MAFWE) is responsible for coordination of the rural development policies. For the purpose of preparation and implementing this Programme, MAFWE has established Managing Authority for IPARD (IPARD MA) in accordance with the provisions of Government Decree on determining the mutual relations of the bodies and structures of full decentralised management of the fifth component of the

Instrument for Pre-Accession Assistance of the European Union (IPA)(OG 144/2008), with main responsibilities for implementing the management functions related to monitoring, evaluation and reporting of the implementation of IPARD programme, coordination of the work of the IPARD Monitoring Committee as well as publicity as part of the implementation functions.

The main functions and responsibilities of the Managing Authority are outlined in Article 13 of the Sectoral Agreement and focus on the Monitoring, Evaluation, Reporting, Coordination and Publicity of the IPARD Programme.

The Managing Authority shall carry out of the following tasks:

a. drafting of the IPARD Programme;

b. ensuring that operations are approved and funded in accordance with the criteria and mechanisms applicable to the IPARD Programme, and that they comply with the relevant Community and national rules;

c. IPARD Programme monitoring and assisting the work of the IPARD Monitoring Committee as defined in Article 61, notably by providing the documents necessary for monitoring the quality of implementation of the IPARD Programme;

d. drawing up the sectoral annual and final implementation reports as defined in Article 68 and, following consultation with the IPARD Agency, and after their examination by the IPARD Monitoring Committee, submitting to the Commission, the National IPA Co-ordinator (NIPAC) and the NAO;

e. setting up, maintaining and updating the reporting and information system to gather financial and statistical information on progress of the IPARD Programme, (if the setting up of such a system is not undertaken by the IPARD Agency), and shall forward this data to the IPARD Monitoring Committee, in accordance with arrangements agreed between the country and the Commission, using where possible computerised systems permitting the exchange of data with the Commission

The Managing Authority shall propose adjustments of the IPARD Programme to the Commission and to the NIPAC after consultation with the IPARD Agency, and following agreement by the IPARD Monitoring Committee. The Managing Authority is responsible for ensuring that the relevant authorities are informed of the need to make appropriate administrative changes when such changes are required following a Decision by the Commission to amend the IPARD Programme.

The Managing Authority shall each year draw up an action plan for the operations envisaged under the Technical Assistance measure, which shall be submitted to the IPARD Monitoring Committee for agreement.

The Managing Authority shall each year consult and inform the Commission, having taken advice from the IPARD Monitoring Committee, of the initiatives taken and those to be taken, with regard to informing the general public about the role played by the Community in the IPARD Programme and its results.

The Managing Authority shall ensure that IPARD Programme evaluations are conducted and conform to the common monitoring and evaluation framework and for submitting evaluations undertaken to the relevant national authorities and the Commission.

When a part of its tasks is delegated to another body, the Managing Authority shall retain full responsibility for the efficiency and correctness of management and implementation of those tasks.

3.5.1.5. Agency for financial support in Agriculture and Rural Development (IPARD Agency)

The Agency for Financial Support in Agriculture and Rural Development is established as an independent body of the state administration with a status of legal entity located in Skopje[119]. The Agency shall perform activities within its authorities on the basis of the principles of legality, competency, professionalism, responsibility, efficiency and transparency.

Agency for Financial Support in Agriculture and Rural Development provide:

- Implementation of the agricultural policy and support to rural development;
- Utilization of the EU pre-accession funds in compliance with the criteria provided for in bilateral agreement between the country and the European Union;
- Implementation of the Common Agricultural Policy of the European Union in the country;
- Implementation of the Common Fisheries Policy of the European Union in the country;
- Implementation of the government assistance measures within the agriculture and
- Implementation of other measures determined by the Government.

For the purpose of utilization of the IPARD funds, the Agency shall receive an accreditation from the National Authorizing Officer and the European Commission. The manner and procedure on receiving accreditation from the National Authorizing Coordinator shall be closely regulated by the Government, and the manner and procedure on receiving accreditation from the European Commission shall be governed by bilateral agreements between the country and the European Union.

The IPARD Agency shall carry out, inter alia the following implementing and paying tasks:

a. arranging for tendering procedures, grant award procedures, the ensuing contracting, and making payments to, and recovery from, the final beneficiary

b. ensuring that the NAO, the National Fund and the Managing Authority receive all information necessary for them to perform their tasks;

[119] Law for establishing Agency for Financial Support in Agriculture and Rural Development, OG 72/2007 ; 5/2009

c. selecting and checking operations in accordance with the criteria and mechanisms applicable to the IPARD Programmes, and complying with the relevant Community and national rules;

d. carrying out checks to ensure that the expenditure declared has actually been incurred in accordance with applicable rules, the products or services have been delivered in accordance with the approval decision, and the payment requests by the final beneficiary are correct. These checks shall cover financial, administrative, technical and physical aspects of operations, as appropriate;

e. making calls for applications and publicising terms and conditions for eligibility;

f. checking of applications for approval of projects against terms and eligibility conditions, and compliance with the Agreements including, where appropriate, public procurement provisions;;

g. laying down contractual obligations in writing between the IPARD Agency and the final beneficiaries including information on possible sanctions in the event of non-compliance with those obligations and, where necessary, the issue of approval to commence work;

h. execution of on-the-spot checks to establish eligibility both prior to and following project approval;

i. follow-up actions to ensure progress of projects being implemented;

j. reporting of progress of measures being implemented against indicators;

k. ensuring that the final beneficiary is made aware of the Community contribution to the project;

The Agency is managed by a Director, appointed and dismissed by the Government. The appointment of the Director is be made on the basis of his/her expertise and competence. The mandate of the Director is four years.

According the Law the application for financial support and appropriate documentation shall be submitted to the Agency. The form and the contents of the application and the necessary documentation, as well as the manner and the procedure for submission of the application shall be prescribed by the Director of the Agency.

3.5.2. Management, Monitoring and Evaluation

3.5.2.1. Monitoring and Monitoring Indicators

The Managing Authority (MAFWE) and the Monitoring Committee for the rural development component (IPARD Monitoring Committee) are responsible to monitor the effectiveness and the quality of the implementation of the IPARD Programme. They shall report to the IPA Monitoring Committee and to the Commission on progress of the measures implementation.

The progress, efficiency and effectiveness of the IPARD Programme in relation to its objectives shall be measured by means of indicators relating to

the baseline situation (see Annex 14) as well as to the financial execution, outputs, results and impact of the programme.

Monitoring will be carried out by reference to relevant physical, environmental and financial indicators. These indicators, concerning the inputs, the outputs and the results of the IPARD Programme, will relate to the specific character of the assistance concerned, its objectives and the socio-economic, structural and environmental situation.

The IPARD Programme shall specify a limited number of additional indicators specific to that Programme.

3.5.2.2. IPARD Monitoring Committee

In accordance with Article 36 of the IPA Framework Agreement, the IPARD Monitoring Committee shall be set up by within six months after the entry into force of the IPA Implementing Regulation, after consultation with the Commission and the partners.

The overall role of the IPARD Monitoring Committee is to satisfy itself as to the effectiveness and quality of the implementation of all expenditure under the IPARD Programme. It will be open to the IPARD Monitoring Committee to consider the progress and impact of co-financed expenditure and to make recommendations in this regard to the Managing Authority, the relevant Implementing Body (IPARD Agency) and the Ministry of Finance (NAO, NF).

Thus, monitoring of the Programme will be carried out by the Managing Authority under the supervision of the IPARD Monitoring Committee.

The IPARD Monitoring Committee will be chaired by the National IPARD Coordinator or his nominee representing him/her during absence or leave. Membership of the Committee comprises a wide representation of interested parties.

The European Commission and a range of departmental interests shall participate in an advisory capacity. Representatives of the international donor community and IFI's will be invited in a role of observers for informative purposes and for the purpose of sustaining the overall effort where appropriate with funds.

The Director of the IPARD Agency and the NAO (or their delegated representatives) are represented without voting rights and shall participate in the meetings and the work of the IPARD Monitoring Committee as to implement their reporting role to the respective members. Other government and non-government institutions will take part of the meetings with regards of the proposed Agenda or proposal and consent of the members of the IPARD Monitoring Committee.

The Managing Authority shall act as the Secretariat of the IPARD Monitoring Committee and will be responsible for the preparation of all documentation relating to monitoring, reporting etc, and organising meetings of the IPARD Monitoring Committee, preparing agenda and supporting materials and keeping summary records of meetings.

Under Article 59 and 192 of the IPA IR , the Sectoral Monitoring Committee shall satisfy itself as to the effectiveness and quality of the implementation of EU co-financed expenditure. This will include, as appropriate

- determining its rules of procedure and agree them with the Managing Authority;
- approving the IPARD Programme including the physical and financial indicators to be used to monitor the assistance provided to projects;
- approving the criteria for selecting the projects to be funded ;
- Reviewing progress towards achieving the specific objectives of the programme by means of indicators relating to the baseline situation as well as to the financial execution, outputs, results and impact of the programmes
- Examining the results of implementation, particularly the achievement of the targets set for the different measures;
- approving annual and final implementation reports on the Programme before they are sent to the Commission;
- Considering and approving any proposal to amend the content of the Commission decision on the contribution of the funds
- proposing to the Managing Authority adjustments to the IPARD Programme or Programme Complement in order to help attain the Programme objectives, or to improve the management of the Programme, including financial management.
- Approval of amendments arising from a proposal to the Managing Authority on its own initiative
- Deciding the re-allocation of co-funded expenditure between measures within the IPARD Programme.

The IPARD Monitoring Committee will decide the re-allocation of EU co-funded expenditure between Measures within the IPARD Programme while the IPA Monitoring Committee will make such decisions across IPA components. Where the Sectoral Monitoring Committee makes a decision to re-allocate EU Funds from one Measure to another, the corresponding matching national expenditure will, in principle, also be re-allocated. Any amendment to the contribution of the Funds and transfers among priorities within the IPARD component will be decided by the Commission, in agreement with the Ministry of Finance.

3.5.2.3. Evaluation of the IPARD Programme

Evaluations shall aim to improve the quality, effectiveness and consistency of the assistance from Community funds and the strategy and implementation of the IPARD Programme.

The IPARD Programme will be subject to ex-ante and to an on-going evaluation system, which shall take the form of ex-post and, where

appropriated, interim evaluations carried out by independent evaluators under the responsibility of the country.

1. Ex-ante evaluation shall form part of drawing up the IPARD Programme and aim to optimise the allocation of budgetary resources and improve programming quality. It shall identify and appraise medium and long-term needs, the goals to be achieved, the results expected, the quantified targets particularly in terms of impact in relation to the baseline situation, the Community value-added, the extent to which the priorities defined have been taken into account, the lessons learned and the quality of the procedures for implementation, monitoring, evaluation and financial management.
2. The system of On-going evaluation for the IPARD Programme will be established and organized on the initiative of the Managing Authority in cooperation with the Commission on a multi-annual basis and shall cover the entire programming period. The ongoing evaluation will serve the MA and the IPARD Monitoring Committee to examine the progress of the IPARD Programme in relation to its goals by means of result and, where appropriate, impact indicators; improve the quality of IPARD Programme and their implementation; examine proposals for substantive changes to the Programme; and prepare for interim and ex post evaluation.
3. The interim evaluation shall propose measures to improve the quality of the IPARD Programme and its implementation. It shall also assess the quality of monitoring and implementation and the experience gained in setting up the system for implementation of the IPARD Programme.
4. During the last year of validity of the commitment established in the most recent Financing Agreement, the on-going evaluation shall take the form of a separate ex-post evaluation. It shall be completed and submitted to the Commission not later than the end of that year. On the basis of the evaluation results already available as well as evaluation questions relevant to the IPARD Programme, the ex-post evaluation shall cover the utilisation of resources and the effectiveness and efficiency of the IPARD Programme, its impact and its consistency with the ex-ante evaluation. It shall cover factors contributing to the success or failure of implementation, the achievements of the IPARD Programme and results, including their sustainability. It shall draw conclusions relevant to the IPARD Programme and to the enlargement process.

The evaluations shall assess the implementation of the IPARD Programme towards the achievement of objectives set out in Article 12 of the IPA Framework Regulation. In particular the effectiveness of the measures of the IPARD Programme shall be assessed on the basis of their overall impact on:

a) contributing to the preparation of the country for the implementation of the Acquis communautaire concerning the Common Agricultural Policy and related polices;

b) contributing to the sustainable adaptation of the agricultural sector and rural areas;
c) the objectives in the IPARD Programme.

The evaluations will concern examination of the degree of utilisation of resources, the effectiveness and efficiency of the programming, its socioeconomic impact and its impact on the defined priorities. They shall cover the goals of the IPARD Programme and aim to draw lessons concerning rural development policy. They shall identify the factors which contributed to the success or failure of the implementation of the IPARD Programme, including the sustainability of actions and identifications of best practices

Evaluations shall respond to a common evaluation framework defined by the Commission in consultation with the relevant authorities and shall, as a general rule, be accompanied by achievement related criteria and indicators. In addition, evaluations may be required to answer specific questions related to the objectives of the IPARD Programme.

Evaluation reports shall explain the methodologies applied, and include an assessment of the quality of the data and the findings.

The quality and implications of evaluations shall be assessed by the Managing Authority, the IPARD Monitoring Committee and the Commission.

3.5.3. Social inclusion/partnership

With respect to the Article 59 Partnership outlined in the Sectoral Agreement for IPARD the assistance under the IPARD Programme shall be implemented through close consultations (hereinafter referred to as “partnership”) between the Commission and the country and with the authorities and bodies designated by the country under national rules and practices, including:

(a) the competent regional, local authorities and other public authorities;
(b) the economic and social partners;
(c) any other appropriate body representing civil society, non-governmental organisations, including environmental organisations, and bodies responsible for promoting equality between men and women.

The partnership shall be involved in the preparation, implementation, monitoring and evaluation of the IPARD Programme and involve all appropriate partners at the various programming stages, due regard being had to the time limit set for each step.

The process of preparation of the IPARD programme 2007-2013 for the Republic of Macedonia was carried out under the competence of the Managing authority of IPARD programme, the Ministry of Agriculture, Forestry and Water Economy and was technically assisted by the project of Structural and Legal Reforms of the MAFWE[120].

The process of drafting of the programme has been founded on setting of a scheme of wide stakeholder partnership relations among the participative levels of experts, administration, interested parties and potential beneficiaries.

[120] financed by EU and managed EAR

On 2nd of March 2007, upon the decision No. 02-3370/1 by the MAFWE Deputy Minister as a National IPARD coordinator, the IPARD Programming structure consist of five technical working groups, organized on sub-sectoral approach, and one horizontal group was appointed. The groups were composed of representatives from Rural Development Department of MAFWE and a team of 35 experts from the country's scientific and research institutions, local experts as well as representatives of agro-food business sector. This **baseline IPARD programming setting** have constructed the first draft of the IPARD technical measures and sub-measures and specified priorities in accordance with the objectives of IPARD derived from IPARD regulation, MIPD, the government decision on selection of the priority sub-sectors and results from the sub-sector analysis. The process within the sub-sectoral technical working have been organized in a form of brainstorming sessions groups were developed solutions were tested with the availability of indicators to support and justify the sub measures proposal. Subsequently, the purified solutions have been endorsed on regular meetings of Horizontal Working Group and the issues of common character for all measures, such as allocation of funds, definition of final beneficiaries and supporting documents, general requirements and ranking criteria etc., have been adjusted and harmonized.

The **second, administrative level** included representatives/heads of all MAFWE organizational units members of *MAFWE collegium*; relevant ministries and institutions responsible in implementation of various rural development policies organized in *Inter-institutional Body for Rural Development* chaired by MAFWE; and *deputy prime ministers* in the Government for EU integration, Economic affairs and Education and agriculture. This level was supposed to assure that coordination and additionality between proposed IPARD measures prepared by the first-line structure, and other national policies for agricultural and rural development is being provided, and stronger links of mutual compliance with the existing national policies was established.

And finally, **the third level of IPARD programming structure** comprises of the major rural and agricultural economy and social partners organized in *Agro-Food Council* relevant for Axis 1 IPARD measures. The body consist of representatives of farmers (organized in three largest farmers' organizations[121]), food industry (assembled in two existing Chambers of Commerce), and main educational[122] and research institutions[123] in agriculture sector. Beside it, the Ministry animated *organization of a group of relevant NGOs, interest groups and professional associations* organized at national and local level and associated to Measure 302 - Diversification of economic activities in rural areas (national craft associations, rural tourism actors, ecological and local-self government representatives) taking in consideration their opinion in developing of sub-measures.

All developed versions of the IPARD programme prepared in accordance with the timetable agreed with EC (as presented in the timetable bellow), have

[121] Farm Federation, Union of agricultural producers and Association of tobacco producers.

[122] Faculty of agricultural science and food-Skopje and Faculty of bio-technology-Bitola

[123] Institute for livestock, Institute for agriculture, Institute for tobacco and Institute for southern and Mediterranean crops.

been widely distributed to the second and third level of the partnership structure. Their comments were taken into consideration, discussed back in the technical working groups and introduced in each subsequent version of the programme.

While developing sub-measures structure, in addition to the individual contacts provided between the experts and coordinators from the technical working groups and the stakeholders' representatives from selected sub-sectors, the following public consultations took place to sustain and stimulate qualitative process of social inclusion and partnership with all interested parties in the process of programming the IPARD funds:

- ***19th of April:*** The initial draft of Part III - IPARD measures was presented to MAFWE collegium for introducing the concept of IPARD programme 2007-2009 to the heads of departments and directorates by presenting the priority axes, measures and the sub-measures supported under the programme by the selected sub-sectors;
- ***23rd of April*****;** The initial draft of Part III-IPARD measures was publicly presented to the members of Agro-Food Council, and to other relevant governmental bodies, NGOs and interest groups linked to the Measure 3 to familiarize them with the character of the programme, measures and sub-measures included, as well as to understand their comments and major concerns on the initial concept proposal of the IPARD programme;
- ***9th of July;*** Latest version of the IPARD programme with implemented recommended changes from the consultations with EU in Brussels was presented to the members of the MAFWE collegium with purpose to give a brief overview of the most updated version and to consider all comments in favour of improving it;
- ***11th of July;*** Roundtable discussion with the stakeholders (Agro-food Council, Inter-institutional body for rural development and interest groups linked to Measure 302) was held in the Government to provide programming team with suggestions on the IPARD programme before sending the unofficial final version of the IPARD programme to the EC;

Time table of phases in preparation of the IPARD programme 2007-2009

- *On 16th of April*, the outline of **the first draft of IPARD measures** elaborated throughout following elements: rational, description of measure, priority sectors (sub-measures), eligible expenditures, eligibility and priority criteria, final beneficiaries, required documents and indicative budget was prepared and sent to EC,
- Based on the comments and recommendations provided on the initial working draft of the technical templates of IPARD measures**, the first version of the IPARD plan has been completed** with background information on situation of agricultural and rural areas (Part I) and national governance context (Part II) and passed on to the EC on *4th of May*.
- Considering the comments and recommendations provided during the mission of DG-Agri held in the period from 14th to 16th of May 2007 in Skopje, **the second draft of the IPARD programme was developed and sent to the EC** on *7th of June*. The version became basis for forthcoming discussions between thethe country's IPARD programming team and EC representatives in Brussels from 19th to 22nd of June.
- The **unofficial final version of the IPARD programme** was completed and distributed to EC on 16th of July.
- **IPARD programme was approved by the government** of the The Republic of Macedonia on the government session that took place on 25th of July.
- **Final official version of the programme** sent to EC on 3rd of August 2007.

- **Results from the first round of Inter-service consultations within the Commission** were received on the 9th of October, 2007. The Answers of the comments were discussed with the EC DG-Agri representatives during their Advisory Mission in Skopje held from 24th to 26th of October, 2007.
- The draft IPARD Programme amended according to the results from the Inter-service consultations (where appropriate) was sent unofficially to DG-Agri on the 6th of November, 2007.
- Second round of Inter-service consultations within EC services is expected to be initiated on the 20th of November, 2007.

As a result of the consultations and inclusion of sectoral partners the following proposals were accepted and incorporated into IPARD programme:

- Lowering the eligibility criteria for individual producers proposed by the Farm Federation;
- Simplification of the procedures for proving the occupational skills of the individual agriculture producers proposed by the Farm Federation and the members of the Agro-food Cooperation Council;
- Inclusion of storage facilities for fodder crops proposed by Association of milk and meat producers;
- Wider scope of implementation of Measure 101 on the whole territory of the country following the principal of peri-urban features of agriculture production related to the proximity to markets and infrastructure, proposed by the members of Education and Research Institutions in Agriculture and Farm Federation;

Proposals which were not included in the Programme:

- Inclusion of bee keeping, aquaculture, cereal and fodder sub-sector to be supported within Measure 101, proposed by several members of consultation groups. The main justification for not including the suggestions are the limited funds versus the challenges of implementation of Community standards in the major agriculture sub-sectors in the country. The proponents were however encouraged to deliver a detailed proposal and justification in order to discuss the possible inclusion in the future.
- Inclusion of investments in production technology in the meat processed products sector under Measure 103 proposed by representatives of meat industry. It was explained that the sector of their concern is facing major challenges in terms of implementation of environmental standards, therefore the investments for this sector will focus on those issues primarily. The proponents were however encouraged to deliver a detailed proposal and justification in order to discuss the possible inclusion in the future.
- Amendments in the balance of indicative financial breakdown between measures in Priority axis 1 with increase of the support towards the processing sector proposed by the National Extension Agency. It was explained that due to the findings of the shortcomings in the both sectors of primary agriculture production and the processing industry, the weaknesses concerning implementation of the environmental, food safety

and hygiene, animal health and welfare and plant health as well as occupational skills requirements are more encountered in the baseline situation in the primary agriculture production. Therefore, the assistance is indicated to be higher for the Investments in agriculture holdings.

3.5.4. Information and promotion

Information and publicity are very important factors in the transparency of the workings of the EU, their goal being to raise public awareness and especially the awareness among target sections of the public. The provision of appropriate information to the general public, and particularly the potential beneficiaries of funds, about the possibilities for carrying out programmes within the framework of EU pre-accession aid is envisaged.

All information and publicity measures related to the IPARD Programme implementation shall be implemented in accordance with the requirements laid down in Commission Regulation (EC) No 1974/2006 Annex VI, Commission Regulation (EC) no 718/2007 and the provisions of the Sectoral Agreement for IPARD.

In accordance with the Commission Regulation the objectives of information and publicity measures are as follows:

− to inform potential and final beneficiaries, as well as regional and local authorities and other competent public authorities, farmer's organisations and producer' groups, economic and social partners, non-governmental organisations, especially bodies to promote equality between men and women and bodies working to protect and improve the environment, project operators and promoters, about the IPA Funds, the financial opportunities offered and the application procedures in order to ensure the transparency of the assistance;

This activity will be performed within the overall IPA publicity campaign organisied and managed by the NIPAC Office (Secretariat for European Affairs).

− to inform the general public about the role played by the European Union in rural development via the IPARD Programme and other forms of support of economic and social cohesion in the country. This shall describe the tasks of the Funds providing support under the IPARD Programme and their contribution to rural development.

In order to implement these tasks associated with the provision of information and publicity with regards to the IPA Funds for rural development, the Programme Management Unit shall prepare a Communication Action Plan, which shall define the objectives, implementing strategies and the content of the measures concerned along with the social and economic groups targeted and the evaluation criteria to be used for assessing the efficiency of the measures. The Communication Action Plan shall include the aims and the targeted economic and social groups, the content and strategy of the resulting communications and information measures, the criteria to be used to evaluate the measures carried out, its indicative budget, and the administrative departments or bodies responsible for implementation. The Communication

Action Plan will be submitted to the IPARD Monitoring Committee on approval.

With a view to transparency, the Managing Authority shall disseminate the most comprehensive information possible on the financing opportunities offered by joint assistance from the Community in the IPARD Programme.

To that end, the Managing Authority shall ensure that the rural development programme is published widely, with details of the financial contributions from the Community funds (IPARD funds), and that it is supplied to all interested applicants.

The Managing Authority shall provide the potential beneficiaries with clear, detailed and updated information on the following:

(a) the administrative procedures to be followed in order to qualify for financing under the rural development programme;

(b) description of the procedures for examining applications for financing;

(c) the eligibility conditions and/or criteria for selecting and evaluating the projects to be financed;

(d) the names of persons or contacts at national, regional or local level who can explain the way rural development programmes work and the criteria for selecting and evaluating the operations.

The Managing Authority shall ensure that bodies that can act as relays are involved in the information measures for potential beneficiaries, and in particular:

(a) local and regional authorities;

(b) professional organisations;

(c) economic and social partners;

(d) non-governmental organisations, especially bodies promoting equality between men and women and bodies working to protect the environment;

(e) information centres on Europe;

(f) Commission.

The Managing Authority shall inform potential beneficiaries of the publication provided. All publications (books, leaflets, billboards, newsletters etc.), applications and payment authorisation documents will bear the emblem of the Community.

The MAFWE, in a role of Managing Authority, has so far organised a number of round-table discussions, consultations and lectures at widely-publicised professional events, fairs and meetings where the target public and the general public were given comprehensive information about the possibilities and the importance of IPARD programme pre-accession aid. EU pre-accession aid has also been explained in detail in numerous articles in the daily press and professional journals, and on radio and television programmes.

Potential beneficiaries, professional organisations and the general public will continue to be informed in the future about new developments and the current aspects of financial assistance available within this programme.

The publicity shall entail particular:

- informing potential beneficiaries and professional organisations of the support available;
- informing the general public of the Community' role in relation to the support;
- informing on the potential environmental impact;

The proposals contemplated and the measures adopted to that end will be communicated to the Commission.

All target groups entitled to support (undertakings, professional organisations, etc.) will be notified of the monetary support granted under the Plan and the procedure for application. The procedures for applications (Guidelines for application) will be published in the country's and the languages of the minorities and disseminated free of charge to the interested parties. Public tenders for projects applying for co-financing from the IPARD programme will be published in the Official Gazette.

Information on specific programmes and the conditions for participation therein will be available through organisations of beneficiaries, entrepreneurial centres and local economic development offices in the Municipalities, the branch offices of MAFWE and the National Extension Agency.

The relevant information will be made available to the general public in the following main forms:

- The press: advertisements, press announcements and press conferences;
- The public: seminars, conferences and exhibitions;
- Printed publications describing specific programmes;

Appropriate advertising boards and posters to be displayed at project sites financed by the EU aid programme, permanent boards are displayed near ready publicly used buildings.

The specific procedure for publicity and the budget of each project will be co-ordinated with the Commission. The authority that organises the campaign will communicate the relevant Commission units of the progress of the publicity process.

The potential beneficiaries will be informed about the existence/conditions of the eligibility of the present measure through:

- Legislative Act of the Minister of Agriculture, Forestry and Water Economy, published in the Official Gazette;
- Public announcements;
- Guidelines for applicants per eligible measure;
- Local seminars and workshops;
- Web-published materials and radio and television spots and advertisements.

Part IV- Technical Measure Fiches

Priority Axis 1

Measure 101 Investments in agricultural holdings to restructure and to upgrade to Community standards

This measure is applied in accordance with:

- Article 12 (2) of Framework Regulation – Council Regulation (EC) No 1085/2006 [Establishing an instrument for pre-accession assistance (IPA)] last amended by Regulation (EU) No 153/2012 of the European Parliament and of the Council of 15 February 2012

- Article 174 of Regulation (EC) No: 718/2007 of 12 June 2007 [Implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)] last amended by Commission Implementing Regulation (EU) No 813/2012 of 12 September 2012

1.1 Rationale

Investment in agricultural holdings is a crucial measure to improve the agricultural sector in the country by helping farmers to reach acceptable standards of living and working conditions, improving the quality of production as well as farming profitability. These factors will, in turn, contribute to greater than before security of the agricultural profession and will encourage the young people to accept the farming as way of living.

The measure has, as a general objective, the support of tangible or intangible investments in agricultural holdings to upgrade them to Community standards and to improve their overall performance. The measure focuses on the improvement of the competitiveness of the agriculture sector through increase of the quality of production by using modern production means and technological improvement of production processes in compliance with the Community standards related to animal welfare, animal and plant health and environmental standards.

Concerning the plant sector, the investments broadly cover rejuvenation of vineyards and orchards to improve their age and variety structure, reconstruction of greenhouses (greenhouses and glasshouses) for vegetable production, and modernisation of the cultivation equipment and machinery used on-farm in the vegetation period of the concerned plant crops in order to improve the on-farm efficiency.

Reconstruction of buildings for livestock breeding (for milking or for fattening) is envisaged to upgrade the livestock production units in accordance to the animal welfare standards and waste management practices including the reconstruction of auxiliary buildings (i.e. barns for feed storage) as part of the overall investment. Modernisation of the equipment on the dairy production units to improve milking practises and milk hygiene is also supported under this measure.

An agricultural holding is the economic unit under a single management (one person or more, without regard to title, legal form, size or location) engaged in agricultural production activities comprising all livestock kept and all land used wholly or partly for agricultural purposes. A production unit is a component of an agricultural holding (vine-producer, livestock or milk production unit etc.) and registered according to national legislation.

The investments linked to the animal breeding for meat production are targeted towards compliance to the animal welfare standards and manure handling and use, therefore contributing to the implementation of the aims set out in the Nitrates directive 91/676/EEC, partially approximated in the Law on Water.

The eligibility criteria set for the purpose of this measure are based on available data sources and estimations made by MAFWE in accordance with the consultations of the relevant education and research institutions and stakeholders.

1.2 Correlation with other measures

Within the IPARD Programme, this measure complements the implementation of the measure "Investments in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to Community standards" and measure under Priority axis 3 “Diversification of the economic activities in the rural areas”.

The Measure 101 also complements to the national support scheme both through the Programme for Agriculture Support and the Programme for Rural Development, as well as corresponding linkage to other donor support and IFI’s.

Related national policies, donor and IFI’s activities are described in full in Part II.

Investments under this measure cannot be supported by any other IPA components or Community assistance or any foreign donor grant scheme. The applicant must provide a statement by own responsibility declaring that he/she is not supported for this investment project under any other IPA programs, or Community assistance or any foreign donor grant scheme or IFI’s.

The IPARD Agency will ensure that all beneficiaries are checked whether they receive funds from other IPA programs, or Community assistance or any foreign donor grant scheme or IFI’s that are proposed for financing under IPARD Programme. The IPARD Agency will not accept applications for projects that are financed from any other IPA programs, or Community assistance or any foreign donor grant scheme or IFI’s . The IPARD Agency is obliged to check whether the project received is financed from other sources (any other IPA programs, or Community assistance or any foreign donor grant scheme or IFI’s) at two stages:

1) prior to approval of project;
2) prior of approval of payment.

The IPARD Agency will assure that future double financing is avoided by stamping the received invoices for investment with clear "IPARD" stamp by an authorised official before being the subject of a payment from the IPARD Agency.

1.3 Objectives

1.3.1. General objectives

The general objective of this measure is to upgrade the agriculture holdings to the Community Standards as regards environmental protection, public health (food safety and quality), animal and plant health, animal welfare and occupational safety and to contribute to the preparation of the country for its accession to the EU.

In addition this measure complements towards the National Strategy for Agriculture and Rural Development Objectives:

- Facilitate the competition in the internal market whilst opening new market opportunities for agricultural products
- Improve the overall performance of the agriculture holdings in the production of primary agricultural products.
- Increase of the competitiveness of the farmers by the use of efficient modern technologies thus reducing the production costs;
- Promote environmentally friendly farming practises by promoting reduction of water losses, decreasing the pollution of the environment through agricultural production, and/or elimination of by- products or of wastes;
- Support the farm income and living standard of farmers by promoting better quality and efficient resource use;
- Attract young people in the agriculture activities by improving their life and working conditions, as well as to ensure the hygiene and welfare conditions of the livestock.

1.3.2. Specific objectives

- To promote focused investments in the animal breeding and in the plant sector at the farm level, for the improvement of farm buildings (for livestock breeding and for plant sectors), investment in new machines and equipment, upgrade to water-efficient irrigation schemes and renewing and improvement of fruit and vineyard plantations.

1.4 Priority sectors and the type of eligible investments

In accordance to the Government Decision from 25th of July, 2006, the targeted priority agriculture sectors to be supported under the Priority Axis 1 measures are wine and grapes; fruits and vegetables; milk and dairy; and meat and meat products.

The investments per priority sectors broadly cover costs for replanting the areas covered with perennials (vineyards and orchards), construction and reconstruction of farm buildings and installations for farm buildings as well as

auxiliary buildings, purchase of equipment for farm buildings, improvement of on-farm irrigation systems and specialised agricultural machinery as well as on-farm manure handling to upgrade the agriculture holding to meet EU environmental requirements.

The eligible projects shall refer to:

- Plant production in the priority sectors Vineyards, Orchards and Vegetable production;
- Dairy livestock (cattle, sheep and goats), pig and poultry breeding in the priority sectors production of raw milk and fattening of animals for meat production.

Through:

1. Group of investments regards agricultural holding as a whole to support the development of viable plant production and livestock breeding farms according to the Community standards and for which the prospect of economic viability at the end of the realisation of the investment can be demonstrated,
2. Group of investments aimed to support the modernisation of particular farm operations in accordance with the Community standards to sustain the development of viable plant production and animal breeding farms and for which the prospect of economic viability at the end of the realisation of the investment can be demonstrated,

Description of Group of Investments per priority sector:

1011 Group of investments for Vineyards

10111 Reconstruction and modernisation of vineyards:

- Investments in rehabilitation of vineyard plantations (conversion, re-conversion, replacement) on existing surfaces,
- Investments in establishment and upgrade of the irrigation system to water efficient practices,
- Investments in installation of technical utilities including for provision of sustainable use of energy from renewable sources,
- Procurement of agricultural machinery and equipment for vineyard cultivation, crop protection; fertilisation and harvesting,
- Investments in setting up of protection nets or covers,
- Construction and improvement of immovable property concerning facilities for keeping the agriculture machinery and equipment, storage facilities for plant protection products and fertilisers.

1012 Group of investments for Orchards

10121 Reconstruction and modernisation of orchards:

- Investments in rehabilitation of orchard plantations on existing surfaces,

- Investments in establishment and upgrade of the irrigation system to water efficient practices,
- Investments in installation of technical utilities including for provision of sustainable use of energy from renewable sources,
- Procurement of agricultural machinery and equipment for orchard cultivation, crop protection; fertilisation, harvesting and post-harvesting,
- Investments in setting up of protection nets or covers,
- Construction and improvement of immovable property concerning facilities for post-harvesting activities, keeping the agriculture machinery and equipment, storage facilities for plant protection products and fertilisers.

1013 Group of investments for Vegetable production

10131 Construction/Reconstruction and modernisation of fixed greenhouses (excluding plastic tunnels) and glasshouses:

- Investment in construction/reconstruction and modernisation of greenhouses and/or glasshouses for vegetable production and nurseries for vegetable planting material,
- Investments in installation of technical utilities including for provision of sustainable use of energy from renewable sources (i.e. for heating and water pumps),
- Purchase and installation of equipment ensuring technical utilities, for achievement of controlled climate conditions and soil-less nurseries and cultivation,
- Investments in establishment and upgrade of the irrigation system to water efficient practices,
- Procurement of agricultural machinery and equipment for orchard cultivation, crop protection; fertilisation, harvesting and post-harvesting,
- Construction and improvement of immovable property concerning facilities for nurseries, post-harvesting activities, keeping the agriculture machinery and equipment, storage facilities for plant protection products and fertilisers.

10132 Modernisation of open-field vegetable production:

- Investment in construction/reconstruction and modernisation of greenhouses and/or glasshouses for vegetable production and nurseries for vegetable planting material,
- Investments in establishment and upgrade of the irrigation system to water efficient practices,
- Investments in installation of technical utilities including for provision of sustainable use of energy from renewable sources,
- Investments in setting up of protection nets or covers,

- Procurement of agricultural machinery and equipment for orchard cultivation, crop protection; fertilisation, harvesting and post-harvesting,
- Construction and improvement of immovable property concerning facilities for nurseries, post-harvesting activities, for keeping the agriculture machinery and equipment, storage facilities for planting material, plant protection products and fertilisers.

1014 Group of investments for Milk production

10141 Construction/Reconstruction of farm buildings for dairy animals (cattle, sheep and goats):

- Construction/reconstruction of farm buildings for animal housing as well as auxiliary facilities and buildings for milking, off-spring housing and breeding, social and service facilities, and including provision of connected on-farm infrastructure,
- Construction and improvement of immovable property concerning feed and fodder storage, silage, hey and grain barns/silo, including equipment for feed preparation, handling, packing and storage,
- Investments in installation of technical utilities and controlled breeding conditions, including for provision of sustainable use of energy from renewable sources,
- Investments in modernisation of milking, feeding and watering systems,
- Procurement of agricultural machinery and equipment for fodder, grain and meadow cultivation, plant protection; fertilisation and mowing/harvesting,
- Investments in manure clearing, handling and storage systems including machinery and equipment for manure clearing, handling and storage.

1015 Group of investments for Meat production

10151 Construction/Reconstruction of farm buildings for pig breeding:

- Construction/reconstruction of farm buildings for animal housing as well as auxiliary facilities and buildings for sows and off-spring breeding, fattening, social and service facilities, and including provision of connected on-farm infrastructure,
- Construction and improvement of immovable property concerning feed and fodder storage, silage, hey and grain barns/silo, including equipment for feed preparation, handling, packing and storage,
- Investments in installation of technical utilities and controlled breeding conditions, including for provision of sustainable use of energy from renewable sources,
- Investments in modernisation of feeding and watering systems,
- Procurement of agricultural machinery and equipment for fodder and grain cultivation, plant protection; fertilisation and harvesting,

- Investments in manure clearing, handling and storage systems including machinery and equipment for manure clearing, handling and storage.

10152 Setting up of new poultry production units for broilers and modernising of existing ones:

- Construction/reconstruction of farm buildings for poultry housing as well as auxiliary facilities and buildings for breeding, production of day-old chicks, fattening, social and service facilities, and including provision of connected on-farm infrastructure,
- Construction and improvement of immovable property concerning feed and grain storage, including equipment for feed preparation, handling, packing and storage,
- Investments in installation of technical utilities and controlled breeding conditions, including for provision of sustainable use of energy from renewable sources,
- Investments in equipment for introducing and modernisation of production of day-old chicks, feeding and watering systems,
- Procurement of agricultural machinery and equipment for fodder and grain cultivation, plant protection; fertilisation and harvesting,
- Investments in manure clearing, handling and storage systems including machinery and equipment for manure clearing, handling and storage.

1.5 Eligibility Criteria

1.5.1. Requirements for application

General requirements

1) The Applicant must submit an Application Form supported with a set of required documents.
   - In case of construction and/or reconstruction projects the applicant must submit a copies of approved drawings and certified bill of quantities which indicates the estimated cost of the envisaged works as well as document to assure compliance of the investment with the specified civil engineering standards of the Municipality or to other standards acceptable to the Municipality in accordance to the urban and spatial plans;The Applicant must demonstrate prospect of continuity of operations during at least five years following the realization of the investment.

2) The Applicant must demonstrate prospect of continuity of operations during at least five years following the realization of the investment.

- For projects having a total eligible budget bellow 50,000 euro, the prospect of financial viability must be demonstrated via Technical Project Proposal containing perspective data on financing indicators in terms of generating sufficient income to meet the operating costs, debt commitments and, where applicable, to allow growth while maintaining the resource base;
- For projects having a total eligible budget exceeding 50,000 euro, the prospect of economic-financial viability must be demonstrated via Business Plan;

3) The Applicant must comply with the relevant minimum national standards to the investment and in particular related to the environment, animal health and animal welfare, food safety and occupational safety, at the time when then decision to grant support is taken.
   - In particular, the applicant proposing investments in the milk and meat sector must provide a document from the Food and Veterinary Agency confirming that all mandatory national minimum standards at the time of applying for assistance;
   - In case of new investments, the applicant proposing investments in the milk and meat sector must obtain a document from the Food and Veterinary Agency confirming that all mandatory national minimum standards are respected prior to approval of payment;

4) Where relevant minimum national standards based on Community standards relating to the environment, food safety, animal health and welfare have been newly introduced or include provision for transition period for complying with those newly introduced standards at the time the application is received and processed, assistance may be granted regardless of non-compliance with those standards on the condition that the beneficiary shall meet these minimum national standards in a period of grace of 36 months from the receipt of the final payment or at the end of the transition period as set in the national legislation;
   - The newly introduced national minimum standards based on Community standards which are to be respected by the applicant as well as the period of achieving those standards shall be specified in the contract in detail;

5) Assistance shall be granted on the condition that the investments aim to comply the agriculture holding with the relevant Community standards relating to the environment, food safety, animal health and welfare at the end of the project implementation, which is to be verified by the competent authority and stated in an issued document/opinion accompanying the application for final payment;

6) The applicant must have no outstanding liabilities against state in terms of fiscal obligations, financial obligations to the health, social and pension insurance funds as well as no outstanding financial obligations to MAFWE based on contractual arrangements.

7) The applicant must prove that he/she is the owner of the land/ or they have rent or concession contracts of minimum 5 years in case of investments, which do not imply construction/reconstruction works, irrigation improvement or reconstruction of perennials.
   - In case of investments which apply construction/reconstruction works, irrigation improvement or reconstruction of perennials the applicant has to prove for the land/building/s the right to use it for a minimum of 10 years or to prove ownership or right to use the land for agriculture and/or construction purposes for a minimum of 10 years;

8) The Applicant must assure compliance of the project with the Local Development Strategy of the concerned Municipality where the investment is located. If the Municipality has not yet adopted Local Development Strategy by the time of submitting application for grant, the Applicant shall elaborate within the Technical Project Proposal/Business Plan the prospects of the investment for the local development of the concerned Municipality where the investment is located.

9) An applicant may submit concurrent proposals under different Measures of the Rural Development Programme. However, the applicant may only submit one project proposal at a time under the same Measure. If the proposal under one Measure is approved, the applicant will have to complete that project before being able to submit another proposal under the same Measure.
   - In the case of Measures consisting of Sub-Measures, the applicant may submit a single application which consists of components for various Sub-Measures of a Measure.

Specific requirements for investments in plant production (vineyards, orchards and vegetable)

1) The reconstruction of perennials on existing surfaces without their increase is eligible if one of the following conditions applies:
   - replacing of the perennial trees/bushes/vines older than 20 years in case of vines of wine varieties or 15 years in case of fruit trees/bushes/table grape vines;
   - re-conversion in terms of varietal adaptation from wine varieties into fruit or table grape varieties;
   - re-conversion in terms of varietal adaptation from one wine/fruit varieties into other wine/fruit varieties;
   - adaptation to raise the vines of wine varieties, from low bush to trellis/espalier cultivation system;
   - adaptation of orchard cultivation to espalier systems;
   - replacing the perennials of not recommended varieties and hybrids

2) The vines or vine planting material must be in accordance with the National Variety List according to Law on seed and propagating material and Law on wine or EU Common catalogue of varieties of vine and of

varieties of vine-rootstocks valid at the time of announcing the Call for proposals. The varieties of Noah, Othello, Isabelle, Jacquez, Clinton and Herbemont are considered as hybrids and are not allowed according to Law on wine;

3) The fruit trees or planting material must be of fruit variety in accordance to the List of the approved and recognised fruit varieties and/or List of domestic and foreign vine of table grape varieties and in compliance with Annex I of Council Directive 2008/90/EC at the time of announcing the Call for proposals.

4) The vineyards owned or rented by the applicant must be registered in the National vineyard register at the end of the investment;

5) The project concerning investments in construction to set-up new greenhouses/glasshouses for vegetable production must aim to replace of plastic tunnels or open-field vegetable production. Modernisation projects involving reconstruction for improvement of existing greenhouses/glasshouses must not consider interventions on plastic tunnels.

6) Upgrade of the existing irrigation scheme can be subject to assistance if the following conditions apply:
   - The investments in irrigation must be to reconstruct the existing inefficient water distribution channels with water-saving irrigation technology;
   - Only the on-farm investments in existing irrigation systems are to be considered as eligible investment.
   - The applicant has to prove the source or availability of water through an agreement with the Water Communities or Water economies or through existence of water source for irrigation purposes according to the Law on Water or other public arrangements for water and communal issues where applicable;

7) In case the applicant is producing fruit and vegetable, the investments in establishing or modernising the post-harvesting activities can be proposed for facility for storage of fruit and vegetable and equipment to achieve efficiency of the investment;

8) Collection centres for fruit and vegetable shall not be eligible for support as those activities are subject to support in Measure 103 under this Programme.

Specific requirements for investments in livestock production (dairy animals, fattening animals and poultry)

1) The animal/poultry housing must comply to the animal welfare standards concerning the minimal size per grown animal/poultry at the end of the investment as follows:

- Breeding area for cows must have a minimum area size of 5 m2 per cow without the resting boxes;
- Breeding area for sheep and goats in lactation must be with minimum surface of approximately 1,4m2 per animal;
- Breeding area for sows must be with the minimum surface per animal being approximately 1.3 m2 per sow;
- Area for fattening pigs must be with the minimum stable surface per animal according to the Book of rules for conditions and means for protection of farm animals (OG 140/09)
- Area for poultry breeding must be with minimum surface of 33 kg/m2 or 17 broilers per 1 m2;

2) The animal/poultry housing must be aligned to the EU hygiene, sanitary, animal welfare and veterinary standards at the end of the investment;

3) The applicant must demonstrate within the Technical Project Proposal/Business Plan that the animal/poultry housing are complemented with manure clearing, handling and storage systems according to the Guidelines as outlined in Annex 24 Storage and Handling of Manure
   - In case the Applicant does not comply to the manure clearing, handling and storage systems according to the Guidelines as outlined in Annex 24 Storage and Handling of Manure, investments may be proposed to establish or upgrade the manure handling and manure storage facilities accordingly;
   - However, the installations for the intensive rearing of pigs with more than 2,000 places for production pigs (over 30 kg) or 750 places for sows or for the intensive rearing of poultry installations with more than 40,000 places for poultry covered by the IPPC Directive (2008/1/EC) and in accordance with Law on Environmental Protection, shall propose investments to achieve the operating plans for establishing integrated environmental requirements;

4) As regards specifically investments in the milk sector, the investment must comply with EU standards, and in particular those specified in Regulation (EC) No 853/2004, Annex III, Section IX Chapter I, Raw milk primary production. However, the criteria stated in Regulation (EC) No 853/2004, Annex III, Section IX Chapter I, part III, point 3 (plate count and somatic cells), shall be considered as an aim to be reached and not as a precondition.

1.5.2. Eligible Investments

1) All the investment provided for at Paragraph 1.4 – “Priority sectors and the type of eligible investments”

2) The eligible expenditures are:

(a) Construction of new buildings and installations and reconstruction of the existing ones. Eligible expenditure shall be limited to the construction or improvement of immovable property;

(b) The purchase of new machinery (including tractors) and equipment, including computer software up to the market value of the asset shall be considered as eligible;

- In case of agriculture mechanisation purchase of tractors which have maximum power limit of 82 KW and its equipment and attachments is considered as eligible expenditure.
- Co-financed new machinery and equipment must come from MS, CCs, potential CCs, countries benefiting from the "European Neighbourhood and Partnership Instrument" and other countries where reciprocal access to their external assistance has been established be the Commission [Article 19 of IPA Council Regulation (EC) No 1085/2006 Establishing an instrument for pre-accession assistance (IPA)]

The eligible expenditures are specified in the List of eligible Expenditures as accepted by the Commission.

(c) Purchase of perennials (fruit trees and vines);

(d) General costs linked to expenditure referred to in points (a) and (b) and c) such as architects', engineers' and other consultation fees, feasibility studies, the acquisition of patent rights and licences shall be eligible up to a ceiling of 12% of the costs referred to in points (a),(b) and c) according to the following conditions:

- for projects with eligible expenditure of the investments referred to in points (a), (b) and (c) of at least € 1 million and no more than € 3million, the business plan preparation costs cannot be greater than 4% of the eligible expenditure of these investments; and
- for projects with eligible expenditure of the investments referred to in points (a), (b) and (c) less than € 1 million, the business plan preparation costs cannot be greater than 5% of the eligible expenditure of these investments.

(e) Cost for specific information and publicity activities at project level which are of the responsibility of the final beneficiaries in accordance with Article 70 of the SA.

3) Not eligible expenditures are those listed in Article 32 paragraph 4 of the Sectoral Agreement;

1.6 Selection Criteria

In order to be sure that the investment meets the objectives of the measure the eligible projects will be granted points according to the scoring table bellow:

N	CRITERION	INDICATOR	Score if yes	Maximum points per criterion
1	Support to farmers association and joint activities	- the investment is proposed by individual agriculture producers who is member of agriculture cooperative or agriculture associations	35	35
		- the investment is proposed by agriculture cooperatives or	30	
		- the investment is proposed by legal entities established by farmers associations	25	
2	Promotion of environmental protection	Investment supports introduction of on-farm energy and water saving practices and promote agriculture practices with regards to protection of the environment*	25	25
3	Improvement of gender and age structure in agriculture production	Investment is proposed by women	15	30
		Investment is proposed by young farmers (between 18 and 40 years)	15	
4	Commercial orientation of the agriculture production	Contractual relationships for deliveries of the raw material produced in the agriculture holding to the food supply chain	10	10
			TOTAL	100

To promote investments and technologies, which aim to protect the environment (zero or positive impact), for both the plant and animal-breeding sector, such as:

a. *Water - irrigation systems with low water consumption (for example drip irrigation systems), systems of adapting the animals with the ration water consumption and minimising the water losses (for example drinking troughs with constant level)*
b. *Energy – investments in equipment for using recoverable energies (biogas, solar energy, windmills, geo-thermal energy, etc.*
c. *Investments in equipment ensuring hygienic and welfare of animals in the holding.*
d. *Investments in farm buildings by using local resources and are of*

ecological design (wood, stone etc.)

e. *Investments in specific crop protection equipment for ensuring the integrated management for controlling the pests and diseases*
f. *Investments in equipment that ensure the management of organic waste in the farm (basins for stocking the liquid manure, platforms of making compost from farmyard manure)*
g. *Equipment for loading, transportation and spreading the farmyard manure in the field;*
h. *Installations for waste waters treatment and recycling the treated water*

Scoring will be used for selection of projects via ranking in cases when the requested amount for financing support in the received applications is beyond the available financial budget committed to this Measure.

Reports on scored projects will be used for Programme monitoring purposes to assess if the projects submitted and approved are in accordance to the set of objectives for this Measure.

Applications for investment support will be processed and the decision on whether to grant the subsidy or not will be taken on the basis of the eligibility criteria and according to the order of receiving the applications, considering the total amount of funding allocated for the measure in a given year.

The process for approval of investments is according to the procedures of the IPARD Agency which concern the minimum activities as follows:

- The fulfilment of the eligibility requirements will be checked first;
- Assessment of the economic-financial viability will be done for projects fulfilling the eligible requirements;
- Eligibility of expenditures will be assessed;
- Scoring shall be performed to dedicate points to eligible projects prior contracting.

Projects with 0 points may be approved when the requested amount for financing support is bellow the available financial budget committed to this Measure and the eligibility requirements are fulfilled.

1.7 Beneficiaries

1.7.1. General definition of beneficiaries:

Aid can be granted to economically viable agriculture holdings owned or leased by natural person or legal person-individual agriculture producers, cooperatives or legal entities dealing in agriculture to restructure and to upgrade to Community standards.

For the purpose of this Programme, a "viable" agriculture holding is one with expected future capacity to operate profitably, and meet, from estimated income, its future financial commitments relating to: farm operating costs; debt servicing costs; and the future capital requirements for plant and improvements, and importantly, maintaining the resource base.

1.7.2. Description of Final beneficiaries:

Support can be granted to an agriculture holding which is registered in the Farm Registry established within MAFWE in accordance with the Law on Agriculture and Rural Development.

Agriculture holding can be registered in the Farm Registry as family agriculture holding represented by natural person or individual agriculture producer or as agriculture holding represented by legal entity.

- Natural person is a member of agriculture household who is authorized to represent the Agriculture Holding in front of authorities by all the other members of the agriculture household. The representative of the agriculture household and the members live on the same address which is the headquarters of the Agriculture Holding regardless of the location of the agriculture property.
- Individual Agriculture Producer is a natural person who is dealing in agriculture on his/her own account being the owner of a farm or who has the right to use the farm obtained through a legal agreement by the owner and is registered in the Farm Registry and in the Register of Agriculture Producers in MAFWE as Individual Agriculture Producer or in the Pension Fund;

Natural persons and Legal entities which are proposing new investments for entering into agriculture activities per eligible priority sector are eligible for support subject to fulfilling the specific requirements as in section 1.7.3 Specific definition of beneficiary per priority sector and being registered as such in the Farm Registry at the end of the investment

Final beneficiaries are obliged to record any change of the production capacities in the Farm Registry resulting from the investment before applying for the final payment.

Support cannot be granted to agriculture holdings represented by legal entity in case their capital is held by a public body or bodies or by the state of more than 25%. In specific cases where deemed appropriate based on the national legislation, the MA may ask the Commission to decide via submission of reasoned request.

1.7.3. Specific definition of beneficiary per priority sector:

In addition to the requirements outlined in section 1.5 Eligible criteria, the final beneficiary of each of the eligible priority sector subject to this measure must be in compliance with specific definitions of minimum and maximum size and capacity of the agriculture holding per priority sectors, as outlined bellow:

1011 Vineyards

Agricultural holding must demonstrate at the beginning of the investment the existence of own production of wine grapes, by registered production capacities in the Farm Register and Vineyard Register of at least 0.3 ha up to a maximum of 50 ha of wine grapes.

Agricultural holding with by registered production capacities of wine grapes on above of 50 ha of vineyards, can apply for support for investments in

reconstruction of orchards and investments in irrigation on maximum 50ha out of the total area of vineyards registered in the Farm Register and Vineyard Register.

1012 Orchards

Agricultural holding must demonstrate at the beginning of the investment the existence of own orchard capacities (including table grapes), by registered production capacities in the Farm Register of at least 0.3 ha up to a maximum of 50 ha of orchards (including table grapes).

Agricultural holding with registered production of orchards (including table grapes) above 50 ha of orchards can apply for support for investments in reconstruction of orchards and investments in irrigation on maximum 50ha out of the total area of orchards (including table grapes) registered in the Farm Register.

In case of investments being proposed by the agriculture holding to establish new or modernize the existing post-harvesting activities, the capacity of the storage and equipment shall correspond to the prospect of production output of fruit.

1013 Vegetables

Agricultural holding at the beginning of the investment must demonstrate the existence of own production of vegetables by registered production capacities in the Farm Register of at least 0.2 ha up to a maximum of 30 ha of vegetables.

In case of investments in construction of new fixed greenhouses (excluding plastic tunnels) or new glasshouses, the agricultural holding at the end of the investment must demonstrate the existence of vegetable production in greenhouses by registered production in the Farm Register of at least 0.3 ha up to a maximum of 30 ha of protected area for cultivation of vegetable (and/or at least 0.1ha protected area for nurseries - excluding plastic tunnels).

In case of investments being proposed by the agriculture holding to establish new or modernize the existing post-harvesting activities, the capacity of the storage and equipment shall correspond to the prospect of production output of vegetables.

1014 Milk production

Agricultural holding must demonstrate the existence of own production of milk by registered number of dairy animals in the Farm Register and the Animal Identification Register of at least 5 cows and/or 150 sheep and/or 30 goats up to a maximum of 500 cows and/or 8,000 sheep and/or 800 goats at the end of investment.

Agriculture holdings below sustainability size of capacity will also be able to benefit from support if they can prove that they will reach at least the minimum size of capacity of at least 5 milking cows and/or 150 sheep and/or 30 goats at the end of the investment but not above the maximum size of capacity of maximum of 500 cows and/or 8,000 sheep and/or 800 goats at the end of investment.

Agriculture holdings which are within the range of the size of capacity but plan increase of size of capacity for achieving efficiency of the production and investment are also eligible to apply for assistance if the increase is within the range of maximum size of capacity and is reached at the end of the investment.

Agriculture holdings above the maximum size of capacity are able to benefit from support for investments in establishment of manure handling and storage systems.

In case of investments in agriculture mechanization and equipment for cultivation and harvesting of meadows, fodder crops, forage crops, and silage, the Agricultural holding must demonstrate the existence of own production of milk by registered number of dairy animals in the Farm Register and the Animal Identification Register of at least 5 cows and/or 150 sheep and/or 30 goats up to a maximum of 500 cows and/or 8,000 sheep and/or 800 goats at the end of investment and must demonstrate the existence of agriculture area of at least 0,7ha per 1 cow or 1ha per 15 sheep/goat.

1014 Meat production

Agricultural holding must demonstrate the existence of animals/poultry for fattening by registered number of animals/poultry for fattening in the Farm Register and the Animal Identification Register (only for pigs and sows) of at least 100 pigs for fattening in annual turnover and/or 10 sows and/or 3,000 broilers in annual turnover up to a maximum of 30,000 pigs for fattening in annual turnover and/or 1,500 sows and/or 180,000 broilers in annual turnover.

Agriculture holdings below sustainability size of capacity will also be able to benefit from support if they can prove that they will reach at least the minimum size of capacity of at least 100 pigs for fattening in annual turnover and/or 10 sows and/or 3,000 broilers in annual turnover at the end of the investment but not above the maximum size of capacity of 30,000 pigs for fattening in annual turnover and/or 1,500 sows and/or 180,000 broilers in annual turnover at the end of investment.

Agriculture holdings which are within the range of the size of capacity but plan increase of size of capacity for achieving efficiency of the production and investment are also able to apply for assistance if the increase is within the range of maximum size of capacity and is reached at the end of the investment.

Agriculture holdings above the maximum size of capacity are able to benefit from support for investments in establishment of manure handling and storage systems.

In case of investments in agriculture mechanization and equipment for cultivation and harvesting fodder crops and grains for breeding pigs or poultry, the Agricultural holding must demonstrate registered number of animals/poultry for fattening in the Farm Register and the Animal Identification Register (only for pigs and sows) of at least 100 pigs for fattening in annual turnover and/or 10 sows and/or 3,000 broilers in annual turnover up to a maximum of 30,000 pigs for fattening in annual turnover and/or 1,500 sows

and/or 180,000 broilers in annual turnover and the existence of agriculture area of at least 2 ha of agriculture area for fodder and/or grain cultivation.

Note: Agriculture cooperatives can prove their size of capacity with regards to their members and permanent cooperants agreements.

1.7.4. Other requiements (occupational skills etc.)

The authorised representative of the agriculture holding shall prove minimum secondary school education or higher education by diploma/certificate or training certificate issued by relevant vocational training institutions, educational and research institutions or public advisory services including the list of attended training modules with relevance to the investment.

Applicants that fail to meet the above skills will have to commit themselves via written statement that will follow a training course before applying for final payment.

At least one responsible person of the legal entity representing the agriculture holding is permanently employed in the legal entity or is engaged under contract with duration not shorter that the Contract granting financial support under this Programme. The sole proprietor shall be permanently employed.

1.8 National legislation in force

The minimum national legislation in force related to the implementation of this Measure:

1.8.1. General legislation establishing eligibility requirements for application:

Law on Agriculture and Rural Development (OG 49/10, 53/11)

- Book of rules for the form, contents, required documentation and the manner of managing the sole register of agriculture holding (Farm Register) (OG 49/11)

Law on Agriculture Activity (OG 11/02, 89/08, 116/10, 53/11)

Law on Trade Company (OG 28/04, 84/05, 25/07, 87/08, 42/10, 48/10, 24/11)

Law on Pension and Disability Insurance (OG 80/93, 3/94, 14/95, 71/96, 32/97, 24/00, 96/00, 50/01, 85/03, 50/04, 4/05, 101/05, 70/06, 153/07, 152/08, 161/08, 81/09, 156/09, 83/10, 24/11, 51/11)

Law on Cooperatives (OG 54/02, 84/05)

Law on Spatial and Urban planning (OG 51/05, 137/07, 124/10, 18/11, 53/11)

Law on Construction (OG 130/09, 124/10, 18/11, 36/11, 54/11, 59/11, 13/12)

- Book of rules on the form and content of approval for usage (OG 123/08)
- Book of rules on the form and content on application for obtaining an approval and form and content on the form an approval for construction (OG 24/11)

- Book of rules on the form and content of the form on decision for location condition (OG 60/05)
- Book of rules on the form and content of the request, necessary documentation and the pattern of the decision confirming compliance on the basic project with regulations, normative and standards (OG 131/08).
- Book of rules on the form and content on application, necessary documentation and form on decision for construction and placement of equipment that does not require approval for construction (OG 31/11)

Law on Agricultural Land (OG 135/07, 17/08, 18/11, 42/11, 148/11)

- Rulebook of procedure for granting approval for construction of auxiliary facilities, greenhouses or facility for primary processing of agricultural products on agricultural land, the application form and required documentation (OG 93/11)
- Rulebook of Procedure for temporary conversion of agricultural land, form and content of the application form and required documentation (OG 94/11, 143/11)
- Rulebook on amendment and supplement the Rules of Procedure for granting approval for construction of auxiliary facilities, greenhouses or facility for primary processing of agricultural products on agricultural land, the application form and required documentation (OG 152/11)

Law on land for construction (OG 17/11, 53/11)

Law on Occupational Health and Safety (OG 92/07, 136/11)

- Book of rules on the occupational safety in the agriculture (OG 34/08)

Law on Environment (OG 53/05, 81/05, 24/07, 159/08, 124/10, 51/11)

- Book of rules on the procedure for issuing operational permit with operational plan (OG 04/06)
- Book of rules on the procedure for obtaining B-integrated environmental permit (OG 04/06)
- Book of rules on the procedure for obtaining A-integrated environmental permit (OG 04/06)
- Decree on determining projects and criteria on the basis of which the screening for an environmental impact assessment shall be carried out (OG 74/05, 109/09)
- Decree on determining the activities of the installations for which integrated environmental permit or operational permit with operational plan is issued and the time line for submitting the application for operational permit with operational plan (OG 89/05)

1.8.2. Specific legislation establishing eligibility requirements for the investments:

Law on Wine (OG 50/10, 53/11, 06/12)

- Book of rules on the form, content and manner of submitting the applications for registration in the vine register (OG 22/11)

- Book of rules on the form and content on applications and manner for applying on changes in the National vineyard register (OG 15/11)
- Book of rules for classification of recommended and approved wine grapes varieties for every wine production region (OG 89/12)

Law on Seeds and Seedlings Material for Agriculture plants (OG 39/06, 89/08, 171/10, 53/11, 55/11)

- Book of rules on keeping a register of suppliers of seeds material of agricultural plants (OG 8/07)
- Book of rules for varieties and quantities of seed and propagating material of selected varieties for personal use of the producer whose registration in the Register of suppliers of seed and propagating material is not mandatory (OG 23/11)
- Book of rules for registering varieties in National variety list and for updating the National variety list (OG 103/09)
- National Variety List valid on the date of the announcement of Call for proposals
- Book of rules for trade of propagating material and seedling material of fruit plants for production of fruit (OG 84/11)
- Book of rules for trade of seed material for vegetables (OG 59/07)
- Book of rules for trade of material for vegetative reproduction of vine (OG 116/11)
- Book of rules for quantities of seed and seedling material from varieties of agriculture plants in original packing which can be imported for personal use (OG 107/11)
- Book of rules for conditions which have to be fulfilled by the supplier to be registered in the Registry for seed material and Register for seedling material, content and manner of running the registers and content of the application for registration (OG 8/07)

Law on Protection and Animal welfare (OG 113/07, 136/11)

- Book of rules for the conditions and means for protection of farm animals (OG 140/09)
- Book of rules for form and content of the Register, information needed for registration of facilities for animal housing for breeding purposes and means of registration (OG 161/11)

Law on Animal Identification and Registration (OG 69/04, 81/07)

- Book of rules on cattle identification and registration (OG 47/05, 57/07)
- Book of rules on identification and registration of sheep and goats (OG 58/08)
- Book of rules for identification and registration of animals of swine species (OG 84/10)

Law on Veterinary Health (OG 113/07, 24/11, 136/11)

- Annual orders and Programmes for measures and actions for animal disease preventions valid on the date of the announcement of Call for proposals
- Book of rules for mandatory reporting of animal disease and list of animal disease which must be reported (OG 110/10)

Law on Food safety (OG 157/10, 53/11, 1/12)

- Book of rules for specific requirements for safety and hygiene and means and ways for performing official controls of milk and milk products (OG 26/12)

The IPARD Agency is responsible to verify the compliance to the national legislation. Corresponding amendments to the national legislation shall be applicable to the projects subject to approval procedure.

1.9 Aid intensity

Total public expenditure (national + EU funds) will not exceed a ceiling of 50% of the total eligible cost of the investment. However, that ceiling shall be raised up to:

- 55% for investments in agricultural holdings made by young farmers[124];
- 60% for investments in agricultural holdings in mountain areas (as listed in Annex 19);
- 65% for investments in agricultural holdings in mountain areas made by young farmers;
- 75% for investment projects carried out in regions where the Commission determines that exceptional natural disasters have occurred or for investments in agricultural holdings to implement the Nitrate Directive concerning the protection of waters against pollution caused by nitrates from agricultural sources subject to existence of National strategy.

1.10 Financing

1. The degree of public intervention for the projects of private interest is 50% of which:
   - 75% is EU contribution
   - 25% from the national budget
2. The EU contribution shall in principle not exceed a ceiling of 75% of the eligible expenditure. However, that ceiling shall be raised up to 85 % in the case of investment projects carried out in regions where the Commission determines that exceptional natural disasters have occurred.Within this program projects of a minimum total eligible expenditure of 3,000 euro will be financed.
3. The maximum total eligible expenditure for the whole period of the Programme implementation is 1,500,000 euro per beneficiary under this

[124] (EC) No 718/2007 (OJ L 170, 29.6.2007), Article 170 point (3):"a farmer under 40 years of age at the time when the decision to grant support is taken, possessing adequate occupational skills and competence.

measure. However, this maximum ceiling shall be raised up when the following case apply:

- 2,300,000 euro per beneficiary under the sub-measure 10131;
- 1,700,000 euro per beneficiary under the sub-measure, 10151 and 10152;

4. Applicants may submit several projects under this Measure during the Programme implementation period, provided that the maximum total eligible expenditure is not exceeded and previous projects have been successfully finalized i.e. the final payment is received.
5. In case the applicant has benefited support for tractor in the previous projects, he/she cannot submit other project in which investment in tractor is proposed i.e. one agriculture holding can purchase only one tractor under this Programme.

The eligible project activities have to take place after the signature of the contract with exception to feasibility and technical studies, in the limit of the percentage approved in the measures. The payment of the financial support will be made on the base of justifying documents, which prove the accomplishing of the activities and their eligibility. For purchase of machinery and equipment, the payment will be made as a single payment at the end of the investment. For investments concerning construction and reconstruction of farm buildings including equipment, the payment can be made in maximum two installments, according to beneficiaries' choice. In this case the first instalment shall be paid after the finalisation of the construction or reconstruction works and the second instalment after the installation of the equipment, i.e. at the end of the investments.

The planned relative importance of Measure 101: Investments in agriculture holdings in relation to the other measures being financed under IPARD is up to 40%.

Table 1: Indicative Financial Plan for Measure 101 (2007-2012), in EUR

Year	Total eligible cost	Public expenditure						Private contribution	
		Total		EU contribution		National contribution			
	EUR	EUR	%	EUR	%	EUR	%	EUR	%
1	2=3+9	3=5+7	4=3/2	5	6=5/3	7	8=7/3	9	10=9/2
2007	2,408,000	1,204,000	50%	903,000	75%	301,000	25%	1,204,000	50%
2008	7,682,667	3,841,333	50%	2,881,000	75%	960,333	25%	3,841,333	50%
2009	11,696,000	5,848,000	50%	4,386,000	75%	1,462,000	25%	5,848,000	50%
2010	12,666,667	6,333,334	50%	4,750,000	75%	1,583,333	25%	6,333,333	50%
2011	16,213,333	8,106,667	50%	6,080,000	75%	2,026,667	25%	8,106,667	50%
2012	18,231,492	9,115,746	50%	6,836,809	75%	2,278,937	25%	9,115,746	50%
Total	**68,898,159**	**34,449,079**	**50%**	**25,836,809**	**75%**	**8,612,270**	**25%**	**34,449,079**	**50%**

The distribution of the public investment is according to the objectives to be achieved under this measure.

Table 2: Indicative breakdown of Measure 101 per priority sectors, in Euro

Group of investments		% of the measure 101	EU funds	National Co-financing	Private contribution	Total cost
1011	**Vineyards**	10.50%	2,712,865	904,288	3,617,153	7,234,307
1012	**Orchards**	9.50%	2,454,497	818,167	3,272,662	6,545,325
1013	**Vegetable**	16%	4,133,890	1,377,963	5,511,853	11,023,705
1014	**Milk production**	39%	10,076,356	3,358,785	13,435,141	26,870,282
1015	**Meat Production**	25%	6,459,202	2,153,067	8,612,270	17,224,540
	Total	**100%**	**25,836,810**	**8,612,270**	**34,449,079**	**68,898,159**

The distribution of the public funds for agriculture mechanisation – tractors including it's equipment (excluding attachments) shall not exceed 20% of the total available financial budget for Measure 101.

1.11 Financing Conditions

- Beneficiaries-natural persons must run accounting books in accordance with the requirements for provision of information to the National Extension Agency for the purpose of the Farm Monitoring System for the period of at least 5 years after the investment is approved as well as to provide information and Farm Accountancy Data Network, if the information is asked;
- Beneficiaries-legal entities are obliged to keep all accounting records at least 5 years after the investments take place as well as to provide information to the National Extension Agency for the purpose of the Farm Monitoring System and Farm Accountancy Data Network, if the information is asked;
- The beneficiary should collaborate and provide any requested information to the officials of MAFWE, IPARD Agency or European Commission authorised to control and audit the implementation of the project as well as NAO/NF and Auditing Authority.
- Investment within five years from the date of the authorization of the payment by the IPARD agency must not undergo a substantial modification.
- The beneficiary may again apply for support, following the completion of a previous project and reception of final payment for previous completed project.

1.12 Geographical Coverage

This measure applies on the whole territory of the country.

1.13 Quantified targets for EU common indicators:

Type of indicator	Indicator	Target
Output	**Number of applications received**	**2,700**
	Number of applications approved	**2,160**
	Number of farms/holdings supported	**2,160**
	Total volume of investments, €	**91.5 Mio. EUR**

Result	**Number of holdings/enterprises introducing/upgrading to Community standards or modernisation of production techniques**	**100%**
	Increase in GVA in supported holdings/enterprises (range %)	**5%-8%**
Impact (programme level)	**Economic growth in agriculture - net additional added value in PPS, €***	**N/A**
	Labour productivity in agriculture - change in gross added value per full-time equivalent (GVA/FTE), %*	**N/A**

* To be completed by means of survey and other evaluation models, carried out by MA and independent evaluators for the purpose of interim and ex-post evaluation

1.14 Programme specific indicators and quantified targets

- Share of reconstructed vineyards of the total area of vineyards (approx 5%)
- Share of reconstructed orchards of the total area of orchards (approx. 2%)
- Share of constructed/reconstructed fixed greenhouses of the total area under fixed greenhouses (approx. 30%)
- Share of constructed/reconstructed glasshouses of the total area under glasshouses (approx. 5%)
- Share of projects including post-harvest activities into total number of projects under Measure 101 (approx.8%)
- Share of assisted agricultural holdings that have introduced animal welfare improvements of the total number of livestock agriculture holdings in the concerned priority sector (approx. 4%)
- Share of assisted agricultural holdings that have improved milk hygiene requirements according to Community requirements of the total number of livestock agriculture holdings – dairy cows, sheep or goat (approx. 4%)
- Share of assisted agricultural holdings that have improved farm manure storage practices of the total number of livestock agriculture holdings – cattle, sheep, goat, pig and poultry (approx. 4%)
- Share of young farmers of total assisted farmers (approx. 18%)
- Share of women of total assisted farmers (approx. 15%)
- Share of assisted agricultural holdings located in the mountainous areas of total assisted agricultural holdings (approx. 15%)

1.15 Supporting Documents

The Agency for Financial Support of Agriculture and Rural Development is responsible for defining the required documents in accordance to the eligible requirements under this Programme and in communication with the Managing Authority.

1.16 Implementing Authority

The Agency for Financial Support of Agriculture and Rural Development (IPARD Agency) represents the Implementing Authority.

Measure 103 Investments in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to Community standards.

This measure is applied in accordance with:

- Article 12 (2) of Framework Regulation – Council Regulation (EC) No 1085/2006 [Establishing an instrument for pre-accession assistance (IPA)] last amended Regulation (EU) No 153/2012 of the European Parliament and of the Council of 15 February 2012
- Article 176 of Commission Regulation (EC) No 718/2007 of 12 June 2007 [Implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)] last amended by Commission Implementing Regulation (EU) No 813/2012 of 12 September 2012

1.1 Rationale

The measure aims to improve the processing and marketing conditions for agricultural products in order to fulfil the EU requirements (hygiene, food safety, quality, environment, animal welfare etc.) and to contribute to implementation of the National Programme of Adoption of the EU Acquis (NPAA).

One of the priorities of the NPAA is to adjust the agro-food sector, in particular the milk, meat, fruit and vegetable processing industries to the veterinary, sanitary and food safety standards of the EU.

Currently only very few enterprises meet EU requirements for hygiene, food safety, quality and environmental standards. As a result of harmonisation of the country's legislative acts related to the so-called "*heavy Acquis",* considerable capital expenditure is required to upgrade plants to the EU standards. Lack of capital prevents enterprises from undertaking investment projects necessary in the context of the EU integration.

Particularly, support for this measure is destined to improve the performances of agro-food production from the point of view of quality standards with respect to rationalisation of the installed capacities, their efficient use and to eliminate the supply chain malfunctions, manifested on specific markets, namely:

- the supply chain linkages are weak and burdened with intermediaries especially in the fruit and vegetable sector;
- despite the unused installed capacity the continuous degradation of productive equipment and a high degree of depreciation of the existing units that do possess neither high performance processing equipment nor competitive capacities, at the level of Community standards, capable to assure the production quality and control;
- lack of equipment in the endowment of food industry establishments, for the evacuation of waste water and residual products that do not

allow sufficient protection of the environment, and the insufficient endowment with laboratories and with equipment to measure and control the products quality;

- weak diversification of agro-food products, according to the EU quality standards, although the consumers' requirements claim for an improvement of the range of processed products.

The utilized capacity for processing and marketing decreased substantially during the transition period. The agro-processing industry is jeopardised by seasonality and un-utilised installed capacities on the other hand. Despite the existence of excess capacity, the part of the existing capacity consists of old buildings and obsolete machines and absence of finalisation equipment for value added products.

Due to lack of statistical and market research data it is rather difficult to measure the total production of the processing capacities and their domestic market share. However, the intention is not to increase the production after the implementation of the program but to support the production, processing and marketing of high quality products, compliant with the rules for food safety, health and environmental protection.

This measure covers capital grant schemes aimed at the improvement of processing and marketing in the following sectors: milk and dairy products, meat and meat products with particular focus on the slaughtering lines improvement, fruit and vegetables and wine. These sectors have been selected on the basis of their export performance on the one hand, and the necessity to bring them in line with harmonized National legislation concerning hygiene, veterinary and sanitary standards, on the other.

Following the approximation process, the enterprises which do not comply with the food safety standards will be closed on recommendation of the Food and Veterinary Services. An assessment of the compliance of the existing establishments is to be performed by the Food and Veterinary Agency according to the provisions in the Law for Food Safety. The individual assessment of the establishments will point out the necessary interventions for achieving the EU food and hygienic standards within a transition period or to be closed down.

According to the sector studies, for each sector, part of the utilized capacity must be improved. Part of the improvement will concern reconstruction and modernization of the existing processing plants and another part – building of new ones. They will substitute the old enterprises on the basis of analysis and researches. For the improvement of the products' quality, laboratories for internal quality control within the entities will be necessary as well as improvement of the overall traceability system and management of control systems within the processing enterprises.

Concerning the strengthening of the supply chains, the establishment and modernisation of collection centres is envisaged to be supported especially for raw milk collection and for fruit and vegetables.

1.2 Correlation with other measures

Within this Programme this measure complements the implementation of the measure "Investments in agriculture holdings to restructure and to upgrade to Community standards" and measure under Priority axis 3 “Diversification of the economic activities in the rural areas”.

The Measure 103 also complements to the national support scheme through the Programme for Rural Development, SME support policy as well as corresponding linkage to other donor support and IFI’s. Related national policies, donor and IFI’s activities are described in full in Part II.

The IPARD Agency will ensure that all beneficiaries are checked whether they receive funds from other IPA programs, or Community assistance or any foreign donor grant scheme or IFI’s that are proposed for financing under IPARD Programme. The IPARD Agency will not accept applications for projects that are financed from any other IPA programs, or Community assistance or any foreign donor grant scheme or IFI’s . The IPARD Agency is obliged to check whether the project received is financed from other sources (any other IPA programs, or Community assistance or any foreign donor grant scheme or IFI’s) at two stages:

1) prior to approval of project;
2) prior of approval of payment.

The IPARD Agency will assure that future double financing is avoided by stamping the received invoices for investment with clear "IPARD" stamp by an authorised official before being the subject of a payment from the IPARD Agency.

1.3 Objectives

1.3.1. General objectives

This measure is primarily aimed at facilitating the implementation of the Community standards, aimed at reducing of the major shortcomings, which characterise the agro-food industry in the country in advance to its accession to EU.

In addition this measure aims towards the National Agriculture and Rural Development Objectives:

- Upgrade to the Community Standards as regards environmental protection, public health (food safety and quality of products), animal and plant health, animal welfare and occupational safety.
- Improve the overall performance in the processing and marketing of primary agricultural products
- Contribute to the preparation of the country for its accession to the EU.
- Facilitate competition in the internal market by the introduction of new technologies and innovation
- Promote environmentally sound production practises (reduction of water losses, decreasing the pollution of the environment, and/or elimination of by- products or of wastes);

1.3.2. Specific objective

- To promote focused investments for strengthening the supply chain in the dairy and fruit and vegetable sub-sector through setting up or modernisation of local collecting networks, of reception capacities, storing, conditioning, sorting and packing of agricultural products,
- To contribute towards improvement and optimisation of production flows, processing and marketing of agricultural products, in terms of investment in modernisation of the existing production technologies to improve the product quality, marketing of products and improvement of the environmental standards.
- To promote investments for modernisation of certain operations in the slaughter sector and wine production, for investment in modernisation of the technological lines and equipment and quality control systems.
- To support investments aimed at adjustments to Community standards for the establishment as whole;
- To promote investments aimed at decreasing negative impact on the environment.

1.4 Priority sectors and the type of eligible investments

By the Government Decision of 25th of July, 2006, the targeted priority agriculture sectors are identified to be supported under the Priority Axis 1 measures. These are wine and grapes, fruits and vegetables, milk and dairy and meat and meat products.

In the framework of this measure, financial support shall be granted for investments in private agriculture processing establishments, for ensuring the rationalisation of the installed capacities and reorientation of the production for a increasing of the quality of the products resulted from the application of competitive technologies and which may also limit the pollution on the environment.

An enterprise is an economic unit of production, under single management, that independently directs and manages all the functions needed to carry out production activities. An enterprise may engage in more than one type of activity and may have its operations in more than one location. Enterprises may be corporations, government institutions or other units, including households.

An establishment is an enterprise or part of an enterprise situated in a single location and primarily engaged in a single type of production activity. Any secondary activity should be on a small scale. An enterprise that is engaged in growing crops as well as processing the crops on a significant scale is considered as two establishments, corresponding to the two types of activities

The investments per priority sectors broadly cover costs for improvement and optimisation of production flows in processing and marketing of agricultural products; setting up or modernisation of local collecting networks, of reception capacities, storing, conditioning, sorting and packing of agriculture products covered by Annex 1 to the Treaty in the sectors mentioned above.

Per priority sector:

1031 Group of investments for Wine production

10311 Improvement of wine product quality:

- Investment support in construction/reconstruction of production facilities for installation of the equipment and achievement of environmental, food safety, sanitary and hygiene standards;
- Investments in installation of technical utilities and controlled conditions including for provision of sustainable use of energy from renewable sources,
- Purchase and installation of the equipment and achievement of environmental, food safety, sanitary and hygiene standards;
- Investments in equipment aiming for improvement of wine product quality from reception to finalisation (excluding anaerobic fermentation and aging tanks), equipment for quality monitoring and control system, testing laboratories, traceability systems, packing and marketing of products, including software
- Investments in installations and equipment for compliance with environmental protection standards and waste treatment and handling.

1032 Group of investments for Fruits and vegetables processing

10321 Setting up and modernisation fruit and vegetable collection centres:

- Investment support for construction/reconstruction of buildings for setting up or modernisation of fruit and vegetable collection centres;
- Investments in installation of technical utilities and controlled conditions including for provision of sustainable use of energy from renewable sources,
- Purchase and installation of the equipment and achievement of environmental, food safety, sanitary and hygiene standards
- Investments in equipment aiming for collecting, reception, cooling and storage units as well as purchase of equipment for grading, collecting, storing and cooling at collection points;
- Investments in equipment for quality monitoring and control system, test laboratories, traceability systems, packing and marketing of products, including software
- Investments in installations and equipment for compliance with environmental protection standards and waste treatment and handling.

10322 Modernisation of production technologies in fruit and vegetable processing establishments:

- Investment support in construction/reconstruction of buildings for technological upgrading and introduction of modern technologies for fruit and vegetable processing, introduction of innovative technologies and new

product line aimed at bringing the fruit and vegetables products' manufacturing in compliance with comprehensive market demand, new products' development, organisation of logistics, quality control system implementation and for improvement of facilities for achievement of environmental, food safety, sanitary and hygiene standards;

- Investments in installation of technical utilities and controlled conditions including for provision of sustainable use of energy from renewable sources,
- Purchase and installation of the equipment and achievement of environmental, food safety, sanitary and hygiene standards;
- Investments in equipment aiming for collecting, reception, cooling and storage units as well as purchase of equipment for grading, collecting, storing and cooling at reception of at collection points;
- Purchase of equipment for improving and modernisation of production technologies for fruit and vegetable processing, packing and marketing including storage of final products;
- Investments in equipment for quality monitoring and control system, internal quality control (laboratory apparatus and placements for test laboratories), traceability systems, packing and marketing of products, including software
- Investments in installations and equipment for compliance with environmental protection standards and waste treatment and handling.

1033 Group of investments for Milk and dairy

10331 Setting up and modernisation of milk collection centres: New investments in buildings and modernisation of the existing ones, building installations and equipment, for setting up and technological upgrading of collecting, reception, cooling and storage units for the milk as raw material, as well as the purchase of equipment for milk storing and cooling at collection points, specialised equipment for monitoring and control system of reception, collecting, processing and marketing channel of products, laboratory apparatus for quality control, transportation cooling tanks and investments to achieve compliance with environmental protection standards and sustainable use of energy;

10332 Investments in modernisation and technological upgrade of the dairy establishments:

- Investment support in construction/reconstruction of buildings for technological upgrading and introduction of modern technologies for milk processing, introduction of innovative technologies and new product line aimed at bringing the dairy products' manufacturing in compliance with comprehensive market demand, new products' development, organisation of logistics, quality control system implementation and for improvement of facilities for achievement of environmental, food safety, sanitary and hygiene standards;
- Investments in installation of technical utilities and controlled conditions including for provision of sustainable use of energy from renewable sources,

- Purchase and installation of the equipment and achievement of environmental, food safety, sanitary and hygiene standards;
- Investments in equipment aiming for collecting, reception, cooling and storage units as well as purchase of equipment for collecting, storing and cooling at reception at collection points;
- Purchase of equipment for improving and modernisation of production technologies for milk processing, packing and marketing including storage of final products;
- Investments in equipment for quality monitoring and control system, test laboratories, traceability systems, packing and marketing of products;
- Investments in installations and equipment for compliance with environmental protection standards and waste treatment and handling and more efficient utilisation of by-products.

1034 Group of investments for Meat products

10341 Establishment of slaughter capacity for poultry: New investments in buildings and equipment, for establishment of slaughter capacity for poultry including installations and equipment for improvement of animal welfare standards in slaughterhouses and investments to achieve compliance with environmental protection standards for waste and water treatment and sustainable use of energy(including software);

10342 Modernisation and technological upgrading for the existing slaughter establishments for cattle, pig, sheep/lamb and poultry:

- Investment support in construction/reconstruction of buildings for technological upgrading and introduction of modern technologies, introduction of innovative technologies and new product line, for ensuring quality monitoring and control systems and for improvement of facilities for achievement of environmental, animal welfare, food safety, sanitary and hygiene standards including treatment of organic waste and by-products;
- Investments in installation of technical utilities and controlled conditions including for provision of sustainable use of energy from renewable sources,
- Purchase and installation of the equipment and achievement of environmental, animal welfare, food safety, sanitary and hygiene standards
- Investments in equipment for improving and modernisation of slaughtering technologies including storage capacities;
- Investments in equipment for quality monitoring and control system, internal quality control, traceability systems, packing and marketing of products, including software
- Investments in installations and equipment for compliance with environmental protection standards and waste treatment and handling including valorisation of waste (i.e. offal, lard, blood, connective tissues).and by-products obtained from slaughtering.

10343 Investments for restructuring of meat processing establishments::

- Investment support in construction/reconstruction of buildings for technological upgrading and introduction of modern technologies meat processing, introduction of innovative technologies and new product line, for ensuring quality monitoring and control systems and for improvement of facilities for achievement of environmental, food safety, sanitary and hygiene standards including treatment of organic waste and by-products;
- Investments in installation of technical utilities and controlled conditions including for provision of sustainable use of energy from renewable sources,
- Purchase and installation of the equipment and achievement of environmental, food safety, sanitary and hygiene standards
- Investments in equipment aiming for collecting, reception, cooling and storage units of raw materials;
- Purchase of equipment for improving and modernisation of production technologies for meat processing, packing and marketing including storage of final products;
- Investments in equipment for quality monitoring and control system, test laboratories, traceability systems, packing and marketing of products;
- Investments in installations and equipment for compliance with environmental protection standards and waste treatment and handling;
- Investments in installations and equipment for compliance with environmental protection standards and waste treatment and handling including valorisation of waste (i.e. offal, lard, blood, connective tissues) and by-products obtained from meat processing.

1.5 Eligibility Criteria

1.5.1. Requirements for Application

General requirements

1) The applicant must submit an Application Form supported with a set of required documents.
   - In case of construction and/or reconstruction projects the applicant must submit copies of approved drawings and certified bill of quantities which indicates the estimated cost of the envisaged works as well as document to assure compliance of the investment with the specified civil engineering standards of the Municipality or to other standards acceptable to the Municipality in accordance to the urban and spatial plans;
2) The Applicant must demonstrate prospect of economic-financial viability for at least five years after the end of realization of the investment through Business Plan. The calculation of the prospect of economic and financial viability of the applicant is according to the Methodology for assessing Business Plan.

3) The Applicant must comply with the relevant minimum national standards to the investment and in particular related to the environment, animal welfare, food safety and occupational safety, at the time when the decision to grant support is taken.
   - In particular, the applicant must provide a document from the Food and Veterinary Agency confirming that all mandatory national minimum standards at the time of applying have been met;
   - In case of new investments, the applicant must obtain a document from the Food and Veterinary Agency confirming that all mandatory national minimum are respected prior to approval of payment;
4) Where relevant minimum national standards based on Community standards relating to the environment, animal health and animal welfare, food safety and occupational safety have been newly introduced at the time the application is received and processed, assistance may be granted regardless of non-compliance with those standards on the condition that the beneficiary shall meet these minimum national standards at the end of the project or at the end of the transition period as set in the national legislation;
   - The newly introduced national minimum standards based on Community standards which are to be respected by the applicant as well as the period of achieving those standards shall be specified in the contract in detail;
5) Assistance shall be granted on the condition that the investments aim to align the establishment with the relevant Community standards relating to the environment, animal welfare, food safety and occupational safety, which is to be verified by the Food and Veterinary Agency, Ministry of Environment and Spatial Planning and Ministry of Labor and Social Issues and stated in an issued opinion by the respective institutions accompanying the application:
   - In particular to the milk processing, slaughtering and meat processing related investments in existing establishments, the applicant must provide assurance within the project that the investment is in compliance with the Community standards by obtaining approved Plan for upgrade of the establishment to Community standards from the Food and Veterinary Agency, subsequent to their assessment and include it in the Business Plan proving the targeting of proposed investment;
6) The applicant must have no outstanding liabilities against state in terms of fiscal obligations, financial obligations to the health, social and pension insurance fund as well as no outstanding financial obligations to MAFWE based on contractual arrangements;
7) The applicant must prove that he/she is the owner of the building or has rent or concession contracts for the building of minimum 5 years in case of other type of investments, which do not imply construction works;
   - In case of investments which apply construction works, the applicant has to prove for the land/building/s the right to use it for a minimum of

10 years or to prove ownership or right to use the land for construction purposes for a minimum of 10 years;

8) The Applicant must assure compliance of the project with the Local Development Strategy of the concerned Municipality where the investment is located. If the Municipality has not yet adopted Local Development Strategy by the time of submitting application for grant, the Applicant shall elaborate within the Business Plan the prospects of the investment for the local development of the concerned Municipality where the investment is located.

Specific requirements

1) The project in wine sector must be targeted towards investment in existing wine processing capacities registered in the Wine Register;
2) The projects in fruit and vegetable processing sector shall exclude investments in production of fruit juices from fruit concentrates and fruit jams;
3) The projects in milk processing sector shall exclude investments in production of milk powder and butter;
4) Investments in construction of new facilities for fruit and vegetable, milk processing, slaughtering and meat processing are eligible only if the existing capacity (establishment) is closed down due to reasons which preclude the upgrade to the relevant Community standards relating to the environment, animal health and animal welfare, food safety and occupational safety and verified by the competent authority via issued opinion accompanying the application.
5) As to prove sustainability of milk collection centre or collection centre for fruit and vegetables, the applicant must provide at least annual contracts with agriculture producers demonstrating regular supply of at least 30% of the raw material for processing or fresh produce;
6) As regards specifically investments in the milk sector, the investment must comply with EU standards, and in particular those specified in Regulation (EC) No 853/2004, Annex III, Section IX Chapter I, Raw milk primary production. However, the criteria stated in Regulation (EC) No 853/2004, Annex III, Section IX Chapter I, part III, point 3 (plate count and somatic cells), shall be considered as an aim to be reached and not as a precondition;
7) As regards specifically investments in the meat sector the investments must aim to meet the Community standards for animal welfare and slaughterhouse requirements for the establishment (in particular Regulation (EC) No 853/2004, Annex III, Section II: meat from poultry and lagomorphs, Chapter II: requirements for slaughterhouses, Chapter III: requirements for cutting plants, Chapter IV: Slaughter Hygiene, Chapter V: hygiene during and after cutting and boning);
8) All the beneficiaries must be registered in the Register for purchasers of agriculture products in MAFWE according to the Law on agriculture and rural development. The collection centres for fresh fruits and vegetables

for further trade of the fresh produce must also register with respect to Law on trade at the end of the investment;

9) Excluded from investment are food operators which already meet EU standards and are registered for export in the EU. However, the food operators which are registered for export in the EU are eligible for grant support in investments in other production facilities in order to achieve the relevant EU standards.

1.5.2. Eligible Investments

1) All the investment provided for at Paragraph 1.4 – "Priority sectors and the type of eligible investments"

2) The eligible expenditures are:

(a) Construction of new buildings and installations and reconstruction of the existing ones. Eligible expenditure shall be limited to the construction or improvement of immovable property;

(b) The purchase of new machinery and equipment, including computer software up to the market value of the asset shall be considered as eligible..

- Co-financed new machinery and equipment must come from MS, CCs, potential CCs, countries benefiting from the "European Neighbourhood and Partnership Instrument" and other countries where reciprocal access to their external assistance has been established be the Commission [Article 19 of IPA Council Regulation (EC) No 1085/2006 Establishing an instrument for pre-accession assistance (IPA)]

(c) General costs linked to expenditure referred to in points (a) and (b), such as architects', engineers' and other consultation fees, feasibility studies, the acquisition of patent rights and licences shall be eligible up to a ceiling of 12% of the costs referred to in points (a) and (b) according to the following conditions:

- for projects with eligible expenditure of the investments referred to in points (a), (b) and (c) greater than € 3 million, the business plan preparation costs cannot be greater than 3% of the eligible expenditure of these investments;
- for projects with eligible expenditure of the investments referred to in points (a), (b) and (c) of at least € 1 million and no more than € 3million, the business plan preparation costs cannot be greater than 4% of the eligible expenditure of these investments; and
- for projects with eligible expenditure of the investments referred to in points (a), (b) and (c) less than € 1 million, the business plan preparation costs cannot be greater than 5% of the eligible expenditure of these investments.

(d) Cost for specific information and publicity activities at project level which are of the responsibility of the final beneficiaries in accordance with Article 70 of SA.

The eligible expenditures are specified in the List of eligible Expenditures as accepted by the Commission.

3) Not eligible expenditures are those listed in Article 32 paragraph 4 of the Sectoral Agreement.

1.6 Selection Criteria

In order to be sure that the investment meets the objectives of the measure the eligible projects will be granted points according to the scoring table bellow:

Scoring table for measure 103 (excluding sub-measure 10343)

N.	CRITERION	INDICATOR	Score if yes	Maximum points per criterion
1	Project objective	- if the investment aims at modernisation and technological upgrade of the existing capacities while closing down the obsolete capacities	30	30
		- if the investments are aimed at setting-up collection centres for fresh fruit and vegetable or raw milk or poultry slaughterhouse	25	
		- if the investments aims at modernisation and technological upgrade of the existing capacities in terms of increase product quality	20	
2	Environmental protection	-if the investments are aimed at decreasing negative impact on the environment trough water purification stations	15	30
		- if investments are aimed at waste treatment and recycling whilst valorisation of by-products	15	
3	ed quality control of produc	Investments for setting-up of laboratories or modernise the existing ones	15	25
		Investments in equipment for quality monitoring, control and traceability systems	10	
4	Contractual arrangements with individual agriculture producers	- for modernisation of existing establishments: Own supplies and contractual relationships with producers (at least annual contracts) covering at least 50% of the supplies	15	15
		- for new investments: Own supplies and contractual relationships with producers covering at least 50% of the supplies of raw materials for at least 1 year after the finalisation of the project.	10	
			TOTAL	100

The following points will be applied for projects proposing investments in the scope of sub-measure (10343):

Scoring Table for eligible projects under sub-measure 10343.

N.	CRITERION	INDICATOR	Score if yes	Maximum points per criterion
1	Project objective	- if the beneficiary is meat processing company	40	40
		- if the beneficiary is slaughterhouse	30	
2	Environmental protection	- If the beneficiary is connected to public sewerage	30	30
		- if the beneficiary is using septic tank for sewerage	20	
3	Support to women and young economic operators	Investment is proposed by women	15	30
		Investment is proposed by young economic operators (between 18 and 40 years)	15	
			TOTAL	100

Scoring will be used for selection of projects via ranking in cases when the requested amount for financing support in the received applications is beyond the available financial budget committed to this Measure.

Reports on scored projects will be used for Programme monitoring purposes to assess if the projects submitted and approved are in accordance to the set of objectives for this Measure.

Applications for investment support will be processed and the decision on whether to grant the subsidy or not will be taken on the basis of the eligibility criteria and according to the order of receiving the applications, considering the total amount of funding allocated for the measure in a given year.

The process for approval of investments is according to the procedures of the IPARD Agency which concern the minimum activities as follows:

- The fulfilment of the eligibility requirements will be checked first;
- Assessment of the economic-financial viability will be done for projects fulfilling the eligible requirements;
- Eligibility of expenditures will be assessed;

- Scoring shall be performed to dedicate points to eligible projects prior contracting.

Projects with 0 points may be approved when the requested amount for financing support is bellow the available financial budget committed to this Measure and the eligibility requirements are fulfilled.

1.7 Beneficiaries

1.7.1. General definition of beneficiaries

Aid will be granted to economically viable legal entities registered according to Law on Trade Company, which are in the range of small and medium enterprises according to the Recommendation 2003/361/EC, and are registered in the VAT system according to VAT Law.

1.7.2. Description of Final beneficiaries:

Definition of small and medium enterprises according to the Recommendation 2003/361/EC:

1) Enterprises qualify as small and medium-sized enterprises (SMEs) if they fulfil the criteria laid down in the Recommendation which are summarized in the table below. In addition to the staff headcount ceiling, an enterprise qualifies as an SME if it meets either the turnover ceiling or the balance sheet ceiling, but not necessarily both.

Enterprise category	**Headcount**	**Turnover* or Balance sheet total***
medium-sized	< 250	≤ € 50 million ≤ € 43 million
small	< 50	≤ € 10 million ≤ € 10 million

*** in MKD equivalent**

Newly established enterprises shall be assessed on the basis of expression of their expected size to be reached proposed in the Business Plan. The assessment of the Applicants is performed by the IPARD Agency.

2) Assistance maybe granted to investments in establishments which are part of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million, giving priority to investments aiming to align the establishment with all the relevant Community standards;

3) In case of group of investments 10321 and 10331 (setting up and modernization of collection centers), aid may be granted to agriculture cooperatives established according to the Law on Cooperatives (OG 54/02; 84/05)[125]. The cooperative must be registered in the Central

[125] According to the Law on Cooperatives (OG. 54/02 and 84/05) Cooperatives are legal entity established by associates-natural and legal entities for the purpose of representing or protection of certain number of precisely specified economic interests of the coo-perants, in all fields of activity, except banking and insurance and activities which by law are not allowed to set up a cooperative. Minimum number of members to establish the cooperative is three natural or legal entities.

Registry as primarily dealing in agriculture according to the National Classification of Economic Activities.

1.7.3. Other requiements (occupational skills etc.)

The beneficiaries (sole proprietor, legal entity, cooperative) shall prove professional occupation achieved in accordance with the national legislation for food safety.

At least one responsible person of the legal entity representing the establishment is permanently employed in the legal entity or is engaged under contract with duration not shorter that the Contract granting financial support under this Programme. The sole proprietor shall be permanently employed.

1.8 National legislation in force

The minimum national legislation in force related to the implementation of this Measure:

1.8.1. General legislation establishing eligibility requirements for application:

Law on Trade Company (OG 28/04, 84/05, 25/07, 87/08, 42/10, 48/10, 24/11)

Law on Cooperatives (OG 54/02, 84/05)

Law on Spatial and Urban planning (OG 51/05, 137/07, 124/10, 18/11, 53/11)

Law on Construction (OG 130/09, 124/10, 18/11, 36/11, 54/11, 59/11, 13/12)

- Book of rules on the form and content of approval for usage (OG 123/08)
- Book of rules on the form and content on application for obtaining an approval and form and content on the form an approval for construction (OG 24/11)
- Book of rules on the form and content of the form on decision for location condition (OG 60/05)
- Book of rules on the form and content of the request, necessary documentation and the pattern of the decision confirming compliance on the basic project with regulations, normative and standards (OG 131/08).
- Book of rules on the form and content on application, necessary documentation and form on decision for construction and placement of equipment that does not require approval for construction (31/11)

Law on Agricultural Land (OG 135/07, 17/08, 18/11, 42/11, 148/11)

- Rulebook of procedure for granting approval for construction of auxiliary facilities, greenhouses or facility for primary processing of agricultural products on agricultural land, the application form and required documentation (OG 93/11)

- Rulebook of Procedure for temporary conversion of agricultural land, form and content of the application form and required documentation (OG 94/11, 143/11)
- Rulebook on amendment and supplement the Rules of Procedure for granting approval for construction of auxiliary facilities, greenhouses or facility for primary processing of agricultural products on agricultural land, the application form and required documentation (OG 152/11)

Law on land for construction (OG 17/11, 53/11)

Law on Occupational Health and Safety (OG 92/07, 136/11)

- Book of rules on the signs for health and safety work (OG127/07)
- Book of rules on the form and content of the template for notification of starting occupational activities (OG 136/07)
- Book of rules on the manner of evidencing in the area of occupational safety (OG 98/00)
- Book of rules on the health and safety work during working process exposed to noise risk (OG 21/08)
- Book of rules on personal occupational safety equipment (OG 116/07)
- Book of rules on occupational health and safety during use of working equipment (OG 116/07)
- Book of rules on the health and safety work during working process exposed to mechanical vibrations (OG 26/08)

Law on Environment (OG 53/05, 81/05, 24/07, 159/08, 124/10, 51/11)

- Book of rules on the procedure for issuing operational permit with operational plan (OG 04/06)
- Book of rules on the procedure for obtaining B-integrated environmental permit (OG 04/06)
- Book of rules on the procedure for obtaining A-integrated environmental permit (OG 04/06)
- Decree on determining projects and criteria on the basis of which the screening for an environmental impact assessment shall be carried out (OG 74/05, 109/09)
- Decree on determining the activities of the installations for which integrated environmental permit or operational permit with operational plan is issued and the time line for submitting the application for operational permit with operational plan (OG 89/05)

1.8.2. Specific legislation establishing eligibility requirements for the investments:

Law on Wine (OG 50/10, 53/11, 06/12)

- Book of rules on manner for registration in the register of wine producers, form, content and manner of keeping the register (OG 144/10, 113/11, 04/12)

- Book of rules on detailed conditions in respect of premises and equipment for wine production (OG 144/10).
- Book of rules on the form and content on applications and manner for applying on changes in the vine register (OG 15/11)
- Rulebook on the content and manner of use of data on the label of the products of grapes and wine (*) (OG 106/11)
- Rulebook on the form, content and manner of maintaining the input and output registers of the products of grapes and wine (*)(OG 161/11)
- Rulebook on the manner of application of oenological means, their characteristics as well as maximum amounts of approved oenological means that are used in wine production (*)(OG 16/12)

Law on Protection and Animal welfare (OG 113/07, 136/11)

- Book of rules for the conditions and means for protection of farm animals (OG 140/09)
- Book of rules for treating animals while killing (OG 163/10)

Law on Food safety (OG 157/10, 53/11, 1/12)

- Book of rules on the procedures for implementing HACCP principals by the food operators, as well as the manner of verifying these procedures by the competent authority (OG 113/08)
- Book of rules for specific requirements for safety and hygiene and means and ways for performing official controls of milk and milk products (OG 26/12)
- Book of rules on the manner for issuing certificate for safety, form and contents of the request for issuing the certificate and the of costs for issuing (OG 156/07)
- Book of rules for sanitary-hygienic condition for production of food (OG 32/06, 35/09)
- Book of rules on the labelling of foodstuffs (OG 118/05)
- Book of rules for special requirements on quality of fruit juices and other similar products (OG 32/06)
- Book of rules for special requirements of quick frozen products (OG 32/06)
- Book of rules on way of issue the approval and required documentation for production of food for particular nutritional purposes and novel food (OG 3/2007)
- Book of rules for products and materials in contact with food (OG 93/10)
- Book of rules on the special requirements for the food from animal origin (OG 115/08, 21/09)
- Book of rules on the form and the content of the register of food facilities and operators and the manner and the procedure for registration of the food facilities and operators (OG 19/08)

- List of categorized by-products from animal origin (OG 53/08)
- Book of rules on the conditions that have to be fulfilled by the facilities for slaughtering animals, processing and storage of products of animal origin (OG SFRY 53/89)
- Book of rules on the veterinary-sanitary minimum for production, keeping, breeding, trade and quarantine and isolation of animals (OG SRM 2/79)
- Book of rules for manner the handling of animals during slaughter (*) (OG 163/10)
- Book of rules for additional identification of poultry meat intended for market in terms of cooling and breeding method, the markings and their usage (*) (OG 35/11)
- Book of rules on the form and content of the register of facilities and operators with food from non-animal origin, form and content of the register of facilities and operators with food from animals, form and content of application for registration and the manner of registration of food operators and facilities (94/11, 152/11, 15/12)
- Book of rules on the means of conducting and securing traceability of food from animal origin and animal feed (OG 59/12)

Law on Waste and By-products of Animal Origin (OG 113/07) and the related Book of rules

Law on Agriculture and Rural Development (OG 49/10, 53/11)

- - Book of rules on the application form for entry in the register of buyers and register of importers of certain agricultural products and the necessary supporting documentation (OG 102/10)
- Book of rules on detailed conditions to be fulfilled by the buyers of agricultural products and detailed conditions to be met at the purchase points for agricultural products (OG 102/10, 144/10, 156/11)
- Book of rules for the type of data for the planned amount for purchase of agricultural products and purchase for the previous year, the manner of delivery, form and form submission (OG 102/10)
- Book of rules on the form of application for registration in the register of purchasers and the register of importers of certain agricultural products and the necessary supporting documentation (OG 102/10, 144/10, 156/11)
- Book of rules on conditions for entry in the register of importers of certain agricultural products (OG 102/10, 144/10)

Law of quality of agricultural products (OG 140/10, 53/11)

- Book of rules on the form and content of the application forms for submitting reports where the data refer to quantities of purchased, sold and stored fresh fruits and vegetables by species, varieties and classes, as well as their origin (OG 90/11)

- Book of rules on minimum quality standards for fresh fruits and vegetables intended for processing and specific marketing standards for quality of fresh fruits and vegetables intended for use (*) (OG 91/11)
- Book of rules on the form, content and manner of keeping the record from the register of users of marks of origin, Register of users of geographical indications or Register of users of the mark for guaranteed traditional specialty (*)(OG 99/11)
- Book of rules on the form and content of the specification for obtaining mark for guaranteed traditional specialty (*)(OG 99/11)
- Rulebook on the form and content of the single document on the registration of the mark of origin or geographical indication (*)(OG 99/11)
- Book of rules on the form of application and the necessary supporting documentation for registration in the register of producer organizations (OG 125/11)
- Book of rules on the application form and documentation required for registration on groups of producers in the Register of groups of producers (OG 126/11)
- Book of rules for the manner of storage of the raw milk and taking samples for analysis and superanalysis, the content, form and the manner of filing of the minutes, the methods for analysis of raw milk, the method of classification and method of valuation of raw milk, and the manner of conducting the training program and conducting training for controllers (OG 151/11)

Law on trade (OG 16/2004,128/2006, 63/2007, 88/2008, 159/2008, 20/2009, 99/2009, 105/2009, 115/10,158/10, 36/11, 53/11)

- Book of rules for minimum technical conditions for administrative facilities and facilities in which trade is performed (OG 21/04, 54/04, 79/04, 70/07, 93/08, 124/11)
- Book of rules on form and content of the document – application for fulfillment of the minimum technical conditions for performing trade and starting with sale stores and other commercial object (OG 21/04, 86/05)

The IPARD Agency is responsible to verify the compliance to the national legislation. Corresponding amendments to the national legislation shall be applicable to the projects subject to approval procedure.

1.9 Aid Intensity

Total public expenditure (national + EU funds) will not exceed a ceiling of 50% of the total eligible cost of the investment.

The financial contribution by the final beneficiaries in relation to the total eligible cost must be 50%.

1.10 Financing

1. The degree of public intervention for the projects of private interest is 50% of which:

- 75% is EU contribution
- 25% from the national budget

Public sector support granted for investments in section 1.4 – "Priority sectors and the type of eligible investments" is up to 50% of the total investment amount eligible for support.

2. Within this program projects of a minimum total eligible cost of the investment of 10,000 Euro will be financed.
3. The maximum total eligible expenditure for the whole period of the Programme implementation is 3,000,000 euro per beneficiary under this measure.
4. Applicants may submit several projects under this Measure during the Programme implementation period, provided that the maximum total eligible expenditure is not exceeded and previous projects have been successfully finalized i.e. the final payment is received.

The eligible project activities have to take place after the signature of the contract with exception to feasibility and technical studies, in the limit of the percentage approved in the measures. The payment of the financial support will be made on the base of justifying documents, which prove the accomplishing of the activities and their eligibility. For purchase of machinery and equipment, the payment will be made as a single payment at the end of the investment. For investments concerning construction and reconstruction of buildings including equipment, the payment can be made in maximum in two installments,according to beneficiaries' choices. In this case the first instalments shall be paid after the finalisation of the construction or reconstruction works and the second instalment after the installation of the equipment, i.e. at the end of the investments.

The planned relative importance of Measure 103: Investments in processing and marketing of agriculture products in relation to the other measures being financed under IPARD is up to 33%. The distribution of the public investment is according to the objectives to be achieved under this measure.

Table 3: Indicative Financial Plan for Measure 103 (2007-2012), in EUR

Year	Total eligible cost	Public expenditure						Private contribution	
		Total		EU contribution		National contribution			
	EUR	EUR	%	EUR	%	EUR	%	EUR	%
1	2=3+9	3=5+7	4=3/2	5	6=5/3	7	8=7/3	9	10=9/2
2007	1,960,000	980,000	50%	735,000	75%	245,000	25%	980,000	50%
2008	6,253,334	3,126,667	50%	2,345,000	75%	781,667	25%	3,126,667	50%
2009	9,520,000	4,760,000	50%	3,570,000	75%	1,190,000	25%	4,760,000	50%
2010	11,000,000	5,500,000	50%	4,125,000	75%	1,375,000	25%	5,500,000	50%
2011	13,653,333	6,826,666	50%	5,120,000	75%	1,706,666	25%	6,826,666	50%
2012	15,352,835	7,676,418	50%	5,757,313	75%	1,919,104	25%	7,676,418	50%

Total	**57,739,502**	**28,869,751**	**50%**	**21,652,313**	**75%**	**7,217,438**	**25%**	**28,869,751**	**50%**

Table 4: Indicative breakdown of Measure 103 Budget by priority sector, in EUR

Group of investments		% of the measure 103	EU funds	National Co-financing	Private contribution	Total cost
1031	**Wine Production**	3%	649,569	216,523	866,092	1,732,185
1032	**Fruit and Vegetable Processing**	11%	2,381,754	793,918	3,175,673	6,351,345
1033	**Milk processing and Dairy Products**	20%	4,330,463	1,443,488	5,773,950	11,547,901
1034	**Meat Products**	66%	14,290,527	4,763,509	19,054,036	38,108,071
	Total	**100%**	**21,652,313**	**7,217,438**	**28,869,751**	**57,739,502**

1.11 Financing Conditions

(a) Beneficiaries-legal entities are obliged to keep all accounting records at least 5 years after the investments takes place;

(b) The beneficiary should collaborate and provide any requested information to the officials of MAFWE, IPARD Agency or European Commission authorised to control and audit the implementation of the project as well as NAO/NF and AA.

(c) The support will be reclaimed in the case where the supported goods are not used for the purpose intended or in the case, they are sold or leased during a period of 5 years.

(d) The beneficiary may again apply for support, following the completion and approval of a previous project and reception of final payment for previous completed project.

1.12 Geographical Coverage

This measure will apply on the whole territory of the country

1.13 Quantified Targets for EU Common Indicators:

Type of indicator	Indicator	Target
Output	Number of applications received	190
	Number of applications approved	170
	Number of enterprises supported	170
	Total volume of investment, €	72.5 Mio. euro
Result on measure level	Number of supported establishments introducing Community standards	100%
	Increase in GVA in supported holdings/enterprises (range %)	7%-10%
Impact	Economic growth in food sector - net additional added value in PPS, €	*

	Labour productivity in food sector - change in gross added value per full-time equivalent (GVA/FTE), %	*

* To be completed by means of survey and other evaluation models, carried out by MA, for the purpose of interim and ex-post evaluation

1.14 Programme Specific Indicators and Quantified Targets

- Share of modernised processing establishments of total registered establishments in the priority sectors covered by the measure (appr. 80%)
- Share of reconstructed slaughterhouses in full compliance to Community standards of total registered slaughterhouses (appr. 90%)
- Share of supported establishments that have improved milk hygiene requirements according to Community requirements of total registered milk and dairy establishments (appr. 70%)

1.15 Supporting Documents

The Agency for Financial Support of Agriculture and Rural Development is responsible for defining the required documents in accordance to the eligible requirements under this Programme and in acordance with the Managing Authority.

1.16 Implementing Authority

The Agency for Financial Support of Agriculture and Rural Development (IPARD Agency) represents the Implementing Authority in the country.

Priority Axis 3

Measure 302: Diversification and development of rural economic activities

This measure is applied in accordance with:

- Article 12 (2) of Framework Regulation – Council Regulation (EC) No 1085/2006 [Establishing an instrument for pre-accession assistance (IPA)] amended by Regulation (EU) No 540/2010 of the European Parliament and of the Council of 16 June 2010 and Regulation (EU) No 153/2012 of the European Parliament and of the Council of 15 February 2012

- Article 180 of Commission Regulation (EC) No 718/2007 of 12 June 2007 [Implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)] amended by Commission Regulation (EU) No 80/2010 of 28 January 2010 and Commission Implementing Regulation (EU) No 1292/2011 of 9 December 2011

1.1 Rationale

The purpose of the measure is to provide a sound basis for financing projects co-financed by the European Union that are aimed at development and financing of alternative economic activities in rural areas including alternative economic activities on agriculture holdings, which will provide diversification of the on-farm income currently depending solely on agriculture, support for production of speciality food characterised by the traditional taste of rural areas, promotion of rural tourism valuing the natural advantages and traditional aspects of the rural communities and promotion of crafts focusing on handicrafts activities and crafts services, thus contributing to the increasing of competitiveness and added value of the rural economies, improvement of quality of life and creation of job opportunities at the same time.

The measure has as a general objective the support for investments, destined to increase the variety of economic fabric in the rural areas while promoting job creation and income generation incorporating the natural and traditional values.

The development of rural areas in the country has a close relationship with the development of agriculture sector. Agriculture has traditionally been one of the most important sectors in the rural economy and a main source of income for a large portion of the rural population. Still the production tends to be rather volatile and climate dependent, jeopardising the rural livelihoods.

Agricultural activities alone are not able to provide suitable income to the rural inhabitants because of structural delays; therefore, diversifying of the on-farm income with introducing different on farm economic activities in the rural areas is envisaged. In agricultural holdings, this means the search for additional employment and income possibilities in the processing and marketing of agricultural products cultivated on the holding as well as introducing of alternative cash crops.

Consecutively to the set priority for investments under this measure supports is envisaged for building or modernisation of buildings in the rural areas for tourist purposes and investments in development of complementary sports and recreational services or improving the quality of the services or for establishment and/or expansion/modernization of catering businesses respecting the environmental protection and hygiene norms regarding the life environment of the population.

Traditional food and speciality food is the main amenity of country's rural areas. Providing support for establishing and modernisation of processing activities will add value to the home made recipes and promote the entrepreneurial skills of the rural population. Investing in traditional handicrafts activities add another focus to the promotion of long but loosing tradition while variety of qualifications are disappearing in the economic transition overhaul with mass production. Promoting the crafts services will contribute to self-employment and increase of provision of variety of services to the rural population thus improving the quality of life.

1.2 Correlation with other measures

Within this Programme this measure complements the implementation of the measures under Priority Axis 1 "Investments in Agriculture Holdings" and "Investments in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to Community standards".

The Measure also complements to the national support scheme through the Programme for Rural Development, SME support, Crafts support and support to Tourism development as well as corresponding linkage to other donor support and IFI's.

Related national policies, donor and IFI's activities are described in full in Part II.

Investments under this measure cannot be supported by any other IPA components or EU donor assistance or any foreign donor capital-grant scheme. The applicant must provide a statement by own responsibility declaring that he/she is not supported for this investment project under any other IPA programs, or EU donor assistance or any foreign donor capital grant scheme or IFI's.

The IPARD Agency will ensure that all beneficiaries are checked whether they receive funds from other IPA programs, or Community assistance or any foreign donor grant scheme or IFI's that are proposed for financing under IPARD Programme. The IPARD Agency will not accept applications for projects that are financed from any other IPA programs, or Community assistance or any foreign donor grant scheme or IFI's . The IPARD Agency is obliged to check whether the project received is financed from other sources (any other IPA programs, or Community assistance or any foreign donor grant scheme or IFI's) at two stages:

1) prior to approval of project;
2) prior of approval of payment.

The IPARD Agency will assure that future double financing is avoided by stamping the received invoices for investment with clear "IPARD" stamp by an authorised official before being the subject of a payment from the IPARD Agency.

1.3 Objectives

1.3.1. General objective

The overall objective of this measure is to contribute to the creation of new jobs and to the maintaining of existing jobs through the development of micro-business activities, thus raising the economic activity level of rural areas and stemming rural depopulation. Assistance under this priority shall also contribute to achieve the improvement of the quality of life of the wider beneficiaries in the rural areas.

In addition this measure aims towards the National Agriculture and Rural Development Objectives:

- Increased income of the rural population through the development and diversification of on-farm and/or off-farm activities;
- Increased economic activities in the rural areas;
- Creation of employment opportunities for rural population;
- Enhance or provide additional mainstream services for the rural economy;
- To provide openings for future economic development, including tourism and craft activities;

1.3.2. Specific objective

- To support the additional sources of sustainable income for agriculture holdings through promoting value added niche products;
- To preserve and to develop traditional handicraft activities;
- To sustain the agricultural activities in the rural area through the accomplishment of specific services;
- To sustain the activities which are specific to the rural tourism;

1.4 Priority sectors and the type of eligible investments

Priority shall be given to investments for the creation and development of micro and small economic businesses in rural areas related to food processing, non-food production activities, introducing new alternative agriculture production on agriculture holding and provision of agriculture services, crafts and rural tourism.

Within the framework of this specific measure, support will be provided for the following group of investments:

3021 Group of investments for establishment and upgrade of non-agriculture production activities in rural areas

30211 Development of small-scale food processing capacity:

- Investment support in construction/reconstruction of buildings for establishment and modernization of food processing establishments for producing traditional/novelty food products,
- Purchase of machinery and equipment for processing, packaging, labeling and storage,
- Purchase of equipment for technical utilities, including provision of connected infrastructure, and equipment for sustainable energy use from renewable resources,
- Purchase and installation of the equipment and achievement of occupational safety, environmental, sanitary and hygiene standards.

30212 Development of non-food production activities:

- Investment support in construction/reconstruction of buildings for establishment and modernization of production facilities for non-food production activities,
- Purchase of machinery and equipment for processing, packaging, labeling and storage,
- Purchase of equipment for technical utilities, including provision of connected infrastructure, and equipment for sustainable energy use from renewable resources,
- Purchase and installation of the equipment and achievement of occupational safety, environmental, sanitary and hygiene standards.

30213 Setting-up and modernization of collection centers for forest products:

- Investment support in construction/reconstruction of buildings for establishment and modernization collection centers for forest products (non-timber), collection points/stations and facilities for primary processing, packing and sales of forest products,
- Purchase of equipment for achievement of minimum – technical standards for the operation, technical utilities, climate conditions, including provision of connected infrastructure, and equipment for sustainable energy use from renewable resources,
- Purchase of machinery and equipment for collection, reception, primary processing, packaging, labeling and storage including equipment for collection and storage at collection points/stations,
- Purchase and installation of the equipment and achievement of environmental, sanitary and hygiene standards.

30214 Promotion of traditional handicrafts

- Investment support in construction/reconstruction of buildings for establishment and modernization for traditional handicrafts activities, including facilities for marketing and selling points of craft products,
- Purchase of equipment for achievement of minimum – technical requirements for the craft operation, technical utilities, climate

conditions, including provision of connected infrastructure, and equipment for sustainable energy use from renewable resources,

- Purchase of machinery, tools and equipment for the relevant craft activity,
- Purchase and installation of the equipment for achievement of occupational safety standards related to the economic activity.

30215 Support for provision of rural services (non-agriculture)

- Investment support in construction/reconstruction of buildings for establishment and modernization for provision of rural services,
- Purchase of equipment for achievement of minimum – technical standards for the operation, technical utilities, climate conditions, including provision of connected infrastructure, and equipment for sustainable energy use from renewable resources,
- Purchase of machinery, tools and equipment for the relevant rural service, Purchase and installation of the equipment for achievement of occupational safety standards related to the economic activity.

3022 Group of investments for diversification of agriculture income

30221 Introduction of alternative agriculture production systems

- Investment support in construction/reconstruction of buildings, greenhouses/glasshouses and auxiliary facilities (open or closed) for establishment and modernization of alternative agriculture production systems, including facilities for primary processing, packaging and marketing of the outputs and selling points from the agriculture holding,
- Investment in setting-up perennial plantations,
- Purchase of equipment for achievement of minimum – technical standards for the operation, technical utilities, climate conditions, including provision of connected infrastructure, and equipment for sustainable energy use from renewable resources,
- Purchase of agriculture machinery, tools and equipment for the relevant alternative agriculture production activity.

3023 Group of investments for provision of agriculture services in rural areas

30231 Investments for setting-up of "Machinery Rings"

- Investment support in construction/reconstruction of buildings and equipment for setting-up of "Machinery Rings" created on voluntary basis for the purpose of protecting agriculture holdings from non economical investments into excess of agriculture machinery and equipment and for the rational use of existing agricultural machines through service rendering both to the owner of the machine and to the agriculture holdings who do not have specific agricultural means,
- Investments in facilities and equipment for units for supplying agricultural inputs (fertilizers, seeds and planting material, plant

protection products, fuels and lubricants) and units rendering mechanization services for agriculture

- Procurement of agriculture machinery and equipment, offices equipment and IT equipment and construction investments in sheds for the agriculture machinery and equipment,
- Investment in facilities, equipment and tools for repair of agriculture machinery and equipment
- Purchase and installation of the equipment for achievement of occupational safety standards,

30232 Establishment and upgrade of private Veterinary services

- Investment support in construction/reconstruction of buildings for establishment and upgrade of private veterinary stations for provision of animal health services in villages, including auxiliary facilities for the sanitary and hygiene requirements and waste collection and treatment and facilities for hospitalizing the animals during treatment,
- Purchase of equipment for achievement of minimum – technical standards for the operation, technical utilities, climate conditions, including provision of connected infrastructure, and equipment for sustainable energy use from renewable resources,
- Purchase of machinery, tools and equipment for the veterinary service,
- Purchase and installation of the equipment for achievement of occupational safety standards, environmental, sanitary and hygiene standards, waste collection and treatment.

3024 Group of investments for promoting rural tourism activities in rural areas

30241 Construction/Reconstruction and modernization of rural tourism facilities:

- Investment support in construction/reconstruction of rural buildings and/or old traditional agriculture buildings (mills, barns, etc.) for provision of rural accommodation, rural museum, minimum sanitary/hygiene requirements, catering, tasting, selling point, as well investments in complementary recreational facilities;
- Purchase of equipment for achievement of minimum-technical requirements for the operation, technical utilities, including provision of connected infrastructure, and equipment for sustainable energy use from renewable resources;
- Purchase and installation of the equipment and achievement of environmental, sanitary and hygiene standards;
- Investments in equipment for rural accommodation, catering, tasting, selling points, rural museum as well investments in equipment for complementary recreational facilities.

30242 Construction/Reconstruction and modernization of outdoor accommodation facilities:

- Investment support in construction/reconstruction of sites for outdoor accommodation (i.e. camping area, trailer camps, bungalows etc.), catering premises in rural areas, provision of sanitary/hygiene requirements, complementary recreational facilities;
- Purchase of equipment for technical utilities, including provision of connected infrastructure, and equipment for sustainable energy use from renewable resources;
- Purchase and installation of the equipment and achievement of environmental, sanitary and hygiene standards;
- Investments in equipment for outdoor accommodation, catering services, recreational facilities.

1.5 Eligible criteria

1.5.1. Requirements for the application

General requirements

1) The applicant should be established in a rural areas as defined in section 1.12. Geographical Scope in this Measure Fiche.

2) The applicant must submit an Application Form supported with a set of required documents.

   - In case of construction and/or reconstruction projects the applicant must submit copies of approved Technical drawings and certified bill of quantities which indicates the estimated cost of the envisaged works as well as document to assure compliance of the investment with the specified civil engineering standards of the Municipality or to other standards acceptable to the Municipality in accordance to the urban and spatial plans;

3) The applicant must demonstrate prospect of continuity of operations during at least five years following the realization of the investment.

   - For projects having a total eligible budget bellow 50,000 euro in MKD equivalent, the prospect of employment opportunity creation in rural areas and financial viability must be demonstrated via Technical Project Proposal containing perspective data on financing indicators in terms of generating sufficient income to meet the operating costs, debt commitments and, where applicable, to allow growth while maintaining the resource base;
   - For projects having a total eligible budget exceeding 50,000 euro in MKD equivalent, the prospect of economic-financial viability and employment opportunity creation in rural areas must be demonstrated via Business Plan;

4) The applicant proposing projects with expected income above the threshold of 2.000.000 MKD, registration in the national VAT system is mandatory.

5) The Applicant must comply with the relevant minimum national standards to the investment and in particular related to the environment, animal welfare, public health, food safety and occupational safety, at the time when then decision to grant support is taken.

   - In case of new investments, the applicant must obtain a document from the competent authorities related to the investment confirming that all mandatory national minimum are respected prior to approval of payment;

6) The applicant must have no outstanding liabilities against state in terms of fiscal obligations and financial obligations to the health, social and pension insurance fund;

7) The applicant must prove that he/she is the owner of the land/building/s or they have rent or concession contracts of minimum 5 years in case of investments, which do not imply construction works.

   - In case of investments which apply construction works, the applicant has to prove for the land/building/s the right to use it for a minimum of 10 years or to prove ownership or right to use the land for construction purposes for a minimum of 10 years;

8) The Applicant must assure compliance of the project with the Local Development Strategy of the concerned Municipality where the investment is located. If the Municipality has not yet adopted Local Development Strategy by the time of submitting application for grant, the Applicant shall elaborate within the Technical Project Proposal/Business Plan the prospects of the investment for the local development of the concerned Municipality where the investment is located.

9) The applicant may submit concurrent proposals under different Measures of the IPARD Programme. However, the applicant may only submit one project proposal at a time under the same Measure. If the proposal under one Measure is approved, the applicant will have to complete that project before being able to submit another proposal under the same Measure.

   - In the case of Measures consisting of Sub-Measures, the applicant may submit a single application which consists of components for various Sub-Measures of a Measure.

Specific requirements for investments into establishment and upgrade of non-agriculture activities in rural areas:

Production of food products

1) Project covering investments in production of traditional food products must concern the production activities as listed in Annex 15;

2) Applicant – agriculture holding must be registered in the Farm Register. The applicant must ensure that the agriculture production capacities secure at least 30% of raw materials for production of traditional/novelty product is from own resources when applying for support;

3) Applicant – trade company or sole proprietor must be registered in the Central registry as micro or small enterprise dealing with food processing and provide pre-contracts with agriculture producers or other cooperation proof demonstrating regular supply of at least 30% of the raw material for processing when applying for support;

4) Applicant – cooperative must be registered in the Central registry dealing with agriculture and food processing and provide cooperation agreements with its members or other cooperation proof with agriculture producers demonstrating regular supply of at least 30% of the raw material for processing when applying for support;

5) Applicant – craftsmen must be registered in the Crafts Register for production of food with respect to the national legislation on craft activities that compulsory are provided in closed premises.

Production of non-food products

1) The project covering investments in production of non - food products must concern the production activities listed in Annex 16;

2) Applicant – trade company or sole proprietor must be registered in the Central registry as micro or small enterprise dealing with non-food processing as those listed in Annex 16.

Collection centres for forest products

1) Project covering investments in Collection centres for forest products must consider the definition of forest products eligible for collection and the specific requirements for collection of forest products as defined in the Law on forestry and corresponding by-laws and demonstrate the respect of the provisions in the Technical Project Proposal/Business Plan when applying for support;

2) Applicant – Trade Company or sole proprietor must be registered in the Central registry as micro or small enterprise dealing with collection and/or processing of forest products (NACE Rev.2 02.30 Gathering of wild growing non-wood products) and provide pre-contracts with individual collectors and/or licence for picking forest products according to Law on Forests;

3) Applicant – Cooperative must be registered in the Central registry dealing with collection of forest products (NACE Rev.2 02.30 Gathering of wild growing non-wood products) and provide cooperation agreements with its members or other cooperation proof with individual collectors when applying for support;

4) Collection centres for cultivated mushrooms and fruit berries shall not be eligible for support as those activities are subject to support in Measure 103 under this Programme.

Crafts activities

1) Projects concerning investments in crafts must relate to craft activities and services as listed in Annex 17 and Annex 18 and in accordance to

the national legislation on craft activities that compulsorily are provided in closed premises; Crafts services related to food processing, tourism and catering are excluded.

2) Applicant – agriculture holding must be registered in the Farm Register when applying for support;

3) Applicant – craftsmen must be registered in the Crafts Register for the activities for which the investment is proposed with respect to the national legislation on craft activities that compulsorily are provided in closed premises.

4) Applicant – Trade Company or sole proprietor must be registered in the Central registry as micro enterprise dealing with the activities listed in Annex 17 and Annex 18.

Alternative agriculture production systems

1) The project covering investments in alternative production on agriculture holding must concern the following alternative production activities:
   - Cultivation of mushrooms and truffles and producing compost for mushrooms (NACE Rev.2 01.13, 01.30);
   - Production of planting material for vines, fruits and vegetables (NACE Rev.2 01.30);
   - Collection and composting of organic waste (non-animal origin);
   - Horticulture (cultivation of flowers, production of cut flowers and flower buds, decorative plants, trees and nurseries for production of planting material) (NACE Rev.2 01.19, 01.30)
   - Rabbit breeding (wild and domesticated) (NACE Rev.2 01.49)
   - Snail breeding (NACE Rev.2 01.49)
   - Breeding of birds for eggs and meat – ducks, geese, turkey, capercaillie, ostriches and emus and guinea fowls (NACE Rev.2 01.47, 01.49)
   - raising of game animals on ranching operations (NACE Rev.2 01.4)
   - Bee-keeping and breeding (production of queen bees and bee hives) and production of honey and beeswax (NACE Rev.2 01.49)
   - Growing of chillies, herbs, seeds, and other spices and aromatic crops (NACE Rev.2 01.28)
   - Growing plantations of trees for timber and bio-mass (fast growing) (NACE Rev.2 02.10)
   - Growing of Christmas trees (NACE Rev.2 01.29)
   - Forest tree nurseries (NACE Rev.2 02.10)
   - Aquaculture farms for freshwater fish (NACE Rev.2 03.22)
2) Applicant – agriculture holding must be registered in the Farm Register when applying for support;

3) Applicant – cooperative must be registered in the Central registry dealing with agriculture when applying for support;

4) Applicant – Trade Company or sole proprietor must be registered in the Central registry as micro or small enterprise when applying for grant support.

5) The Applicant proposing investments in aquaculture must obtain a right for utilizing water according to the provisions in the national legislation for waters and be registered for aquaculture according to the provisions in the national legislation for fisheries and aquaculture at the end of the investment;

Agriculture services

1) For projects related to establishment and functioning of 'Machinery Rings' and establishment and upgrading of Veterinary services only the ability to cover the operating costs of the applicant for at least five years after the project is finalised will be assessed in terms of economic-financial capability.

2) The Applicant applying for projects related to establishment and functioning of 'Machinery Rings' shall be legal entity established as non-profit organisation or cooperative when applying for grant support.

3) The Applicant – cooperative must be registered in the Central registry dealing with agriculture production or with agriculture services or with production of agriculture inputs when applying for grant support.

4) The Applicant – non-profit organisation must be registered in the Central registry and created on voluntary basis for the purpose of protecting agriculture holdings from non economical investments into excess of agriculture machinery and equipment and for the rational use of existing agricultural machines through service rendering both to the owner of the machine and to the agriculture holdings who do not have specific agricultural means.

5) For projects related to establishment and upgrading of Veterinary services, the applicant must comply with the national veterinary legislation at the end of the investment.

6) Veterinary activities (NACE Rev.2 75.00) concern only animal health care and control activities (including clinico-pathological and other diagnostic activities pertaining to animals and animal ambulance activities) for farm animals carried out by qualified veterinarians.

7) Applicant – Trade Company or sole proprietor must be registered in the Central registry as micro or small enterprise when applying for grant support.

Rural tourism

1) Projects related to rural tourism concern establishment or modernize land/buildings for provision of:

- indoor accommodation (rooms, apartments, Bed&Breakfast, self-catering cottages)
- catering service (cooking and serving food)
- outdoor accommodation (camping sites, bungalows, trailer camps)
- combined services – accommodation and catering service
- provision of tasting rooms/selling points for direct marketing of products
- rural museums (expressing historical, natural, traditional, educational, agricultural etc. amenities of the rural area)
- recreational activities.

2) Projects related to recreational activities must be complementary to provision of rural accommodation and/or catering by the applicant with capacity as described in point 7), 8) and 9) in terms of provision for:

- sports facilities (indoor and outdoor) and equipment;
- biking/hiking/climbing equipment;
- horse keeping facilities, riding area and equipment;
- fish ponds and fishing equipment;
- wellness facilities (indoor and outdoor) and equipment;
- playgrounds and equipment;
- animal zoo facilities and equipment;

3) Projects related to rural tourism may concern investments in provision of facilities for trainings and seminars additional to provision of rural accommodation and/or catering by the applicant with capacity as described in point 7), 8) and 9);

4) Projects related to rural tourism must contribute to creation of jobs in rural area and demonstrate engaging of at least one employee (either self-employment or employment of family member) within three years after the investment is realized;

5) Projects concerning investments in rural tourism activities also including complementary activities in wine tourism (i.e. tasting rooms, wine cellars) the investment must be located in the vine regions of Municipalities Kavadarci, Negotino, Demir Kapija, Gradsko and Rosoman;

6) Projects concerning investments in construction/reconstruction of buildings must be carried out adopting the traditional architecture style of the rural area demonstrated via Technical drawings designed by an authorized architect and supported by photographic evidence of existing traditional construction style as supplement to the Application.

- Technical drawings must be complemented with written elaborate of the construction style and materials used of the traditional buildings in the rural area concerned and/or the construction style of the nearest rural settlements to support the choice of architectural design of the proposed construction/reconstruction intervention;

- In case when the building is listed as Protected Cultural Heritage or it is in the Cultural Heritage Protected Zones, the applicant, in addition to the other requirements, has to comply with the provisions set in the national legislation for protection of the cultural Heritage demonstrated via opinion of the Directorate for Protection of the cultural heritage at the Ministry of Culture on the proposed investment.

7) Applicant – Agriculture Holding must be registered in the Farm Register in MAFWE when applying for support.

- In case the applicant is agriculture holding proposing investments in rural tourism activities related to tasting rooms /selling points for direct marketing of wine products, he/she must demonstrate minimum annual production capacity of vineyards and equivalent to annual wine processing capacity of minimum 20hl and maximum equivalent to 400hl via registered in the Farm Register in MAFWE when applying for support;
- The capacity proposed for indoor accommodation on agriculture holding must be not more than 10 rooms (including apartments) to accommodate maximum 30 people (excluding additional beds for children);
- The capacity proposed for catering service / tasting facilities must be organized for serving food for maximum 60 guests;

8) Applicant – Trade Company or Sole Proprietor must be registered in the Central registry as micro or small enterprise dealing with tourism, catering, agriculture, forestry and hunting, fishery and aquaculture or wine production activities with headquarters in the rural area where the investment is located;

- In case the applicant is wine production company, it must be registered in the Register of wine producers in MAFWE when applying for support;
- In case the applicant is fishery and aquaculture company, it must be registered in the Register of aquaculture in MAFWE when applying for support;
- The capacity proposed for indoor accommodation must be not more than 30 rooms to accommodate maximum 50 people (excluding additional beds for children) and maximum 30 accommodation units or to accommodate 90 guest at once in case of outdoor accommodation;

9) The capacity proposed for catering service / tasting facilities must be organized for serving food in maximum capacity of 70 guests.

10) Physical persons may apply for support to investment concerning rural tourism in accordance to the provisions in the national legislation for catering. In this case:

- The land/ building subject to investment must be owned by the applicant – physical person and located on their permanent address of living located in rural area;
- The capacity proposed for indoor accommodation must be not more than 10 rooms to accommodate maximum 20 people (excluding additional

beds for children) and 10 accommodation units or to accommodate 30 guest at once in case of outdoor accommodation;

- The capacity proposed for catering service must be organized for serving only breakfast in maximum capacity of 50 guests. The catering service cannot be stand alone investment and must be complementary to provision of accommodation.

11) In addition to the provisions for classification of catering services in accordance to the national legislation for catering, the comfort level and quality of services rendered must also be in compliance to the Table of Minimum Quality Standards in Annex 20, derived from EUROGITES classification for rural accommodation – 2005 at the end of the investment;

12) The applicant proposing investments in aquaculture, fish ponds and fishing must have a concession for utilizing fish ponds or river basins according to the provisions in the national legislation for waters and fishery and aquaculture at the end of the investment;

13) The project must involve investments to meet sanitary, hygienic and environmental requirements where appropriate and at the end of the investment;

1.5.2. Eligible expenditure

1) All the investment provided for at Paragraph 1.4 – “Priority sectors and the type of eligible investments”

2) The eligible expenditures are:

(a) Construction of new buildings and installations and reconstruction of the existing ones. Eligible expenditure shall be limited to the construction or improvement of immovable property;

(b) Purchase of perennials

(c) The purchase of new machinery and equipment, including computer software up to the market value of the asset shall be considered as eligible;

- Co-financed new machinery and equipment must come from MS, CCs, potential CCs, countries benefiting from the "European Neighbourhood and Partnership Instrument" and other countries where reciprocal access to their external assistance has been established be the Commission (Article 19 of IPA Council Regulation)

(d) General costs linked to expenditure referred to in points (a) and (b), such as architects’, engineers’ and other consultation fees, feasibility studies, the acquisition of patent rights and licences shall be eligible up to a ceiling of 12% of the costs referred to in points (a), (b) and (c).

- for projects with eligible expenditure of the investments referred to in points (a), (b) and (c) of at least € 1 million and no more

than € 3million, the business plan preparation costs cannot be greater than 4% of the eligible expenditure of these investments; and

- for projects with eligible expenditure of the investments referred to in points (a), (b) and (c) less than € 1 million, the business plan preparation costs cannot be greater than 5% of the eligible expenditure of these investments.

(e) Cost for specific information and publicity activities at project level which are of the responsibility of the final beneficiaries in accordance with in accordance with Article 70 of the SA

The eligible expenditures are specified in the List of eligible Expenditures as accepted by the Commission.

3) Not eligible expenditures are those listed in Article 32 paragraph 4 of the Sectoral Agreement;

1.6 Priority criteria

In order to be sure that the investment meets the objectives of the measure the eligible projects will be granted points according to the scoring table bellow:

N.	CRITERION	INDICATOR	SCORE	Maximum points per criterion
1	Project location:	- if the investment is located in Municipalities with rural centres, hilly and mountainous settlements, near border settlements, economically underdeveloped or specific regions as in Annex 19;	15	35
		- if the investment is located in Municipality adjacent to Natural Protected Zones as in Annex 22	10	
		- If the investment is located in Municipality adjacent to Cultural heritage or Archaeological sites designated according to the Law on Cultural Heritage Protection	10	
2	Creation of employment opportunities	- if the investment provides opportunity for at least 5 up to 10 new employments;	15	15
		- if the investment provides opportunity for at least 3 new employments;	10	
		- if the investment provides opportunity for at least 1 new employment;	5	

3	**Preservation of traditions and heritage**	- if the investments respects the traditional features of the rural area where located (traditional exterior and interior design of the buildings, traditional recipes, cuisine, handcrafts etc.)	**20**	**20**
4	**Promoting partnership actions**	Joint projects involving private partnership between different rural economic agents	**10**	**10**
5	**Improvement of gender and age structure in rural areas**	Investments promoted by women	**10**	**20**
		Investments promoted by youth (between 18 to 40 years of age)	**10**	
			TOTAL	**100**

Scoring will be used for selection of projects via ranking in cases when the requested amount for financing support in the received applications is beyond the available financial budget committed to this Measure.

Applications for investment support will be processed and the decision on whether to grant the subsidy or not will be taken on the basis of the eligibility criteria and according to the order of receiving the applications, considering the total amount of funding allocated for the measure in a given year.

The process for approval of investments is according to the procedures of the IPARD Agency which concern the minimum activities as follows:

- Fulfilment of the eligibility requirements will be checked first;
- Assessment of the economic-financial viability will be done for projects fulfilling the eligible requirements;
- Eligibility of expenditures will be assessed;
- Scoring shall be performed to dedicate points to eligible projects prior contracting.

Projects scored with 0 points may be approved when the requested amount for financing support is bellow the available financial budget committed to this Measure and the eligibility requirements are fulfilled. Otherwise, the projects with 0 points shall be rejected.

Reports on scored projects will be used for Programme monitoring and evaluation purposes to assess if the projects submitted and approved are in accordance to the set of objectives for this Measure.

1.7 Beneficiaries

1.7.1. General definition of beneficiaries

Aid will be granted to an economically and financially viable agriculture holdings, trade companies, cooperatives, crafts, physical persons – rural dwellers established in accordance to the national legislation for the relevant organisational and legal form.

Support cannot be granted to legal entities in case their capital is held by a public body or bodies or when more than 25% is owned by the state . In specific cases where deemed appropriate based on the national legislation, the MA may ask the Commission to decide via submission of reasoned request.

1.7.2. Description of Final beneficiaries:

Since this measure targets various fields of rural economic activities, the definition of targeted beneficiaries applies accordingly with respect to the national definitions applied in different legislative acts.

1) Agriculture holding which is registered in the Farm Registry established within MAFWE in accordance with the Law on Agriculture and Rural Development.

Agriculture holding can be registered in the Farm Registry as family agriculture holding represented by natural person or individual agriculture producer or as agriculture holding represented by legal entity.

Natural person is a member of agriculture household who is authorized to represent the Agriculture Holding by all the other members of the agriculture household. The representative of the agriculture household and the members live on the same address which is the headquarters of the Agriculture Holding regardless of the location of the agriculture property.

Individual Agriculture Producer is a natural person who is dealing in agriculture on his/her own account being the owner of a farm or who has the right to use the farm obtained through a legal agreement by the owner and is registered in the Farm Registry and in the Register of Agriculture Producers in MAFWE as Individual Agriculture Producer or in the Pension Fund;

2) Trade Companies or Sole proprietor

Trade Company or Sole Proprietor must be registered in the Central registry as micro or small enterprise according to the Recommendation 2003/361/EC with headquarters or registered office in the rural area.

Enterprises qualify as micro and small sized enterprises if they fulfil the criteria laid down in the Recommendation 2003/361/EC which are summarized in the table below. In addition to the staff headcount ceiling, an enterprise qualifies as an micro or small-sized if it meets either the turnover ceiling or the balance sheet ceiling, but not necessarily both.

Enterprise category	**Headcount**	**Turnover or Balance sheet total**
small	< 50	≤ € 10 million ≤ € 10

		million
micro	< 10	≤ € 2 million ≤ € 2 million

Newly established enterprises shall be assessed on the basis of expression of their expected size of headcount, turnover or balance sheet total to be reached as proposed in the Technical Project Proposal/Business Plan, but not exceeding the range of micro and small enterprises. The assessment of the Applicants is performed by the IPARD Agency.

3) Cooperatives

Cooperatives must be registered in the Central registry established according to the national legislation on cooperatives and with headquarters in the rural area.

4) Craftsman

Craftsmen must be registered in the Crafts Register and with respect to the national legislation on craft activities that compulsorily are provided in closed premises and with headquarters in the rural area.

5) Natural persons and Legal entities (in the range of micro and small enterpirses) which are proposing new investments for entering into eligible activities per priority sector under this Measure are eligible for support subject to fulfilling the specific requirements at the end of the investment.

1.7.3. Other requiements (occupational skills etc.)

The authorised representative of the agriculture holding shall prove minimum secondary school education or higher education by diploma/certificate.

- For the beneficiaries related to rural tourism, the requirements in the national legislation for catering and food safety will apply;
- For beneficiaries related to food processing the requirements in the national legislation for food safety will apply;
- For beneficiaries related to collection of forest products the requirement in the national legislation on forest will apply;
- For beneficiaries related to crafts the requirement in the national legislation on crafts will apply;

At least one responsible person of the legal entity is permanently employed in the legal entity or is engaged under contract with duration not shorter that the Contract granting financial support under this Programme.

1.8 National legislation in force

The minimum national legislation in force related to the implementation of this Measure:

1.8.1. General legislation establishing eligibility requirements for application:

Law on Trade Company (OG 28/04, 84/05, 25/07, 87/08, 42/10, 48/10, 24/11)

Law on Cooperatives (OG 54/02, 84/05)

Law on Spatial and Urban planning (OG 51/05, 137/07, 124/10, 18/11, 53/11)

Law on Construction (OG 130/09, 124/10, 18/11, 36/11, 54/11, 59/11, 13/12)

- Book of rules on the form and content of approval for usage (OG 123/08)
- Book of rules on the form and content on application for obtaining an approval and form and content on the form an approval for construction (OG 24/11)
- Book of rules on the form and content of the form on decision for location condition (OG 60/05)
- Book of rules on the form and content of the request, necessary documentation and the pattern of the decision confirming compliance on the basic project with regulations, normative and standards (OG 131/08).
- Book of rules on the form and content on application, necessary documentation and form on decision for construction and placement of equipment that does not require approval for construction (31/11)

Law on Agricultural Land (OG 135/07, 17/08, 18/11, 42/11, 148/11)

- Book of rules for granting approval for construction of auxiliary facilities, greenhouses or facility for primary processing of agricultural products on agricultural land, the application form and required documentation (OG 93/11, 152/11)
- Book of rules for temporary conversion of agricultural land, form and content of the application form and required documentation (OG 94/11, 143/11)

Law on land for construction (OG 17/11, 53/11)

Law on Occupational Health and Safety (OG 92/07, 136/11)

- Book of rules on the signs for health and safety work (OG127/07)
- Book of rules on the form and content of the template for notification of starting occupational activities (OG 136/07)
- Book of rules on the manner of evidencing in the area of occupational safety (OG 98/00)
- Book of rules on the health and safety work during working process exposed to noise risk (OG 21/08)
- Book of rules on personal occupational safety equipment (OG 116/07)
- Book of rules on occupational health and safety during use of working equipment (OG 116/07)

- Book of rules on the health and safety work during working process exposed to mechanical vibrations (OG 26/08)

Law on Environment (OG 53/05, 81/05, 24/07, 159/08, 124/10, 51/11)

- Book of rules on the procedure for issuing operational permit with operational plan (OG 04/06)
- Book of rules on the procedure for obtaining B-integrated environmental permit (OG 04/06)
- Book of rules on the procedure for obtaining A-integrated environmental permit (OG 04/06)
- Decree on determining projects and criteria on the basis of which the screening for an environmental impact assessment shall be carried out (OG 74/05, 109/09)
- Decree on determining the activities of the installations for which integrated environmental permit or operational permit with operational plan is issued and the time line for submitting the application for operational permit with operational plan (OG 89/05)

1.8.2. Specific legislation establishing eligibility requirements for the investments:

Law on Wine (OG 50/10, 53/11, 06/12)

- Book of rules on manner for registration in the register of wine producers, form, content and manner of keeping the register (OG 144/10, 113/11, 04/12)
- Book of rules on detailed conditions in respect of premises and equipment for wine production (OG 144/10).
- Book of rules on the form and content on applications and manner for applying on changes in the vine register (OG 15/11)
- Rulebook on the content and manner of use of data on the label of the products of grapes and wine (*) (OG 106/11)
- Rulebook on the form, content and manner of maintaining the input and output registers of the products of grapes and wine (*)(OG 161/11)
- Rulebook on the manner of application of oenological means, their characteristics as well as maximum amounts of approved oenological means that are used in wine production (*)(OG 16/12)

Law on Protection and Animal welfare (OG 113/07, 136/11)

- Book of rules for the conditions and means for protection of farm animals (OG 140/09)
- Book of rules for treating animals while killing (OG 163/10)

Law on Food safety (OG 157/10, 53/11, 1/12)

- Book of rules on the procedures for implementing HACCP principals by the food operators, as well as the manner of verifying these procedures by the competent authority (OG 113/08)

- Book of rules for specific requirements for safety and hygiene and means and ways for performing official controls of milk and milk products (OG 26/12)
- Book of rules on the manner for issuing certificate for safety, form and contents of the request for issuing the certificate and the of costs for issuing (OG 156/07)
- Book of rules for sanitary-hygienic condition for production of food (OG 32/06, 35/09)
- Book of rules on the labelling of foodstuffs (OG 118/05)
- Book of rules for special requirements on quality of fruit juices and other similar products (OG 32/06)
- Book of rules for special requirements of quick frozen products (OG 32/06)
- Book of rules on way of issue the approval and required documentation for production of food for particular nutritional purposes and novel food (OG 3/2007)
- Book of rules for products and materials in contact with food (OG 93/10)
- Book of rules on the special requirements for the food from animal origin (OG 115/08, 21/09)
- Book of rules on the form and the content of the register of food facilities and operators and the manner and the procedure for registration of the food facilities and operators (OG 19/08)
- List of categorized by-products from animal origin (OG 53/08)
- Book of rules on the conditions that have to be fulfilled by the facilities for slaughtering animals, processing and storage of products of animal origin (OG SFRY 53/89)
- Book of rules on the veterinary-sanitary minimum for production, keeping, breeding, trade and quarantine and isolation of animals (OG SRM 2/79)
- Book of rules for manner the handling of animals during slaughter (*) (OG 163/10)
- Book of rules for additional identification of poultry meat intended for market in terms of cooling and breeding method, the markings and their usage (*) (OG 35/11)
- Book of rules on the form and content of the register of facilities and operators with food from non-animal origin, form and content of the register of facilities and operators with food from animals, form and content of application for registration and the manner of registration of food operators and facilities (94/11, 152/11, 15/12)
- Book of rules on the means of conducting and securing traceability of food from animal origin and animal feed (OG 59/12)

Law on Agriculture and Rural Development (OG 49/10, 53/11)

- Book of rules on the application form for entry in the register of buyers and register of importers of certain agricultural products and the necessary supporting documentation (OG 102/10)
- Book of rules on detailed conditions to be fulfilled by the buyers of agricultural products and detailed conditions to be met at the purchase points for agricultural products (OG 102/10, 144/10, 156/11)
- Book of rules for the type of data for the planned amount for purchase of agricultural products and purchase for the previous year, the manner of delivery, form and form submission (OG 102/10)
- Book of rules on the form of application for registration in the register of purchasers and the register of importers of certain agricultural products and the necessary supporting documentation (OG 102/10, 144/10, 156/11)
- Book of rules on conditions for entry in the register of importers of certain agricultural products (OG 102/10, 144/10)

Law of quality of agricultural products (OG 140/10, 53/11)

- Book of rules on the form and content of the application forms for submitting reports where the data refer to quantities of purchased, sold and stored fresh fruits and vegetables by species, varieties and classes, as well as their origin (OG 90/11)
- Book of rules on minimum quality standards for fresh fruits and vegetables intended for processing and specific marketing standards for quality of fresh fruits and vegetables intended for use (*) (OG 91/11)
- Book of rules on the form, content and manner of keeping the record from the register of users of marks of origin, Register of users of geographical indications or Register of users of the mark for guaranteed traditional specialty (*)(OG 99/11)
- Book of rules on the form and content of the specification for obtaining mark for guaranteed traditional specialty (*)(OG 99/11)
- Book of rules on the form and content of the single document on the registration of the mark of origin or geographical indication (*)(OG 99/11)
- Book of rules on the form of application and the necessary supporting documentation for registration in the register of producer organizations (OG 125/11)
- Book of rules on the application form and documentation required for registration on groups of producers in the Register of groups of producers (OG 126/11)
- Book of rules for the manner of storage of the raw milk and taking samples for analysis and superanalysis, the content, form and the manner of filing of the minutes, the methods for analysis of raw milk, the method of classification and method of valuation of raw milk, and the manner of conducting the training program and conducting training for controllers (OG 151/11)

Law on trade (OG 16/2004,128/2006, 63/2007, 88/2008, 159/2008, 20/2009, 99/2009, 105/2009, 115/10,158/10, 36/11, 53/11)

- Book of rules for minimum technical conditions for administrative facilities and facilities in which trade is performed (OG 21/04, 54/04, 79/04, 70/07, 93/08, 124/11)
- Book of rules on form and content of the document – application for fulfillment of the minimum technical conditions for performing trade and starting with sale stores and other commercial object (OG 21/04, 86/05)

Law on Protection of the Cultural Heritage (OG 20/04, 71/04, 115/07, 18/11, 148/11)

Law on Safety of Cosmetic Products (OG 55/07, 47/11)

Law on Forests (OG 64/09, 24/11, 53/11)

- Book of rules for other types of forest products and manner the use and collection of other forest products (OG 155/11)

Law on Tourism (OG 62/04, 89/08, 12/09, 47/11, 53/11)

- Book of rules on the form, content and manner of keeping the register of natural persons who provides tourist activity on small size (OG 116/06)
- Book of rules on the form and content of the Book for registration of the guests (OG 130/07)

Law on Catering (OG 62/04, 89/08, 115/10, 53/11)

- Book of rules on the form, content and manner of keeping the register of natural persons who provides catering activity on small size (OG 116/06)
- Book of rules on the form, content and manner of keeping the register of categorize catering facilities (OG 116/06)
- Book of rules on the form and content of the form license for providing catering activity in night bar, cabaret, disco club and open disco club and the manner of issuing and taking away the license (OG 116/06)
- Book of rules on condition for categorization of facilities providing catering activity (OG 16/06)

Law on Craft (OG 62/04, 55/07, 115/10, 36/11, 53/11)

- Book of rules for qualification of activities that craftsmen can provide (OG 87/04, 14/08, 44/09)
- Book of rules for designation of craft activities which must be performed in closed facilities (OG 87/04, 44/09)
- Book of rules for meeting the minimum technical requirements for provide the craft (OG 87/04)

The IPARD Agency is responsible to verify the compliance to the national legislation. Corresponding amendments to the national legislation shall be applicable to the projects subject to approval procedure.

1.9 Aid Intensity

Total public expenditure (national + EU funds) should not exceed a ceiling of 50% of the total eligible cost of the investment.

The financial contribution by the final beneficiaries in relation to the total eligible cost must be 50%.

1.10 Financing

1. The degree of public intervention for the projects of private interest is 50% of which:

- 75% is EU contribution
- 25% from the national budget

Public sector support granted for investments in Paragraph 1.4 – "Priority sectors and the type of eligible investments" is up to 50% of the total investment amount eligible for support.

2. Within this program projects of a minimum total eligible expenditure of 3,000 euro will be financed.

3. The maximum total eligible expenditure for the whole period of the Programme implementation is 450,000 euro per beneficiary under this measure. However, this maximum ceiling shall be raised up when the following case apply:

- 550,000 euro per beneficiary under the sub-measure 30212 and 30241;
- 750,000 euro per beneficiary under the sub-measure 30211, 30221, 30231;

4. Applicants may submit several projects under this Measure during the Programme implementation period, provided that the maximum total eligible expenditure is not exceeded and previous projects have been successfully finalized i.e. the final payment is received.

The eligible project activities have to take place after the signature of the contract with exception to feasibility and technical studies, in the limit of the percentage approved in the measures. The payment of the financial support will be made on the base of justifying documents, which prove the accomplishing of the activities and their eligibility. For purchase of machinery and equipment the payment will be made as a single payment at the end of the investment. For investments concerning construction and reconstruction of buildings including equipment, the payment can be made in maximum 2 installments according to beneficiaries' choices. In this case the first instalments shall be paid after the finalisation of the construction or reconstruction works and the second instalment after the installation of the equipment, i.e. at the end of the investments.

The planned relative importance of Measure 302: Diversification of rural economic activities in relation to the other measures being financed under IPARD is up to 16%. The distribution of the public investment is according to the objectives to be achieved under this measure.

Table 5: Indicative Financial Plan for Measure 302 (2007-2012), in EUR

Year	Total eligible cost	Public expenditure						Private contribution	
		Total		EU contribution		National contribution			
	EUR	EUR	%	EUR	%	EUR	%	EUR	%
1	2=3+9	3=5+7	4=3/2	5	6=5/3	7	8=7/3	9	10=9/2
2007	1,008,000	504,000	50%	378,000	75%	126,000	25%	504,000	50%
2008	3,216,000	1,608,000	50%	1,206,000	75%	402,000	25%	1,608,000	50%
2009	4,896,000	2,448,000	50%	1,836,000	75%	612,000	25%	2,448,000	50%
2010	5,000,000	2,500,000	50%	1,875,000	75%	625,000	25%	2,500,000	50%
2011	5,546,667	2,773,333	50%	2,080,000	75%	693,333	25%	2,773,333	50%
2012	6,237,089	3,118,545	50%	2,338,909	75%	779,636	25%	3,118,545	50%
Total	**25,903,756**	**12,951,878**	**50%**	**9,713,909**	**75%**	**3,237,970**	**25%**	**12,951,878**	**50%**

Table 6: Indicative breakdown of Measure 302 Budget by priority sector in EUR

Group of investment		% of the measure 302	EU funds	National Co-financing	Private contribution	Total cost
3021	**Establishment and upgrade of non-agriculture production activities in rural areas**	**32%**	3,108,451	1,036,150	4,144,601	8,289,202
3022 3023	**Diversification of agriculture income and provision of agriculture services in rural areas**	**27%**	2,622,755	874,252	3,497,007	6,994,014
3024	**Promoting rural tourism activities in rural areas**	**41%**	3,982,702	1,327,568	5,310,270	10,620,540
	Total	**100%**	**9,713,909**	**3,237,970**	**12,951,878**	**25,903,756**

1.11 Financing Conditions

(a) Beneficiaries are obliged to keep all accounting records at least 5 years after the investments take place;

(b) The beneficiary should collaborate and provide any requested information to the officials of MAFWE, IPARD Agency or European Commission authorised to control and audit the implementation of the project as well as NAO/NF and Auditing Authority.

(c) The beneficiary may again apply for support, following the completion and approval of a previous project and reception of final payment for previous completed project.

(d) The investment must not undergo substantial modification within 5 years period after the investment take place;

(e) The land/building subject to investment implemented by beneficiary-physical person will not be used for dwelling purposes or as residential unit occupied by the household of the physical person for the duration of the period of validity of Contract for financial support under this Programme.

1.12 Geographical Coverage

The projects will be placed in the rural area according to the official "List of the rural areas and rural communities in the Republic of Macedonia" adopted by the Minister for Agriculture, Forestry and Water Economy on the basis of Law on Agriculture and Rural Development and published in the Official Gazette.

1.13 Quantified targets for EU common indicators:

Type of indicator	Indicator	Target
Output	**Total number of applications received (per sector)**	**417**
	(3021) Establishment and upgrade of non-agriculture production activities in rural areas	**286**
	(3022) Diversification of agriculture income and provision of agriculture services in rural areas	**61**
	(3023) Promoting rural tourism activities in rural areas	**70**
	Total number of applications approved (per sector)	**155**
	(3021) Establishment and upgrade of non-agriculture production activities in rural areas	**72**
	(3022) Diversification of agriculture income and provision of agriculture services in rural areas	**37**
	(3023) Promoting rural tourism activities in rural areas	**46**
	Total number of beneficiaries (per sector)	**155**
	(3021) Establishment and upgrade of non-agriculture production activities in rural areas	**72**
	(3022) Diversification of agriculture income and provision of agriculture services in rural areas	**37**
	(3023) Promoting rural tourism activities in rural areas	**46**
	Total volume of investments, million € (per sector)	**31.030 Mio Euro**
	(3021) Establishment and upgrade of non-agriculture production activities in rural areas	9.930 Mio Euro
	(3022) Diversification of agriculture income and provision of agriculture services in rural areas	8.378 Mio Euro
	(3023) Promoting rural tourism activities in rural areas	12.722 Mio Euro
Result	Gross Number of jobs created	112
	Gross Number of jobs maintained	364
	Increase in GVA in supported holdings/enterprises (%)	3%-5%
Impact	Economic growth - net additional added value in PPS, €	*

	Labour productivity - change in gross added value per full-time equivalent (GVA/FTE), %	*

* To be completed by means of survey and other evaluation models, carried out by MAFWE

1.14 Programme specific indicators and quantified targets

Monitoring indictors:

- Number of new micro-small enterprises established and active in the rural areas (N)
- Number of projects diversifying economic activity of agriculture holdings (N)
- Number of new jobs for rural dwellers created /to be monitored/
- Number of beds in rural tourism modernised and created (N)

Evaluation indicators:

- Increase in non-agricultural GVA /to be monitored/

1.15 Supporting Documents

The potential beneficiary shall attach the required documents to the Application. The Agency for Financial Support of Agriculture and Rural Development is responsible for defining the required documents in accordance to the eligible requirements under this Programme and in cooperation with the Managing Authority.

1.16 Implementing Authority

The Agency for Financial Support of Agriculture and Rural Development (IPARD Agency) represents the Implementing Authority in the country.

Measure 501: Technical Assistance

This measure is applied in accordance with:

- Article 182 of Commission Regulation (EC) No: 718/2007 of 12 June 2007 [Implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) and amended by Commission Regulation (EU) No 80/2010 of 28 January 2010] amended by Commission Regulation (EU) No 80/2010 of 28 January 2010 and Commission Implementing Regulation (EU) No 1292/2011 of 9 December 2011

1.1 Rationale

The measure covers the provision of the service of technical assistance. This service is justified to support costs associated with implementation of the Programme as set out in paragraph 1.4 Scope of aid.

The measure concerns only technical assistance provided for on the basis of Article 182 of Commission Regulation (EC) No: 718/2007 of 12 June 2007 [Implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) and amended by Commission Regulation (EU) No 80/2010 of 28 January 2010].

1.2 Correlation with other measures

This Measure will provide coverage of technical assistance needs for all the measures applicable under Commission Regulation (EC) No: 718/2007 and under the Programme.

The Managing Authority will ensure appropriate coordination with the other technical assistance activities co-financed under other IPA programs, or Community assistance or any foreign donor grant scheme or IFI's, to ensure the respect of the provisions under article 4 of the Sectoral Agreement.

The IPARD Agency will not accept applications for payment of costs that are financed from any other IPA programs, or Community assistance or any foreign donor grant scheme or IFI's .

1.3 Objectives

The aims of this measure are to assist in particular in preparation, monitoring, evaluation, information and control activities which are necessary for the implementation of the programme and its possible subsequent modification directed towards ensuring the efficiency of Programme implementation and the effective targeting of Program measures and beneficiaries. In support of these aims, the objectives include:

- to provide support for the monitoring of the programme
- to ensure an adequate flow of information and publicity
- to support studies, visits and seminars
- to provide support for external expertise
- to provide support for the evaluation of the programme
- to provide support for establishment and operations of national rural network

1.4 Scope of Aid

Under this measure the following actions are eligible, provided in all cases they are approved by the IPARD Monitoring Committee.

5011 Monitoring of the Programme implementation and support of the activities necessary to discharge the responsibilities of the IPARD Monitoring Committee

50111 Expenditures on meetings of the IPARD Monitoring Committee, including:

- organisational activities for the IPARD Monitoring Committee meetings i.e. editing and printing, interpretation, translation and other organisational and logistic costs of meetings.
- costs for members participation (per diem, travelling and accommodation) including costs of all experts and other participants, where their presence is considered to be necessary to ensure the effective work of the IPARD Monitoring Committee.

50112 Other expenditure necessary to discharge responsibilities of the IPARD Monitoring Committee which falls under the following categories:

- studies and surveys for monitoring of the Programme implementation and analysis of monitoring results;
- expert assistance to improve and upgrade the monitoring system including review of programme baselines and indicators;
- upgrading IT systems and computer software (including maintenance) so as to ensure proper Programme monitoring, data transport and analysis;
- experts to assist or advise the IPARD Monitoring Committee concerning implementation and functioning of the monitoring arrangements;
- expenditure associated with meetings and ancillary tasks of working groups;
- visits and seminars for the members of the IPARD Monitoring Committee.

5012 Evaluation of the programme and assistance necessary to perform the on-going evaluation

50121 Expenditure for evaluations of the programme required pursuant to the provisions of Article 63 of Sectoral Agreement.

- provision of independent expertise for evaluations in accordance with the common monitoring and evaluation framework as defined by the Commission;
- expert assistance for preparing and conducting surveys to collect specific data for evaluation purposes outside the scope of the regular monitoring data provision;
- coordination activities and costs related to operation of steering groups for evaluation;

5013 Information and publicity actions

50131 Expenditure on information and publicity campaigns, including costs of printing and distribution:

- expert assistance for development and improvement of communication techniques for information and publicity;
- preparation and publication of the informative and publicity materials including costs of distribution, editing and translation;
- organization and performing activities for information and publicity campaign;
- promotion of information exchange and collaboration initiatives between potential beneficiaries, journalists and central/local government including surveys and technical assistance in the identification of areas and situations with similar interests and common platforms to analyse, disseminate and promote best individual experiences;
- workshops and seminars for advisory services-both private and public, to increase the ability for quality support of the beneficiaries in the application process;
- publicising the IPARD Programme including translation, editing and printing;
- publicising information and announcements in media;
- interpretation and translation assistance related to information and publicity actions;
- hosting, maintenance and development of IPARD web-site for visual improvement and communication expertise for preparation and update of electronic information, related translation services etc.;
- preparation, editing, printing and distribution of newsletters and other communication means;
- other approved information and publicity actions in accordance to the Communication and Publicity Plan.

The informative and publicity actions are eligible provided they are covered by the communication plan and by the annual action plan for communication and publicity considered and approved by the IPARD Monitoring Committee before its implementation.

5014 Studies for preparation of programme measures and measures implementation

50141 Expenditure associated with the preparation of measures in the programme to ensure their effectiveness including those measures where application is foreseen at a later stage related to:

- studies, analysis and research activities necessary for introduction of new programme measures; to define the priority for intervention, intervention framework and to draw up its implementation methods and criteria;
- situation analysis and studies for further development needs in the selected sub-sectors/priority areas within the programme measures, market studies for improvement of the market chain and market infrastructure for selected agriculture products, with particular emphasis on the potential agri-food sub-sectors to be included in the Programme interventions;

- "Acquisition of skills" to prepare for the implementation of the measure "Preparation and implementation of local rural development strategies" until such measure is accredited.
- Implementation of trainings to agriculture producers until the measure 'Investments in training in agriculture' is accredited.

5015 Establishment and operation of National Rural Networks

50151 Expenditure associated with the establishment and operation of a national rural network supporting the coordination of activities preparing and implementing local rural development strategies, related to:

- expenditure associated with the establishment of a national rural network, including information and promotion campaigns of the role and operations of the National Rural Network;
- costs for technical and organizational support of the National Rural Network including costs related to provision of secretariat support for coordination of the work of the National Rural Network as well as operating costs for regional or local offices;
- technical support for development and organisation of the National rural network in line with the EU rules for Member States;
- expenditure linked to participation in the European Network for Rural Development established by Article 67 of Council Regulation (CE) No 1698/2006 linked to costs for participation for national representatives on meetings and seminars;

The financing of expenditures shall be on the basis of adopted and agreed activities under the Action Plan of the National Rural Network.

5016 Other support provided

50161 Cost of translation and interpretation provided in response to requests by the Commission, not including those required pursuant to application of the framework, sectoral and financing agreements.

50162 Expenditure associated with visits and seminars. Each visit and seminar not made at the initiative of the Commission shall require the submission of a timely written report to the IPARD Monitoring Committee.

50163 Expenditure associated with expert assistance for preparation and implementation of the technical assistance actions under this measure (ToR preparations, tender dossiers,) except for the costs related to the work of the Evaluation steering committee.

50164 Expenditure associated with expert assistance for preparation of annual/final report for Programme implementation, translation, editing and printing (including CD);

1.5 Final Beneficiaries

The beneficiary of activities under the measure for Technical Assistance is the Managing Authority functioning in the Ministry of Agriculture, Forestry and Water Economy.

1.6 Eligibility Criteria

Eligible expenditure shall be reported on in the context of the Annual Report for implementation of the IPARD Programme.

The expenditure may be based also on flat rate amounts (such as per diem), in accordance with the terms and rates applied in the country for similar actions where no Community co-finance is involved.

All expenditure as regards experts and other participants will be limited to those from and going to applicant countries and Member States.

The detailed eligible expenditures will be specified in the List of Eligible Expenditures as accepted by the Commission for implementing the Measure 501 "Technical Assistance" under the IPARD programme according to Article 32 of the Sectoral Agreement.

Non eligible expenditures are those listed in Article 32 paragraph 4 of the Sectoral Agreement.

Any payments related to ordinary administrative expenses associated with the Programme management and civil servants normally hired are excluded.

For this measure, actions financed or foreseen to be financed within twinning covenants used for disbursement of EU external aid or other projects supported under other IPA components will not be eligible.

1.7 Indicators

- number of promotion materials for general information of all interested parties (leaflets, brochures etc): N/to be monitored/
- number of expert assignments supported: N/to be monitored/
- number of workshops, conferences, seminars: N/to be monitored/
- number of meetings of the Monitoring Committee: N/to be monitored/
- number of studies on preparation, elaboration and implementation of Programme measures: N/to be monitored/
- number of Programme evaluation reports: N/to be monitored/
- number of rural networking actions supported: N/to be monitored/

1.8 Financial Dispositions

Amount support granted for actions under this measure is up to 100% of the total amount eligible for support.

The Community contribution shall be limited to

- 80 % in the case of activities covered by Article 182 of IPA IR, where those activities are not taken at the initiative of the Commission;

- 100 % in the case of activities covered by Article 182 of IPA IR, where those activities are taken at the initiative of the Commission;

The eligible project activities and contracting have to take place after the signature of the contract with the IPARD Agency.

The payment of the support will be made by the IPARD Agency on the base of justifying documents, which prove the accomplishing of the activities and their eligibility. The payment procedures shall be agreed between the IPARD Agency and the Managing Authority via Memorandum of cooperation and Financing Agreements.

The planned relative importance of Measure 501: Technical Assistance in relation to the other measures being financed under IPARD is approximately 4%. The distribution of the public investment is according to the objectives to be achieved under this measure.

Table 7: Indicative Financial Plan for Measure 501 (2007-2012), in EUR

Year	Total eligible cost	Public expenditure					
		Total		EU contribution		National contribution	
	EUR	EUR	%	EUR	%	EUR	%
1	2=3	3=5+7	4=3/2	5	6=5/3	7	8=7/3
2007	105,000	105,000	100%	84,000	80%	21,000	20%
2008	335,000	335,000	100%	268,000	80%	67,000	20%
2009	510,000	510,000	100%	408,000	80%	102,000	20%
2010	625,000	625,000	100%	500,000	80%	125,000	20%
2011	800,000	800,000	100%	640,000	80%	160,000	20%
2012	899,580	899,580	100%	719,664	80%	179,916	20%
Total	**3,274,580**	**3,274,580**	**100%**	**2,619,664**	**80%**	**654,916**	**20%**

Table 8: Indicative breakdown of Measure 501 Budget by Group of expenditures in EUR

Code	Group of expenditures	% of the Measure 501	EU funds	National funds	Total cost
5011	Monitoring of the Programme implementation and support of the activities necessary to discharge the responsibilities of the IPARD Monitoring Committee	3%	78,590	19,647	98,237
5012	Evaluation of the programme and assistance necessary to perform the on-going evaluation	27%	707,309	176,827	884,137
5013	Information and publicity actions	30%	785,899	196,475	982,374
5014	Studies in preparation of programme measures and measures implementation	26%	681,113	170,278	851,391
5015	Establishment and operation of National Rural Networks	12%	314,360	78,590	392,950
5016	Other support provided	2%	52,393	13,098	65,492
	Total	**100%**	**2,619,664**	**654,916**	**3,274,580**

1.9 Financing Conditions

The IPARD Agency will finance the expenditures under this Measure, subject to provisions outlined in Financing Contract between the IPARD Agency and the Managing Authority outlining the mandatory financing conditions, as follows (but not limited to):

- Managing Authority is obliged to keep copy of all accounting and financial records at least 10 years after the action takes place;
- Managing Authority should collaborate and provide any requested information to the officials of MAFWE Internal Audit, IPARD Agency or European Commission authorised to control and audit the implementation of the assistance as well as NAO/NF and the Audit Authority.
- Managing Authority may apply for support, regardless of the completion and approval of a previous project and reception of final payment for previous completed project.

In case the financing conditions are breached by the beneficiary, the IPARD Agency is entitled to debit the amounts from future payments or will decrease or decline payments for non-eligible actions and expenditures.

1.10 Implementing arrangements

The Technical Assistance Measure shall be implemented in accordance with the provisions of Article 23 of the FwA and Article 33 of the Sectoral Agreement[134] on rules of procurement and the relevant provisions as covered by the Commission decision to confer management of aid on the management and control system in the country.

The Manual for implementation of the actions under the Technical Assistance Measure and Guidelines, including the forms required for the implementation of the functions and procedures, shall be prepared by the IPARD Agency and form integral part of the Memorandum of cooperation for implementation of Technical Assistance Measure, in order to ensure transparency of the implementation procedure of the Measure to the Managing Authority as final beneficiary.

The MA is responsible to ensure that all actions are implemented in accordance with the applicable provisions and rules for procurement for the Technical Assistance Measure. The IPARD Agency is responsible to verify through appropriate controls that the funds are committed and then disbursed in accordance with pre-defined procurement rules prior to approving any financial payment.

1.11 National legislation

For the purpose of implementing the Technical Assistance Measure, the provisions of the ratified Framework and Sectoral Agreement shall be applicable.

[134] Law on ratification of the Framework Agreement (OG 18/2008 from 05.02.2008) and Law on ratification of the Sectoral Agreement (OG 165/2008 from 30.12.2008).

ANNEX No. 1 Active enterprises by towns and municipalities

Table 1 Number of active enterprises by towns

Town	Small	Medium	Large	TOTAL	% of Total
Berovo	306	3	0	309	0.70
Bitola	3,035	27	5	3,067	6.90
Makedonski Brod	146	1	0	147	0.33
Valandovo	195	3	0	198	0.45
Vinica	322	4	0	326	0.73
Gevgelija	885	13	1	899	2.02
Gostivar	1,342	7	0	1,349	3.04
Debar	131	3	1	136	0.31
Delcevo	339	4	0	343	0.77
Demir Hisar	145	2	0	147	0.33
Kavadarci	1,124	13	4	1,141	2.57
Kicevo	887	5	0	892	2.01
Kocani	950	4	0	954	2.15
Kratovo	144	5	0	149	0.34
Kriva Palanka	225	2	0	227	0.51
Kumanovo	2,130	22	1	2,153	4.85
Krusevo	182	1	0	183	0.41
Negotino	488	6	2	496	1.12
Ohrid	1,971	38	1	2,010	4.52
Prilep	2,067	8	6	2,081	4.68
Probistip	159	0	0	159	0.36
Radovis	693	4	2	366	1.57
Resen	342	5	1	348	0.78
Sveti Nikole	329	7	0	336	0.76
Strumica	2,020	20	1	2,041	4.59
Struga	1,501	7	2	1,510	3.40
Tetovo	2,144	21	2	2,167	4.88
Veles	771	12	4	787	1.77
Stip	2,267	21	2	2,290	5.15
Skopje	16,636	195	49	16,880	38.00
TOTAL	43,877	463	84	44,424	100

Table 2. Number of enterprises in municipalities (2005)

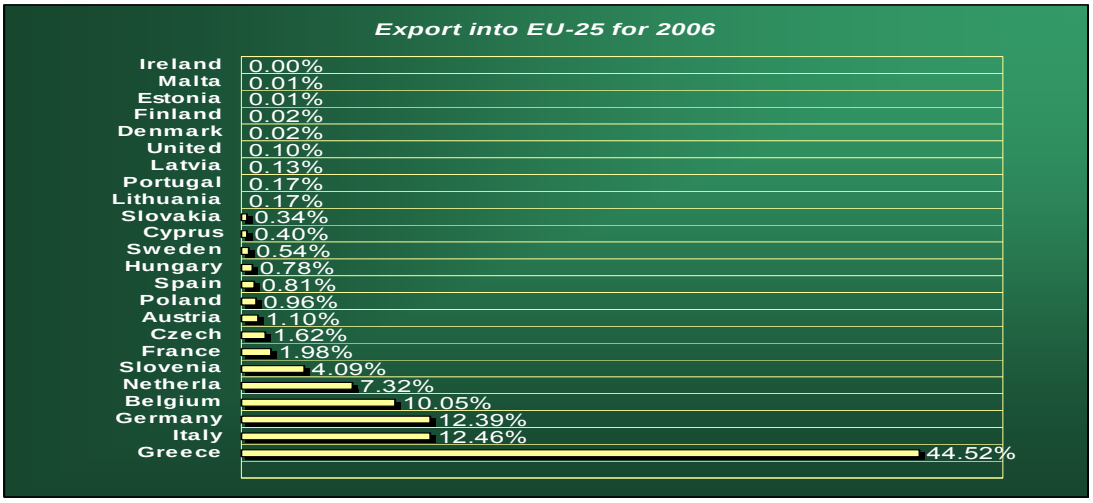
Municipality with HQs in villages	Total population	Total enterprises	No. Of businesses per 1000 citizens	Municipality whose HQs are based in villages	Total population	Total enterprises	No. Of businesses per 1000 citizens
Arachinovo	11,597	372	32.08	Krivogashtani	6,150	264	42.93
Beguine	28,997	1,007	34.73	Slipcover	27,058	918	33.93
Bosilovo	14,260	755	52.95	Lozovo	2,858	90	31.49
Brvenica	15,855	647	40.81	Mavrovo and Rostusa	8,618	406	47.11
Vasilevo	12,122	425	35.06	Mogila	6,710	253	37.70
Vevchani	2,433	194	79.74	Novaci	3,549	188	52.97
Vranestica	1,322	45	34.04	Novo Selo	11,567	736	63.63
Vrapciste	25,399	881	34.69	Oslomej	10,420	260	24.95
Gradsko	3,760	122	32.45	Petrovec	8,255	376	45.55
Debarca	5,507	338	61.38	Plasnica	4,545	151	33.22
Dojran	3,426	219	63.92	Rankovci	4,144	101	24.37
Dolneni	13,568	398	29.33	Rosoman	4,141	169	40.81
Drugovo	3,249	145	44.63	Sopiste	5,656	208	36.78
Zelino	24,390	808	33.13	Staro Nagoricane	4,840	98	20.25
Zajas	11,605	314	27.06	Studenicani	17,246	586	33.98
Zelenikovo	4,077	149	36.55	Tearce	22,454	653	29.08
Zrnovci	3,264	140	42.89	Centar Zupa	6,519	136	20.86
Ilinden	15,894	734	46.18	Caska	7,673	170	22.16
Jegunovce	10,790	352	32.62	Cesinovo	7,490	247	32.98
Karbinci	4,012	124	30.91	Cucer-Sandevo	8,493	278	32.73
Konce	3,536	159	44.97				

ANNEX No. 2 Analysis of agri-food trade trends with EU-25

The positive development (+12%) of the Republic of Macedonia's agro-food products exports to EU-25 in 2006 in relation to 2005, despite the minimum increase in imports (+0.7%), contributed to reduction of agro-food and fishery products trade deficit by 91.8% (from 15.9 million € in 2005 to 1.3 million € in 2006).

In 2006, the largest share of the country's agro-food and fishery exports to EU-25 was realized in Greece (44.52%). Most important exported products into Greece were tobacco, lamb meat, prepared or preserved molluscs, fresh tomatoes, milk and other products. Italy followed with a share of 12.46%. Most important exported products were lamb meat, dried vegetables, mushrooms, vegetables - uncooked or cooked, tobacco and other products. Next is Germany, with a share of 12.39%. Most important exported products are wine, tobacco, vegetables - uncooked or cooked, vegetables prepared or preserved, sugar confectionery products and other products. Belgium follows with a share of 10%, Netherlands with share of 7.32%, Slovenia with share of 4.1% and other countries cover the balance.

Figure 2: Share by countries from EU-25 in export of agro-food and fishery products in 2006

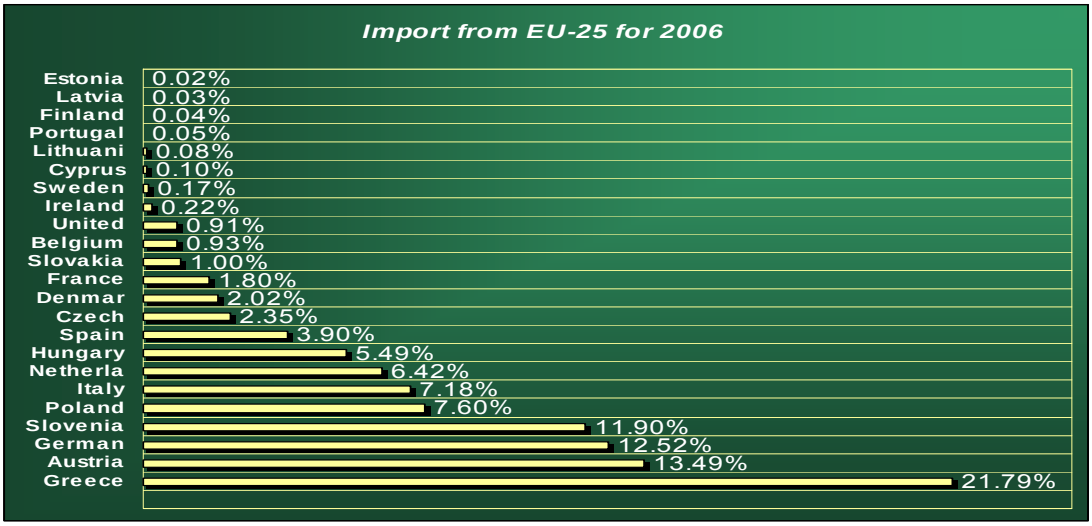


Source: SSO

In 2006, most of EU-25 of agro-food and fishery products imports into the country was from Greece, with a share of 21.8% in the total imports from EU-25. Most important products were animal feed, vegetables prepared or preserved, olives, and sunflower oil, prepared or preserved molluscs, poultry meat, fresh citrus fruit and other products.

Austria, with share of 13.5% of total import from EU-25, imported mostly sugar, bovine meat, water including mineral waters - containing added sugar, pig meat and other products. Germany, with share of 12.5% mostly imported cheese, food preparations not elsewhere specified or included, chocolates, pasta whether or not cooked and other products. Slovenia, with share of 11.9%, Poland with share of 7.6%, Italy with share of 7.2% and other countries.

Figure 3: Share by countries from EU-25 in import of agro-food and fishery products in 2006



Source: SSO

The trade exchange of fish and fishery products group reflects the dependence of the country on sea fish and fishery products, as a result of geographical features of the country (land locked).

The share of fish and fishery products in total import of agro-food and fishery products from EU-25 into the country for 2006 was 3%.

Share for fish and fishery products in total export of agro-food and fishery products into EU-25 from the country for 2006 was 4%, and the share in total export was 4%, mainly as a result of export of Molluscs fresh and prepared (Tariff code 0307 60 00 00 and 1605 90 30 10).

Other agricultural products, i.e. tariff lines after Chapter 24 defined as agricultural products according to the Uruguay Round Classification, also had insignificant participation in trade exchange with EU-25, with import share of around 4%, for 2006 and with export share of 1%.

Therefore, the most of the trade, for 2006, between the country and EU-25, belongs for the Chapters between 1 and 24, with share of 93% in total import and share of 96% in total export.

According to the EU Classification, Chapters of Basic Agricultural products, for 2006, had share of 87% in total export and share of 65% in total import and Chapters of Process Agricultural products, with share of 9% in total export and with share of 28% in total import.

The export of agro-food and fishery products from the country to EU-25 for 2006 compared to 2005, increased by 12% (from 129.5 million € in 2005 to 145.1 million € in 2006).

This was as a result of increased export of tobacco by 5.8% (from 54.9 million € in 2005 to 58.1 million € in 2006), then increased export of water including mineral waters - containing added sugar from 0.04 million € in 2005 to 6.1 million € in 2006, increased export of fresh tomato by 66.6% (from 2.7 million € in 2005 to 4.5 million € in 2006), increased export of watermelons from 0.5

million € in 2005 to 2.4 million € in 2006, then increased export of vegetables uncooked or cooked, frozen by 46.6% (from 2.8 million € in 2005 to 4.1 million € in 2006) and other products.

In 2006, the biggest share of the country's agro-food exports to the EU-25 was from un-manufactured tobacco (40.1%), followed by lamb meat (9.2%), wine (8.9%), water including mineral waters - containing added sugar (4.2%), molluscs prepared (4.2%), other vegetables, fresh or chilled (3.8%), fresh tomato (3.1%) and other products.

The import of agro-food and fishery products from EU-25 into the country, in 2006 compared to 2005, increased only by 0.7% (from 145.6 million € in 2005 to 146.4 million € in 2006). There was increase of poultry meat import by 25.5% (from 5.5 million € in 2005 to 6.9 million € in 2006), than increase of sugar import by 28.8% (from 8 million € in 2005 to 10.3 million € in 2006), increase of margarine import from 1 million € in 2005 to 2.9 million € in 2006, increase of other vegetables import prepared or preserved by 30.3% (from 3.3 million € in 2005 to 4.3 million € in 2006), increase of food preparations import not elsewhere specified or included by 19.7% (from 11.7 million € in 2005 to 14 million € in 2006) and other products.

Worth to mention is decline of import of some products like bovine meat by 47% (from 11.7 million € in 2005 to 6.2 million € in 2006), than decline of wheat import by 64.7% (from 3.4 million € in 2005 to 1.2 million € in 2006), decline of sunflower oil import up by 57.6% (from 3.3 million € in 2005 to 1.2 million € in 2006) and other products. The biggest share in import of agro-food products, for 2006, from EU-25 to the country, had food preparations import not elsewhere specified or included (9.6%), sugar (with share of 7.1%), meat of swine, fresh, chilled or frozen (with share of 5.7%), poultry meat (with share of 4.7%), bovine meat (with share of 4.2%), chocolate and other food preparations containing cocoa (with share of 3.5%), other vegetables prepared or preserved (with share of 2.9%), cheese and curd (with share of 2.9%), other prepared or preserved meat (with share of 2.8%), sausages and similar products (with share of 2.7%), animal feed (with share of 4.7) and other products.

Positive trend of trade deficit decline, in 2006 compared with 2005, in trade with agro-food and fishery products between the country and EU-25, was mainly as a result of increased export of some agro-food and fishery products from the country to EU-25 and decreased import of some agro-food products from EU-25 to the country and with the decline of 91.8% (from 15.9 million € in 2005 to 1.3 million € in 2006)

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ANNEX No. 3 Crop area, production and yields (2000-06)

year	2000	2001	2002	2003	2004	2005	2006
Crop area (in ha)							
Cereals	221,226	210,304	195,932	195,076	189,337	203,158	187,880
Industrial crops (incl. fodder)	60,863	59,070	61,358	55,740	54,465	54,227	49,855
Vegetables (incl. potato)	55,451	50,370	51,016	49,191	51,119	46,992	58,771
Fruits (incl. grapes)	42,944	43,983	42,348	42,610	41,291	38,912	38,000
Production (in tonnes)							
Cereals	564,005	474,442	556,045	466,446	676,632	644,620	602,171
Industrial crops (incl. fodder)	283,996	255,027	286,908	280,783	281,089	295,879	246,453
Vegetables (incl. potato)	653,803	656,648	665,064	668,161	697,651	679,064	774,226
Fruits (incl. grapes)	402,204	300,866	230,274	342,892	398,666	410,951	415,446
Yields (tonnes per ha)							
Cereals	2.55	2.26	2.84	2.39	3.57	3.17	3.21
Industrial crops (incl. fodder)	4.67	4.32	4.68	5.04	5.16	5.46	4.94
Vegetables (incl. potato)	11.79	13.04	13.04	13.58	13.65	14.45	13.17
Fruits (incl. grapes)	9.37	6.84	5.44	8.05	9.66	10.56	10.93

ANNEX No. 4 List of the country's medical/oil herbs and spices

Scientific name	Common name in the country
Achillea millefolium complex*	Ayduchka treva
Aconitum divergens	*Volchyi chemer*
*Acorus calamus**	*Lirot*
*Adonis vernalis**	*Gorocvet*
Aesculus hippocastanum	*Div kosten*
Agrimonia eupatoria	*Petrovec, kamshik*
*Agropyrum repens**	*Pirevina*
Alchemilla vulgaris Rosnik,	*arslanska shepa*
Allium cepa	*Kromid*
Allium sativu	Luk
*Allium ursinum**	*Mechkin luk*
*Althaea officinalis**	Bel slez
Althaea rosea	Crven slez
*Anacmptis spp.**	Salep
Anethum graveolens	Kopar
Angelica archangelica	Blag boz, angelika
.Angelica pancicii	Blag boz, angelika
Apium graveolens	Celer
Aquilegia vulgaris	Kandilka
Arbutus andrachne	Gol chovek
*Arctium lappa**	Cicok
*Arctostaphylos uva-ursi**	Mechkino grozye
Aristolochia clematitis	Volchyo yabolko
Artemisia absintium	Pitom pelin
Artemisia vulgaris	Pelin
.Arum maculatum	Zmisko grozye
Asparagus acutifolius	Asparagus
Asperula odorata	Lazarka
Atropa belladona	Pomamnica
Avena sativa	Oves
Bellis perennis	Pariche
Berberis vulgaris	Kisel trn
*Betula pendula**	Breza
Borago officinalis	Volski yazik
Brassica alba	Bel sinap
Brassica nigra	Crn sinap
Bryonia alba	Diva tikva
Calamintha grandiflora	Shumski chay
Calendula officinalis	Neven
*Capsela bursa-pastoris**	Ovcharska torbichka
*Carlina acaulis**	Vilino sito
Castanea sativa	Kosten
Celtis australis	
*Centaurium umbelatum**	Crven kantarion

Cetraria islandica	Islandski chay
*Chamomilla recutita**	Kamilica
Chelidonium majus	Zmiysko mleko, rusa
*Chenopodium bonus-henricus**	Cuen
Chenopodium botrys	
*Cichorium intyibus**	Cukorija
Clematis vitalba	Povit
Cnicus benedictus	Pitom trn
Armoracia rusticana	Ren
*Colchicum autumnale**	Mrazovec
Conium maculatum	Bucumis, kukut
*Convallaria majalis**	Momina solza
Coriandrum sativum	Korijander
Cornus sanguinea	Crn dren
Corylus avellana	Leska, leshnik
Cotoneaster melanocarpa	Crna mushmula
*Crategus monogyna**	Glog
*Crategus oxyacantha**	Glog
*Dactylorhiza spp.**	Salep
Datura stramonium	Tatula
Daucus carota	Morkov
Digitalis spp.	Butin
Ecballium elaterium	Luda krastavica
Echium vulgare	Volcya opashka
Ephedra spp.	Efedra
*Equisetum arvense**	Konysko opavche, preclika
Erodium cicutarium	Zdral
Eryngium campestre	Vetrogon
Euphrasia officinalis	Vidova treva
Ficus carica	Smokva
*Foeniculum vulgare**	Makedonski anason
*Fragaria vesca**	Yagoda
Frangula spp.	Krushina
Fraxinus ornus	Crn yasen
Fumaria officinalis	Dimarka
Galega officinalis	Zdralka
Galeopsis dubia	Smrdliva kopriva
Galium verum	Ivansko cveke
*Gentiana lutea**	Lincura
*Gentiana punctata**	Lincura
Geranium spp.	Zdravec
Geum urbanum	Zayachko stopalo
*Gymnadenia spp.**	Salep
Glaucium flavum	Zholt afion
Gleditchia triacanthos	Glaedice
Glycyrrhiza glabra	Sladok koren
Gnaphalium uliginosum	Bel smil
Gypsophila paniculata	Belo sapunche

Hamamelis virginiana	Hamamelis
Hedera helix	Brshlen
Helleborus sp.	Kukurek
*Helichrysum plicatum**	Smil
*Herniaria glabra**	Sitnica gola, Zelena kilavica
*Herniaria hirsuta**	Sitnica vlaknesta, Bela kilavica
Humulus lupulus	Hmely
Hyoscyamus niger	Bunika
*Hypericum perforatum**	Kantarion
Hyssopus officinalis	Izop
Inula helenium Oman,	Volsko oko
*Iris germanica**	Perunika
*Iris palida**	Perunika
*Juglans regia**	Orev
*Juniperus communis**	Smreka
Juniperus oxycedrus	Smreka
Lamium album	Bela kopriva
Lavandula sp.	Lavanda
Leonorus cardiaca	Srcenica, gyavolsko uste
Levisticum officinale Mil duh,	Selen
Lilium sp.	Krin
Linaria vulgaris	Div len
Lonicera xylosteum	Anamska raka
Loranthus europaeus	Zholta imela
*Malva sylvestris**	Crn slez
Marrubium vulgare	Gorcica, pchelnik
Melilotus officinalis	Konyska detelina
*Melissa officinalis**	Matochina, materka, pchelnik
*Mentha spp.**	Nane
Menyanthes trifoliata	Gorchliva detelina
Morus alba	Bela crnica
Morus nigra	Crnica
Ocimum basilicum	Bosilek
Olea europaea	Maslinka
*Ononis spinosa**	Zayacki trn, grmotrn
Onopordon acanthium	Magareshki trn
*Ophrys spp.**	Salep
*Orchis spp.**	Salep
*Origanum vulgare**	Planinski chay
Oxalis acetosela	Kisela detelina
Papaver rhoeas	Bulka
*Papaver somniferum**	Afion
Paris quadrifolia	
Pastinaca sativa	Pashkanat
*Peonia mascula**	Bozhur
Periploca greca	Grchka grpka
*Petasites hybridus**	Lopushnik
Petroselinum sativum	Magdonos

Physalis alkekengi	Zrneshnik, pluskavec
Phytolacca americana	Krmus
*Pimpinella anisum**	Anason
Pinus sylvestris	Bel bor
Pinus spp.	Borovi
*Plantago lanceolata**	Mashki tegavec
*Plantago major**	Zhenski tegavec
*Polypodium vulgare**	Slatka paprat
*Polygonum aviculare**	Troskot
Polygonum hydropiper	Voden piper
Populus nigra	Crna topola
Potentila anserina	Petoprst
Potentila erecta	Treva od srce, Petoprst
*Primula veris** Yaglika,	Petoprst
Prunus amygdalus	Badem
Prunus laurocerasus	Zeleniche
Prunus spinosa	Trnika
*Prunus spinosa**	Trnika
Pulmonaria officinalis	Velikdenche
Punica granatum	Kalinka
*Evernia prunastri**	Dabov lishay
Quercus spp	Dabovi
Raphanus sativus	Repka
Rhamnus catarica Pasdren,	Gorchliv dren
Cotinus coggygria	Ruj
Ribes spp.	Ribizla
Ricinus communis	Ricinus
*Robinia pseudoacacia**	Bagrem
*Rosa cannina**	Shipka
Rosmarinus officinalis	Rozmarin
Rubia peregrina	Div bros
Rubus caesius	Plava kapinka
Rubus fruticosus agg.*	Kapina
*Rubus ideaus**	Malina
Rumex acetosa	Kiselec
Ruscus aculeatus Bodlika,	Diva shimshirka
Ruta graveolens	Sedvce
Salix alba	Bela vrba
Salvia officinalis	Zhalfija
Salvia sclarea	
*Sambucus nigra**	Bozel
Sanguisorba officinalis	Krvavce
Saponaria officinalis	Sapunche
Satureja hortensis Chubrica,	Chebrika
Satureja montana	Planinska chubrica, Chebrika
Sempervivum spp.	Pazikukya
*Sideritis raeserii**	Sharplaninski chay
*Sideritis scardica**	Sharplaninski chay

Silybum marianum	Mlecen trn
Symphytum officinalis	Gavez
Solanum dulcamara	Pesyi trn
Solanum nigrum	Zrnec
Solidago virga aurea	Zlatica
Sorbus aucuparia Ofika,	Divo grozye
Syringa vulgaris	Yorgovan
Tamus communis	Bluzhd
*Taraxacum officinale**	Gluvarche, Mlechna kozica
Taxus baccata	Tisa
Teucrium montanum	Planinski dupchec, Podubec
Teucrium polium	Bel dupchec, Podubec
Teucrium scordium	
*Thymus spp.**	Majchina dushichka
*Tilia cordata**	Lipa
*Tilia platyphylos**	Lipa
Tribulis terestris	
Trigonela foenum graecum	Grchko seme
Tropaeolum majus Latinka,	Lazi bube
Tussilago farfara	Podbel
*Urtica dioica**	Kopriva
*Vaccinium myrtillus**	Borovinka
*Vaccinium uliginosum**	Borovinka
Vaccinium vitis-idaea	Crvena borovinka, Brusnica
Valeriana officinalis	Mace treva
*Veratrum album**	Chemerika
*Verbascum tapsiforme**	Mopen
Verbena officinalis	Merbena
Veronica officinalis	Modrichica, Nevestinska solza
Viburnum tinus	
Vinca minor	Zelenice
Viola odorata	Mirisliva temyanushka
*Viola tricolor**	Sharena temyanushka
Viscum album	Bela imela
Zizyphus jujuba	

ANNEX No. 5 Vineyards distribution by region (2003)

Region/Vineyard District	Area (Ha)	%
Vardar Povardarie Region (Central Region)		
Skopje	2,240	
Veles	2,125	
Tikves	8,695	
Gevgelija - Valandovo	3,241	
Strumica- Radovis	2,295	
Ovce Pole	1,615	
Kocani- Vinica	571	
Total Central Region	20,782	85.64%
Pcinja- Osogovo Region (Eastern region)		
Kratovo	234	
Kumanovo	1,738	
Pijanec	9	
Total Eastern Region	**1,981**	**8.16%**
Pelagonija –Polog Region (Western Region		
Prilep	74	
Bitola	615	
Ohrid	614	
Prespa	149	
Kicevo	2	
Tetovo	49	
Total Western region	**1,503**	**6.19%**
TOTAL	**24,266**	**100%**

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ANNEX No. 7 List of the country's registered dairies

Object		Location	Main products	Total capacity/lit.per day
Object	1	Sveti Nikole	Cheese	1500
Object	2	Skopje	Cheese	4000
Object	3	Tetovo	Cheese	15000
Object	4	Gevgelija	Cheese	2500
Object	5	Gevgelija	Cheese	1000
Object	6	Veles	Cheese	500
Object	7	Tetovo	Cheese	10000
Object	8	Krushevo	Cheese	1000
Object	9	Strumica	Cheese	35000
Object	10	Prilep	Cheese	80
Object	11	Kriva Palanka	Cheese	1000
Object	12	Probishtip	Cheese	2000
Object	13	Shtip	Cheese	7000
Object	14	Strumica	Cheese	4000
Object	15	Bitola	Cheese	3000
Object	16	Berovo	Cheese	20000
Object	17	Radovis	Cheese	1000
Object	18	Radovis	Cheese	800
Object	19	Ohrid	fermented milk (sour milk, yogurt)	1800
Object	20	Prilep	fermented milk (sour milk, yogurt)	200
Object	21	Skopje	fermented milk (sour milk, yogurt)	300
Object	22	Strumica	fermented milk (sour milk, yogurt)	300
Object	23	Strumica	fermented milk (sour milk, yogurt)	800
Object	24	Stip	fermented milk (sour milk, yogurt)	800
Object	25	Kicevo	fermented milk (sour milk, yogurt)	750
Object	26	Prilep	fermented milk (sour milk, yogurt)	200
Object	27	Skopje	fermented milk (sour milk, yogurt)	1000
Object	28	Skopje	fermented milk (sour milk, yogurt)	350
Object	29	Probistip	fermented milk (sour milk, yogurt)	300
Object	30	Probistip	fermented milk (sour milk, yogurt)	200

Object	31	Gevgelija	fermented milk (sour milk, yogurt)	1000
Object	32	Gostivar	fermented milk (sour milk, yogurt)	3000
Object	33	Kriva Palanka	fermented milk (sour milk, yogurt)	5000
Object	34	Kumanovo	fermented milk (sour milk, yogurt)	9000
Object	35	Kumanovo	fermented milk (sour milk, yogurt)	3000
Object	36	Bitola	fermented milk (sour milk, yogurt)	670
Object	37	Stip	fermented milk (sour milk, yogurt)	250
Object	38	Kumanovo	fermented milk (sour milk, yogurt)	12000
Object	39	Struga	fermented milk (sour milk, yogurt)	1000
Object	40	Sveti Nikole	fermented milk (sour milk, yogurt) &cheese	800
Object	41	Strumica	fermented milk (sour milk, yogurt) &cheese	300
Object	42	Berovo	fermented milk (sour milk, yogurt) &cheese	1300
Object	43	Veles	fermented milk (sour milk, yogurt) &cheese	3000
Object	44	Kumanovo	fermented milk (sour milk, yogurt) &cheese	500
Object	45	Struga	fermented milk (sour milk, yogurt) &cheese	10000
Object	46	Kumanovo	fermented milk (sour milk, yogurt)&cheese	2000
Object	47	Prilep	fermented milk (sour milk, yogurt)&ice-cream	2000
Object	48	Kumanovo	fermented milk (sour milk, yogurt)&ice-cream	6700
Object	49	Skopje	ice-cream	2000
Object	50	Bitola	ice-cream	48000
Object	51	Bitola	Milk collection and by-out point	
Object	52	Radovis	Pasteurised, fermented milk (sour milk, yogurt)	500
Object	53	Stip	Pasteurised, fermented milk (sour milk, yogurt)	450
Object	54	Gostivar	Pasteurised, fermented milk (sour milk, yogurt)	1000
Object	55	Kocani	Pasteurised, fermented milk (sour milk, yogurt)	1000

Object	56	Stip	Pasteurised, fermented milk (sour milk, yogurt)	600
Object	57	Tetovo	Pasteurised, fermented milk (sour milk, yogurt)	1000
Object	58	Prilep	Pasteurised, fermented milk (sour milk, yogurt)	1000
Object	59	Gostivar	Pasteurised, fermented milk (sour milk, yogurt)	1000
Object	60	Kumanovo	Pasteurised, fermented milk (sour milk, yogurt)	10000
Object	61	Kumanovo	Pasteurised, fermented milk (sour milk, yogurt)	1500
Object	62	Sveti Nikole	Pasteurised, fermented milk (sour milk, yogurt,cream)&cheese	11000
Object	63	Skopje	Pasteurised, fermented milk (sour milk, yogurt,cream)&cheese	10000
Object	64	Skopje	Pasteurised, fermented milk (sour milk, yogurt,cream)&cheese	5000
Object	65	Skopje	Pasteurised, fermented milk (sour milk, yogurt,cream)&cheese	10000
Object	66	Shtip	Pasteurised, fermented milk (sour milk, yogurt,cream)&cheese	28000
Object	67	Tetovo	Pasteurised, fermented milk (sour milk, yogurt,cream)&cheese	10000
Object	68	Bitola	Pasteurised, fermented milk (sour milk, yogurt,cream)&cheese	100000
Object	69	Bitola	Pasteurised, fermented milk (sour milk, yogurt,cream)&cheese	200000
Object	70	Kumanovo	Pasteurised, fermented milk (sour milk, yogurt,cream)&cheese	1200
Object	71	Kumanovo	Pasteurised, fermented milk (sour milk, yogurt,cream)&cheese	5500
Object	72	Kumanovo	Pasteurised, fermented milk (sour milk, yogurt,cream)&cheese	5000
Object	73	Delcevo	Pasteurised, fermented milk (sour milk, yogurt,cream)&cheese	7000

Object	74	Valandovo	Pasteurised, fermented milk (sour milk, yogurt,cream)&cheese	4000
Object	75	Radovis	Pasteurised, fermented milk (sour milk, yogurt,cream)&cheese	8000
Object	76	Kavadarci	Pasteurised, fermented milk (sour milk, yogurt, cream)&cheese	3000
Object	77	Skopje	Pasteurised, fermented milk (sour milk, yogurt, cream)&cheese	4000
Object	78	Skopje	Pasteurised, fermented milk (sour milk, yogurt, cream)&cheese	5000
Object	79	Radovis	Pasteurised, fermented milk (sour milk, yogurt, cream)&cheese	2000
Object	80	Gostivar	Pasteurised, fermented milk (sour milk, yogurt, cream)&cheese	3000
Object	81	Tetovo	Pasteurised, fermented milk (sour milk, yogurt, cream)&cheese	15000
Object	82	Kumanovo	Pasteurised, fermented milk (sour milk, yogurt, cream)&cheese	30000
Object	83	Kicevo	Pasteurised, fermented milk (sour milk, yogurt, cream)&cheese	20 000
Object	84	Skopje	Spreads&Formage	4000

ANNEX No. 8 Licensed slaughter houses for lamb export by the Veterinary Inspection Service

Object	Location	IKB	Total capacity (lamb) heads/day
Slaughterhouse 1	Stip	4	3000
Slaughterhouse 2	Kumanovo	2	1200
Slaughterhouse 3	Prilep	3	1200
Slaughterhouse 4	Bitola	7	1600
Slaughterhouse 5	Kavadarci	52	1800
Slaughterhouse 6	Gostivar	6	2200
Slaughterhouse 7	Strumica	5	3600

ANNEX No. 9 Producer Prices for agri-food products (2000–04)

		2000	2001	2002	2003	2004
Crop products						
- Wheat	€ / t	166.7	167.6	163.8	163.6	173.1
- Rye and Meslin	€ / t	436.2	148.4	159.7	N/A	N/A
- Corn/Maize	€ / t	133.9	155.6	137.4	158.8	135.6
- Barley	€/ t	142.3	154.8	139.6	128.2	128.6
- Oats	€/ t	N/A	150.0	169.5	174.1	N/A
- Sunflower	€/ t	182.0	198.0	162.2	181.9	N/A
- Tobacco raw	€/ t	1688.0	1891.5	2020.1	1327.3	2016.7
- Sugar beet	€/ t	37.9	37.8	37.7	37.5	N/A
- Potatoes	€/ t	159.7	196.2	198.9	200.8	222.6
- Apples	€/ t	129.0	104.8	200.0	77.1	113.6
- Pears	€/ t	303.7	296.9	244.7	380.9	N/A
- Peaches	€/ t	222.5	275.2	275.3	334.3	N/A
- Table grapes	€/ t	207.9	191.5	208.9	170.4	197.4
- Tomatoes	€/ t	366.9	305.5	269.8	288.9	361.7
Livestock products						
Calves for slaughter (live weight)	€/ t	1030.3	1075.3	827.1	1575.1	1362.8
Pigs for slaughter (live weight)	€/ t	811.2	1352.7	1465.0	1306.1	1499.7
Poultry for slaughter (live weight)	€/ t	751.5	594.8	390.8	339.0	N/A
Lambs for slaughter (live weight)	€/ t	1667.3	1818.2	2206.7	2008.6	1800.1
Raw cows milk (actual fat content)	€/ 000 litres	280.7	284.4	288.5	265.9	283.2
Sheep and goat milk	€/ 000 litres	552.9	545.1	538.0	539.5	559.2
Eggs for consumption	€/ 000 pieces	57.1	61.3	76.8	54.7	62.7
Processed products retail prices						
Butter	€/ kg	N/A	N/A	4.1	3.9	3.7
Sugar	€/ kg	N/A	N/A	0.6	0.6	0.5

ANNEX No. 10 Balance sheets for main products

Table 1. Supply Balance sheets for main crop products (1995-2004)

in tonnes	1995	2000	2001	2002	2003	2004
Wheat						
Production	381,226	299,356	246,208	266,961	225,300	356,825
Import	93,072	117,510	40,590	141,992	96,834	106,102
Consumption	421,051	416,302	285,764	408,633	321,049	462,878
Export	53,247	5,64	1,034	320	1,085	49
Corn						
Production	165,652	125,383	117,070	140,694	136,492	141,875
Import	35,826	45,014	74,153	72,197	48,917	62,811
Consumption	201,476	170,192	191,220	212,834	185,374	204,677
Export	2	205	3	57	35	9
Barley						
Production	152,449	110,145	91,535	128,560	83,244	148,892
Import	1,903	1,450	12,124	9,587	1,857	17,091
Consumption	154,352	111,595	103,649	138,097	85,101	165,971
Export			10	50		12
Tobacco						
Production	14,537	24,089	16,997	18,960	23,286	14,148
Import	6,007	4,389	2,660	2,785	2,774	2,926
Consumption	8,173	13,558	4,258	4,485	3,605	721
Export	12,371	14,920	15,399	17,260	22,455	16,353
Potato						
Production	156,436	164,486	176,336	184,487	174,661	198,510
Import	23,374	2,495	2,792	7,976	4,282	10,040
Consumption	165,905	163,471	175,386	189,707	170,556	204,609
Export	13,905	3,510	3,742	2,756	8,387	3,941
Tomato						
Production	134,141	134,654	126,313	109,506	129,739	114,490
Import	1,161	489	766	831	1,332	1,358
Consumption	117,400	117,387	108,310	89,363	108,475	84,969
Export	17,902	17,756	18,769	20,974	22,596	30,879
Paprika						
Production	95,570	116,597	111,611	108,073	111,494	127,852
Import	73	150	88	403	249	134
Consumption	87,976	101,564	96,297	97,181	100,395	108,586
Export	7,667	15,183	15,402	11,295	11,348	19,400

Source: SSO data/ Faculty of Agriculture Science and Food at the University in Skopje

Table 2. Supply Balance sheets for main livestock products (2004)

Sheep cheese	**tonne**	**tonne**	**tonne**	**tonne**	**tonne**	**tonne**
Production	13,802	8,031	9,497	10,325	10,493	9,575
Import	1,853	1,392	1,213	1,181	1,095	1,075
Consumption	15,643	9,409	10,695	11,493	11,571	10,630
Export	12	14	15	13	17	20
Balance	0	0	0	0	0	0
Lamb meat	**tonne**	**tonne**	**tonne**	**tonne**	**tonne**	**tonne**
Production	9,976	4,919	5,789	4,637	5,895	7,030
Import	0	0	0	0	0	0
Consumption	8,140	2,875	2,912	1,719	3,093	4,009
Export	1,836	2,044	2,877	2,918	2,802	3,021
Balance	0	0	0	0	0	0
Pig meat	**tonne**	**tonne**	**tonne**	**tonne**	**tonne**	**tonne**
Production	9,335	9,323	8,413	10,626	9,609	9,373
Import	3,368	6,299	5,979	3,368	5,745	5,505
Consumption	12,703	15,622	14,371	13,994	15,354	14,835
Export	0	0	21	0	0	43
Balance	0	0	0	0	0	0
Eggs	**Pcs**	**Pcs**	**Pcs**	**Pcs**	**Pcs**	**Pcs**
Production	485,493	452,469	394,676	345,032	283,300	340,007
Import	710	303	148	0	1321	778
Consumption	438,498	374,335	374,219	335,292	279,179	337,880
Export	47,705	78,437	20,605	9,740	5,442	2,905
Balance	0	0	0	0	0	0

Source: SSO data/ Faculty of Agriculture Science and Food at the University in Skopje.

ANNEX No. 11 Wineries distribution by region (2003)

Winery	Region	Max wine production capacity (hl)	Purchased grape (tonnes)	Ha in direct ownership or long-term rental	Implemented ISO, HACCP or other standards
Object 1	**Kavadarci**	450,000	<30,000	no	ISO 9001/2000, HACCP, ISO 14001
Object 2	**Negotino**	300,000	<20,000	no	ISO 9002
Object 3	**Skopje**	171,700	900	450	ISO 9001/2000 and HACCP
Object 4	**Stip**	150,000	5000	no	HACCP; plan to implement ISO 9001
Object 5	**Strumica**	110,000	<3,000	400	HACCP in the process of implementation
Object 6	**Bitola**	55,000	250	250	None
Object 7	**Ohrid**	50,000	2,000-3,000	no	None
Object 8	**Demir Kapija**	42,000	5	no	HACCP
Object 9	**Gevgelija**	35,000	<16,000	70	ISO 9001/2000, ISO/22000/2005, HACCP (in the process of implementation)
Object 10	**Radovis**	35,000			

Object 11	**Negotino**	24,000	10	no	None
Object 12	**Stip**	15,000			
Object 13	**Valandovo**	12,500	2,500-3,000	805	ISO 9001 and HACCP
Object 14	**Negotino**	4,000	400-500	5	HACCP
Object 15	**Gevgelija**	3,000			
Object 16	**Demir Kapija**	2,100	300	7	None
Object 17	**Skopje**	2,000	20	7	None
Object 18	**Valandovo**	2,000	100	no	None
Object 19	**Kavadarci**	1,500	98	7	HACCP in the process of implementation
Object 20	**Prilep**	1,500	64	no	None
Object 21	**Negotino**	1,500	300	3	HACCP; in negotiation to implement EURGAP
Object 22	**Negotino**	1,300	120	no	None
Object 23	**Negotino**	1,250	250-300	40	HACCP
Object 24	**Negotino**	1,200	n.a.	n.a.	Recently opened
Object 25	**Negotino**	1,000		300	HACCP
Object 26	**Kavadarci**	1,000	no	2	None
Object 27	**Veles**	920	no	4.5	None
Object 28	**Kavadarci**	800	8	0.5	None
Object 29	**Vinica**	800			
Object 30	**Kavadarci**	650	42,3	5	None
Object 31	**Kavadarci**	600			
Object 32	**Kavadarci**	550			None

Object 33	**Bogdanci**	400			none
Object 34	**Radovis**	400	n.a.	n.a.	Recently open
Object 35	**Negotino**	350			None
Object 36	**Kratovo**	300	no	50	None
Object 37	**Skopje**	250	50	no	None
Object 38	**Negotino**	150	average 20-30	10	ISO 9001, plan to start with HACCP next year
Object 39	**Kavadarci**	150	no	20	None
Object 40	**Kavadarci**	120	3	1.5	None
Object 41	**Kavadarci**	120	average 3-4	2	None
Object 42	**Skopje**	120	n.a.	n.a.	Recently open
Object 43	**Kavadarci**	120	n.a.	n.a.	Recently open
Object 44	**Skopje**	100			
Object 45	**Gevgelija**	100	20	0.35	None
Object 46	**Kavadarci**	100		5	None
Object 47	**Kavadarci**	60	8	1	None
Object 48	**Kavadarci**	60	4,5	1	On-going certification for organic wine
Object 49	**Negotino**	60	8	0.5	
Object 50	**Kavadarci**	50	1		None
TOTAL	**50**	**1,573,480**			

Source: Department for vine, wine and fruit growing, MAFWE, September 2007

- **five new wineries have been recently opened**

ANNEX No. 12 MAFWE budget and Payments

Table 1. Distribution of MAFWE budget by programs in MKD 1000 (2004-2007)

Programs & Sub-programs		2004	2005	2006	2007
1	**Administration**	**25,276**	**21,778**	**19,922**	**21,959**
10	Administration	N/A	17,272	16,119	18,158
11	Agricultural policy and international aid support	N/A	4,506	3,803	3,801
2	**Forestry**	**74,720**	**80,198**	**75,752**	**72,568**
20	Forestry	N/A	27,655	42,687	42,326
21	Forestry police	N/A	52,543	33,065	30,242
3	**Agriculture**	**560,305**	**609,630**	**473,120**	**1,203,025**
30	Agriculture	N/A	587,924	457,116	1,178,551
31	State agricultural inspectorate	N/A	12,706	12,504	21,474
32	Project for development of southern and eastern rural regions	N/A	9,000	3,500	3,000
4	**Veterinary medicine**	**314,140**	**169,627**	**242,347**	**312,296**
40	Veterinary medicine	N/A	169,627	242,347	312,296
5	**Protection of plants, seeds and seedlings**	**37,978**	**38,530**	**34,731**	**33,586**
51	Plant protection	N/A	31,970	28,503	29,287
52	Protection of seeds and seedlings	N/A	6,560	6,228	4,299
6	**Water economy**	**481,302**	**519,755**	**548,100**	**280,608**
60	Water economy	N/A	55,230	35,450	29,639
6A	Hydro-system Zletovica	N/A	70,500	179,850	111,340
6B	Hydro-system Lisice	N/A	74,025	189,975	75,695
6D	Regulation of water currents on the river Vardar	N/A	-	30,000	31,000
6G	Irrigation of the Southern Vardar valley	N/A	190,000	45,825	31,334
6V	Rehabilitation and reconstruction of irrigation	N/A	130,000	67,000	1,600
B	**Poverty reduction**	N/A	**20,000**	**60,000**	**78,098**
BB	Revitalization of villages	N/A	20,000	15,000	15,000
BG	Paying Agency	N/A			18,098
BV	Rural development - pilot project	N/A	-	45,000	45,000
Total		**1,493,721**	**1,459,518**	**1,453,972**	**2,002,140**

Table 2. Direct payments in MKD 1000 (2005-07)[126]

Agricutlure Sub-Sectors /Year	2005	2006	2007	% 07'
TOTAL DIRECT PAYMENTS	**445,077**	**1,024,662**	**1,090,280**	100%
CROP PRODUCTION	**173,233**	**825,068**	**678,500**	**62.2%**
Wheat	0	374,662	185,000	17.0%
Maize	41,494	25,348	0	0.0%
Barley	84,991	51,195	0	0.0%
Sugar beet	1,741	0	0	0.0%
Sunflower/soy/oil beet	3,588	0	36,000	3.3%
Tobacco	0	342,432	276,800	25.4%
Greenhouse production (per ha payment)	0	0	10,650	1.0%
Pepper	0	0	25,000	2.3%
Improvement of pastures	10,000	6,000	500	0.0%
Establishment of vineyards and orchards	30,420	25,431	112,750	10.3%
Support for seed production	1,000	0	16,800	1.5%
Support for seedlings production	0	0	1,500	0.1%
Applied research projects-crop	0	0	2,500	0.2%
LIVESTOCK PRODUCTION	**270,842**	**199,594**	**388,100**	**35.6%**
Cattle	116,652	86,585	101,000	9.3%
Sheep & Goat	127,446	110,009	218,150	20.0%
Pig	10,699	0	33,200	3.0%
Poultry	3,371	0	13,000	1.2%
Fishery	4,650	0	12,000	1.1%
Beekeeping	924	0	2,250	0.2%
Special measures/Applied research livestock	7,100	3,000	8,500	0.8%
ALTERNATIVE, NON-TRADITIONAL & DEFICIT PRODUCTS	**0**	**0**	**8,680**	**0.8%**
Asparagus	0	0	1,080	0.1%
Medical and aromatic herbs and species	0	0	2,000	0.2%
New orchards incl. olives	0	0	2,500	0.2%
Ostriches	0	0	1,600	0.1%
Snails production	0	0	1,500	0.1%
ORGANIC PRODUCTION	**1,002**	**0**	**11,000**	**1.0%**
LFA (TOP-UP OF 10%)	**0**	**0**	**15,000**	**1.4%**

[126] * Amounts for 2005 and 2006 are actually disbursed amounts of support, while 2007 figures are planned.

Table 3. Complementarity of the National Support Schemes with IPARD implementing measures

I DIRECT PAYMENTS SCHEME			
Crop production			
Product	**Objective to be achieved**	**Amount of support**	**Relation with IPARD Measures**
Wheat	To enable certain level of domestic production of wheat (at least at the existing level of 70%-90% of the total domestic demand) as an input supply for production of the staple food products of the population	4.500 den/ha paid for produced and sold wheat to mills on the condition to yield of at least 2.500 kg/ha, and for the min sown area of 1 ha and max 50 ha.	NA
Sunflower/ soy/oil beat	Increase of production of oilseed crops to meet the growing demand of the raw materials for bio diesel production as alternative to abandon of uncompetitive cereal production	4.000 den/ha for a minimum area of 1 ha (and 0.5 ha for soy)	NA
Tobacco	Income support to social security of significant share of tobacco producers and keep the reducing production level bellow 30.000 tonnes annually also due to importance of tobacco in national trade balance	15 den/kg purchased tobacco	NA
Greenhouse production	Maintenance and subsequent increase of participation of early-gardening production in the existing markets (the region of the SEE the fresh products, and EU for the processing) and improvement of the value structure of the export of existing range of products, as well as	50.000 den/ha to cover a part of the operational costs for the greenhouse farming for reported a minimal area of 0,3 ha and a document / evidence for the sold quantity and quality in the processing capacities or realised export	**Measure 1 -** Investment in agricultural holdings - Reconstruction of greenhouses

	via introduction of new demanded products		
Pepper	Support for open field and in plastic tunnels production of competitive industrial pepper (especially red) to instigate for bigger supply of the raw-material for processed pepper products targeted to the ethnic markets in the EU and world-wide	5.000 den/ha for those producers who reported a minimal area of 0,5 ha and evidence for the sold quantity in the processing capacities or realised export	**Measure 1** - Investment in agricultural holdings; - Reconstruction of greenhouses
Improvement of pastures	Transfer to the Public enterprise for managing of pastures for implementation of the measures for improvement of high-mountain pastures in the country	500.000 den transfer to the Public enterprise	NA
Establishment of vineyards and orchards	Maintaining the national viticulture potential below the 1996 areas, which were reduced considerably due to the transition period (lack of reinvestment in Kombinats, etc.) and to increase the export of quality bottled wine and table grape as a result of improved variety and age structure. Establishment of new vineyards will be supported with purpose to avoid a drop of the total grape (and fruit production) due to the multi-annual period without yields between investment and achieving the harvest potential from the new	60.000 den/ha new **vineyards** and: – Minimum size of individual parcels not less than 0,3 hectares, – Selection from the list of prescribed supported varieties, – Applicants shall have registered vineyards in the Vineyard Cadastre within MAFWE (provided they are in the Tikves pilot region) 45.000 den/ha for competitive fruits (minimum size of the new plantations):	**Measure 1** - Investment in agricultural holdings - Reconstruction of vineyards

	vineyards/orchards, especially having in place a very high percentage of old vineyards/orchards that should be replaced with new plantings. To terminate the decreasing process of fruit production as a sector with significant competitive potential and to provide incentive for bigger production of the existing fruit crops, as well as introduction of new products and varieties with comparative advantage as demanded on the markets. It is of high importance particularly in economically undeveloped hilly and mountainous regions.	– Stone fruits: peaches, apricots, plums, cherries, and sour cherries; and pears (min 0,3 ha), – Soft fruits: raspberries, blackberries, blueberry (min 0,2 ha), – Nuts: hazel-nuts, almonds, walnut, and chestnuts (0,3 ha) 20.000 den/ha strawberry (min 0,2 ha),	
Support for seed production (cereals and oil seeds)	To stimulate the production of sufficient certified seeds of domestic origin since 2008 granting of the support for wheat production will be conditioned upon use of certified seeds.	7.000 den/ha	NA
Support for seedlings production	Financial support for production of healthy and high quality seedlings of domestic production (wine and orchards)	2 den/seedling to the seedlings centres in the country	NA
Livestock production			

Cattle	Increasing the offer of domestic production of beef and subsequent decreasing of the imports, as well as maintaining the milk production at least on the existing level by improving the structure of the cattle farms in terms of average size, breed structure, and specialization in terms of milk or meat production. An adequate level of economy of scale in the production mean achieving predominate structure of 5-10 cows per farm in the first development phase of short to medium term, and specialized farms with 20 heads or more later on in long term.	– 1,000 den/head cattle for maintenance and expansion of the herds, tagged and registered cattle for minimum number of 5 and max 50 cattle disregarding the breed and production features; – 2,000 den/head cattle support the cow-calve system for direction meat production for minimum 30 heads; – 1,500 den/head cattle from the high breeds for which control of the production features is conducted and are in herd of minimum 10 heads.	**Measure 1** - Investment in agricultural holdings: - Construction and reconstruction of stables for animal breeding Note: Purchase of live animals is not eligible under IPARD
Sheep & goats	Increasing the lamb meat and sheep and goat milk production, as key livestock sub-sectors and gradually achieving to the realistic production volume in accordance with the natural potentials of the country, and development of the high-mountainous LFA areas where the possibilities for alternative employment are extremely limited with the reduction of unemployment and poverty alleviation (every 400 heads of sheep provide for existence of 5-membered family, plus	– 1,000 den/head kept milking heads for minimum number of 50 milking ewes for increasing the basic herd; – 7,500 den/rams of the Awassi breeds as 50% MAFWE participation in the total amount of 15.000 den/head and 4.000 for the Württemberg (in order to improve the breed structure); – 350 den/head for minimum	**Measure 1** - Investment in agricultural holdings: - Construction and reconstruction of stables for animal breeding Note: Purchase of live animals is not eligible under IPARD

	additional employments in the milk industry)	number of 30 goats; – 4,000 den/rams of Alpine breeds rams as MAFWE participation in the total amount of 9.000 den/head (in order to improve the breed structure)	
Pigs	Creating conditions for increase of production; providing support to the incomes of the primary producers of pork meat burdened with the big influence of the high price of the feed; increasing the productivity by improving the breed structure; institutionalisation of the illegal/ unrecorded slaughtering into the regular course in the process of meat processing in the slaughterhouses, and finally better possibility to meet the needs of the domestic meat industry in development and subsequent decrease of the big net trade deficit with this product.	– 300 den/head for kept and sold to slaughterhouses of minimum 5 fatteners with minimum weight of 90-120 kg, – 15,000 den/head i.e.10,000 den/head for kept and sold for reproduction tested boars and sows.	**Measure 1** - Investment in agricultural holdings: - Construction and reconstruction of stables for animal breeding Note: Purchase of live animals is not eligible under IPARD

Poultry	Strengthening of the infant industry for broilers production, i.e. increasing of the domestic production of fresh chicken meat already well-recognizable by the consumers as quality and healthy domestic product. Ensuring protection against introducing diseases during imports of one-day-old chicks under conditions of increased danger of occurrence and spread of Avian influenza, and other contagious diseases to the poultry	– 6 den per produced fattened broilers delivered to the slaughterhouses, – 2 den per one-day-old broilers to the farms for fattening, – 2 den per one-day-old chicks from egg-producing hybrids produced and delivered to the farms for keeping pullets	**Measure 1** - Investment in agricultural holdings: - Construction and reconstruction of poultry breeding facilities (broiler production) Note: Purchase of live animals is not eligible under IPARD
Beekeeping	Further development of apiculture as perspective agricultural sub-sectors which can engage labour in the passive rural areas and can provide increasing export, particularly taking into consideration the ecological advances and natural geographical features of the country which provide excellent conditions for manifold increase of honey production and bee products.	– 300 den/ breeder queen - support for provision of breeder queens – 1200 den/bee families + frame, as 50% participation in market value – 1500 den/ha financial support for sown areas under honey plants (evodia) for min 0.5 ha and 20 bee hives	**Measure 3**- Diversification and development of rural economic activities: -Support to micro-enterprises-establishment of on-farm processing units for utilisation of rural resources
Alternative, non-traditional & deficit products	Increase of production of alternative and non-traditional products with export potential to generate higher farm income within existing limited land resources in terms of size and to serve as alternative options for traditional products with decreasing		

	market competitiveness		
Asparagus		9,000 den/ha for minimum 0,3 ha	NA
Medical and aromatic herbs and species		Per ha payment for minimum of 0.2 ha sown area (per hectare amounts are to be defined after application and evidence of the total reported production capacity). Total 2007 amount is MKD 2 mill.	**Measure 3**- Diversification and development of rural economic activities: -Support to micro-enterprises-establishment of on-farm processing units for utilisation of rural resources
New orchards incl. olives	Increasing the domestic production in group of southern fruits that almost hasn't been present, although they mark significant competitive production and exporting potential, particularly on specific niche and growing markets with ensured and increasing demand. The alternative fruit crops have relatively low price of the seedlings, with simple and non-labour intensive production process, with substantial volume of production, as well as, with ensured placement on the market and significant demand by the processing industry in the country, and especially abroad. Consumable olives in particular is far	45,000 den/ha of figs, olives, pomegranate, aronia and Japanese apples for minimum area of 0,2 ha	**Measure 1** - Investment in agricultural holdings - Reconstruction of orchards

	less than the existing demands, therefore the import of olives contributes with over 70% to the import of preserved vegetables.		
Ostriches		Total amount of MKD 1,600,000 will be granted to support for min 5 elder heads	NA
Snails production		Total amount of MKD 1,500,000 will be granted to support for enclosed farm for snail production with min area of 0.2 ha	NA
Organic production	Aimed to promotion and support of the organic production development in the country because of the favourable natural conditions and the demand for these products on the EU market. The introduction of the standards stipulated by the Book of Rules for organic agricultural crop production of the producer/farmer i.e. production conversion from conventional into organic, causes yield decrease by 50 %, i.e. increases the breeding expenses of livestock farm during first years. Thus financial support is granted on the part of the reduced production/lost profit.	- Per ha financial support for organic areas and areas under conversion from conventional agricultural production into organic (cereals- 6,000 den/ha; fodder, meadows- 2,500 den/ha; oilseeds- 5,000 den/ha; vineyards and orchards- 8,000 den/ha; horticulture- 12,000 den/ha; medical, aromatic- 10,000 den/ha) paid on the basis of issued certificate for organic production at the end of production cycle. - Per head financial support of organic production in livestock farms (cattle breeding- 3,000 den/head; sheep and goat- 1,500 den/head; pigs- 500 den/ha; poultry 100	NA

		den/head; beekeeping 1,000 den/hive), paid on the basis of issued certificate for organic production at the end of production cycle. - 50% compensation of expenses for control and certification of organic products by accredited and authorized certification bodies that provide confirmation for applying stipulated standards while producing organic product and is paid in advance to the start up with the procedure of certification. - 100% compensation of the costs of lab analyses of soil, organic fertilizers which are added, and water which is used for irrigation in organic farms. - Implementation of scientific – research *project* important for acquiring participation of foreign projects for organic agricultural production - General measures (educative and propaganda activities).	

Direct payments in economically under-developed regions (top-up of 10%)	Due to introduction of the criteria laid down for receiving entitlement for support pursuant to stipulated support measure, and in order to overcome the risk of omission, i.e. lack of support for rural population in the economically under-developed regions, defined as specific regions (hilly-mountainously and border areas)	– 10% top-up on the total value of crop and livestock support measures for applicants who belong from specific regions – 50% lowered eligibility criteria.	NA
II RURAL DEVELOPMENT SCHEME			
Programme for rural development	To improve the competitiveness of targeted farm beneficiaries and sustainability of agriculture and rural areas and to establish, practically train and test required administrative systems within MAFWE that should be capable to absorb and manage future EU pre-accession rural development funds.	– 50% public expenditure/grant to investment in agriculture holdings with one sub-measure: Investments in equipment and mechanization for crop and livestock production (range: for physical persons 60,000-600,000den; for legal entities 300,000-1.000.000 den) – 50% public expenditure/grant to purchase of agricultural equipment and machinery for agricultural and livestock post-harvest activities and processing of fruit and vegetables, grapes, arable crops into fodder and of meet and milk. (range: only for legal entities 500,000-1,300,000	**Measure 1** - Investment in agricultural holdings: **Measure 2**- Investment in processing industry:

		den) Legal entities and cooperatives should have max.10 permanent employees.	
Subsidies to Producers Associations	Strengthening producers' groups that take place on market i.e. cooperatives or farmer associations which do trade with the products of their members through jointly established company according to Company Law (particularly for fruit and vegetable), as well as machine rings	50% of the annual operating expenses which are related to hire permanently employed manager and keeping accountancy	NA
Fishery	Support of open waters fish ranching and support for implementation of activities which shall emerge from the new Law on Fishery and Aquaculture.	Planned fish ranching with noble offspring and fish of high value. One part of the resources shall be used for financial support to carry out artificial spawn of Ohrid trout and fish ranching of Ohrid Lake with raised offspring as well as provision of physical protection of fishing water prohibited of fishing. As obligation from the new law there is drafting fishing basis for all fishing waters which shall contain the data necessary for proper managing, fish inventarization, building up fishing centres.	NA
Rural	MAFWE investments in improvement	– Construction & maintenance of	NA

infrastructure	of the rural infrastructure is mainly limited to the capital investments into construction and maintenance of local irrigation / drainage schemes as well as to participation in building of water supply and sewerage systems in the villages	irrigation / drainage / flood protection schemes – Program for revitalization of villages 7-10% MAFWE participation in villages water supply and sewerage systems – Development of technical proposals – Support to restructuring of irrigation	
Measures implemented by Bureau for economically under developed regions	The wider objective of the policy is aimed towards reverting the process of rural urban migration promoting balanced regional economic development. The policy areas targeted are diversification of the economic activities, improvement of irrigation and water management, forestation and management of forests, building transport infrastructure in terms of better access to urban centres, accessibility to quality health care and education, public utilities in terms of promoting rural tourism. The measures of the LFA policy are implemented through the Bureau for less developed areas, under the Ministry of Local Self Government	– Construction and reconstruction of local water pipelines – Partial interest refund on the granted loans – Reconstruction of electrification network Participation of Bureau's funds differentiates in accordance with the status of the region. In the rural areas the participations amounts 30 to 60% depending on the purpose of the investments.	NA

	while the eligible areas are set by a Government decision.		
III OTHER AID AND SUPPORT SCHEMES: MARKET PROMOTION, QUALITY STANDARDS, RESEARCH, ETC			
Participation at exhibitions, fairs, seminars and other agricultural events	Based on the tender issued every year for allocation of sponsorships and subsidies to organisers of fairs, promotional presentations, scientific events and celebration of anniversaries Ministry of Economy participate in the total costs of presentation of agri-food companies on most important at international the agricultural events all around Europe.		NA
Applicative research projects-crop production	Improve the transfer of knowledge from science to farmers in cultivation of crop cultures. The measure is supported through MAFWE budget based on application of institutions having project proposals.	Granting the projects for scientific institutions for applied researches aimed for achievement of defined strategic goals. Planned amount for 2007 is MKD 2.5 million.	NA
Applicative research livestock production	Improve the transfer of knowledge from science to farmers and support to bookkeeping service, selection and monitoring of livestock granted to authorized institutions. The measure is supported through MAFWE budget based on application of institutions having project proposals.	– Granting the projects for scientific institutions for applied researches aimed for achievement of defined strategic goals in livestock production. – Cover the expenses of the bookkeeping service, selection and monitoring of livestock granted to authorized institutions. 2007 planned amount of MKD 8.5	NA

		million.	
Introduction of food safety and quality standards (from MAFWE budget)	Implementation of quality standards and food safety EUREPGAP, BRC, QC is an important pre-condition for increase of competitive position of the domestic agricultural products on the foreign markets, particularly on the EU market. Thus MAFWE support farmers per area to cover the costs due to changes of the production technologies, staff training, and procurement of approved intermediate goods as well as compensate of advisory and consulting services and certification fees.	1. Implemented safety standards in primary production: – 2,000 den/ha for for minimum 0.1 ha – 50% participation in consultant services for preparation of standard introduction – 50% participation per certificate issued by accredited certification body 2. Implemented safety standards within the processing capacities (final processing) whose posses HACCP and ISO 22000: – 50% participation in consultant services for preparation of standard introduction – 50% participation per certificate issued by accredited certification body 3. Introduction of sustainable systems for utilization of natural resources (wild-growing varieties) through 3 measures included in one project proposal: – 100% participation of costs of drafting of elaborate for natural productivity of the region	NA

		– 50,000 den for registration of collection points – 20,000 den/course for collectors for registration of collectors 4. Registration and receiving entitlement of using geographic label, origin label and traditional specialty through 3 measures included in one project proposal: – Up to 150,000 den for drafting of elaborate for registration – 100% of registration fees in the Bureau of industrial property protection – 100% of registration fees for bar code 5. Quality control of unprocessed and semi-processed products through lab analysis: – 100% of costs for lab analysis of the product for domestic market or export 6. Implemented quality standards of final market products for by quality product standardization: – 40% of the costs to other persons – 100% of registration fees for bar code – 100% certification fees	

Introduction of food safety and quality standards (from Ministry of Economy budget)		– 50% of the invoiced amount for processing entities and hoteliers for HACCP standards certification, where the maximum amount was MKD 90.000. (20 processing companies in rural areas were supported in amount of approximately 45-50.000 MKD per applicant)	NA

ANNEX No. 13 DONOR Projects

Table 1. PHARE and CARDS donor projects

Project title	Project description	Donor	Budget € Mio	Period (from-to)
Agriculture Aid Package (COP 1996)	Supported the improvement of MAFWE capabilities for planning, preparation and implementation of effective market-oriented reforms, development of veterinary and phytosanitary controls, strengthen water resource management, planning, and participatory water management organisations.	Phare	2.0	01.11.1997-04.10.2000
CBC Veterinary and Phytosanitary BIPs	Modernized existing and built new Veterinary and Phyto-sanitary border inspection facilities, according to EU standards in Bogorodica and Medzitlija border stations.	Phare	1.6	10.06.2003-14.04.2004
Land Policy and Cadastre (COP 1996)	Assisted the creation of appropriate legal and institutional arrangements for the development of land and real estate markets, and development of options for land market policies and institutions.	Phare	1.9	08.12.1997-30.11.1999
Institutional Strengthening of MAFWE	Supported the policy formulation, strategy development, and institutional strengthening and legislation harmonization.	Phare 1999 CARDS 2003	0.96+ 0.5	15.05.2002-30.9.2004
Establishment of a national animal I&R system (phase I & II)	Developed and implemented a National Animal Identification and Registration (I&R) System (including hardware and software), and by the approximation of relevant legislation to EU directives. The system includes the bovine population and developed a concept for registration of small ruminants.	Phare 1999-Cards 2001 & 2003	0.65+ 0.99	04.06.2002-31.12.2006

Veterinary and phyto-sanitary equipment	Supplied essential veterinary, phyto-sanitary and food quality control equipment.	Cards 2001	2.1	05.08.2004-01.11.2005
Establishment of a National Integrated Phytosanitary Service	Assisted the MAFWE in establishing an effective legal, institutional and organisational framework for an integrated Phytosanitary service.	Cards 2002	0.9	24.03.2004-05.07.2006
Creation of a Vineyard Monitoring & Management System	Developed legislative/ administrative /institutional capacity to adopt the EU policy related to the wine CMO, and set up a pilot vineyard register in the Tikves region. The project procured hardware and Software development.	Cards 2002 & 2006	0.96+ 0.5	27.01.2004-31.10.2006
Structural and Legal Reform of MAFWE	Assisted MAFWE in the development of horizontal services; veterinary services; rural development (including IPARD) and agriculture markets and standards.	Cards 2004	2.96	01.2005-12.2007
Integrated Border Management	Planning and design of 4 Veterinary and Phytosanitary BIP	Cards 2006	0.5	2007-2008
Food Safety Project	Assist MoH and MAFWE in legislation approximation and official food controls	Cards 2006	0.5	2007-2008

Table 2. PSO projects

Project title	Project description	Budget € Mio	Period (from-to)
Development of the dairy sector	Set up of laboratory for raw milk analysis, and train advisers in milk production improvements at farm level.	0.23	15.01.1999-01.07.2000
Energy efficiency in the horticultural sector	Focused on the improvement of the energy efficiency and use of modern technologies in the horticultural sector.	0.40	15.01.1998-01.06.2002

Development of a vegetable collection/distribution centre in Strumica	Strengthened the vegetable sector in the Strumica and developed business relations between the country and the Netherlands, through the development of a collection/distributions centre.	0.60	01.01.2000-01.10.2003
Developing of the country's hogs for quality pork	Strengthened the country's pig sector through developing an efficient system for producing superior hogs with European quality standards and increasing the profitability of hog production throughout the production chain.	0.90	01.07.2000-2002
Development of tissue culture for the floriculture sector	Supported the establishment of a modern tissue culture laboratory in Skopje and the renovation of existing glasshouses in Vinica as well as technical assistance and the first procurement of production inputs and the formation of joint venture.	0.90	01.07.2000-31.07.2001
Dairy farming and processing: an integrated approach	Supported the set up of a Joint Venture for the production of added value dairy products and improving and increasing the supply of milk	0.90	07.200-12.2002
Wine production of and their promotion and sale in Western Europe	Involved cooperation with a winery to upgrade wine quality and the outfit to conform to the Western consumer standards and involved hardware and knowledge transfer from grape-plantation up to supermarket delivery.	0.90	01.07.2000-01.07.2002
Integrated demonstration project for Asparagus	Established an asparagus production and quality export unit and marketing: arrangements and established co-ordination with the Farmers' Association and with the National Extension Agency for disseminating know- how.	0.90	01.07.2000-01.07.2002
Development of a Cool Chain for Horticultural Exports	Supported the establishment of an EU export-oriented forwarder of fresh fruits, equipped with conditioned warehouse facilities for classing, packaging and storage of fresh products and their transport in conditioned camions to preserve the quality of the products and staff training.	0.70	01.01.2002-01.03.2003

Integrated Potato Snack Producing and Marketing Project	Established a line with 1,000 kg/hr input for processing potatoes into snacks as well as packaging and the development of a field, farm service centre and storage of 1,200 tonne. A dedicated potato seed testing and multiplication program was developed with 20 ha demonstration fields.	0.68	01.12.2001-30.06.2004
Integrated Demonstration Project for Pigs and Poultry	Targeted the increase and improvement of feed production through a multipurpose feed production unit including laboratory and extruder technology, and demonstration model farms for pigs and poultry were established.	0.68	01.11.2001-01.11.2003
Meat quality control	Supported the export of meat and meat products in the EU and other countries through chain control and defined the technological improvements needed for export of lamb meat.	0.15	2002-2003
Vegetable seed production	Supported the development of high quality seed production technology, for placement on both domestic and EU markets.	0.52	01.11.2002-31.10.2004
Frozen fruit, export-oriented project for the production of	Through a chain approach the project improved production of frozen fruit in Kavadarci for export to the EU, and included delivery of a freezing and cold storage unit, irrigation, fertilization and post-harvest equipment, and new varieties.	0.4	01.2003-08.2005
Dry food production and marketing	Created an agro centre for raw materials with ECO certificates, supplied quality seeds and provided farmer training to improve production of dry fruit, vegetable, soup, potato puree and other kinds of natural products.	0.7	11.2003-10.2005
Establishing athe country's certification body for horticultural sector	Founded a certification body that assists the producers in overcoming the obstacles for the assertion of quality of the exported products through classification and provision of international certificates in order to sell their products in the EU.	0.37	01.01.2004-01.04.2006

Quality control and certification platform: expert centre for the sector agriculture, food and its transport	Enhanced the export position of companies in the agricultural and food sector via implementation of quality systems and their official certification. A certification expertise centre was established with sector organizations, to implement ISO, HACCP, EUREP-GAP, BRC and others.	0.19	11.2004-01.2007

Table 3. SIDA projects

Project title	Project description	Budget € Mio	Period (from-to)
Support to Farmers Associations (I)	Supported the development of market-oriented farmer's organisations including establishment of machinery rings, training of young leaders, farm management, etc.	2.4	20.01.2001-20.04.2004
Project for Improved Agriculture Statistics	Contributes to develop a sustainable agricultural statistical system in the country complying with EU requirements, involving structural and production statistics, agro-monetary and forestry statistics and on further development of the Farm Accountancy Data Network (FADN) and the procurement of IT equipment.	2.0	2002-2007
Support to Farmers Associations (II)	Supports farmers in business competitiveness and in the chain, democracy and management development in farmer associations and policy and strategy development, policy dialogue and in communications.	4.1	01.12.2004-06.2007
Macedonian Agriculture Advisory Support Programme (MAASP)	Strengthens policy, legislation, institutional structures and management systems, improves opportunities for communication and access to economic, civic and development information among rural stakeholders, implements five demand driven pilot experimental advisory service packages, improves capacity and structure of national	4.0	01.12.2004-30.11.2007

	farm management and rural development advisory services and embeds learning within relevant institutions.		
Building the capacity for formulation of the country's policy and economic analyses in the agriculture sector	Improves the capacity of the faculty for agricultural science and food - department for agricultural economy and organization, to formulate policies and economic analysis on issues of strategic importance to the agriculture sector.	1.2	2004-2007

Table 4. USAID Projects

Project title	**Project description**	**Budget € Mio**	**Period (from-to)**
Farmer-to-Farmer Program	Provided grass root assistance to agriculturists, sheep breeding, apple and swine producers associations, food processors, and natural resource managers. Assisted the development of a national brucellosis control program, of private veterinary stations, of the country's Veterinary Chamber, and of a pasteurised milk ordinance for quality control and standards.	3.9	01.05.1993-01.08.2002
Macedonian Agro business Marketing	Supported the production of the country's higher quality, branded meat and dairy products, via establishment of standards, of a “Seal of Quality - SOQ” and of an enforcement system, owned by the Meat and Dairy Processors Association.	7.9	04.1998-07.2003

SOQ and Agribusiness Assistance Program	Planned development and handover of the SOQ Program to the country's food industry raised participating firms and their products to higher quality levels and expanded the scope to include the fruit and vegetable industries. Supported the sheep sector (farm production, slaughtering, cheese production and the industry associations) to deliver products meeting demands of foreign and domestic markets.	4.4	30.09.2003-29.09.2007
Macedonia Competitiveness Activity	Developed and implemented strategies for lamb and cheese, wine, tourism clusters for exporting products able to compete on the basis of quality and innovation. In the wine, focus was on quality and marketing improvements to facilitate increased sales of the country's high-end specialty wines in Europe. Conducted consumer research on cheese and lamb that helped producers modifies their products to meet customer demands. Assisted diaries to implement HACCP quality standards and in investing in quality, production, marketing, packaging and distribution improvements. Assisted rural and farm tourism development activities. Five familiarization trips have been organized for international tour operators and specialized travel writers. The outcome of these trips is that nine tour operators have included tours in the country in their 2005/06 catalogues	8.0	2002-2007
AgBiz Programme	The goal of the AgBiz Program is to increase the rate of economic growth in the country through expanded, environmentally sustainable production and sales of value-added agricultural products by enabling producers and processors to compete regionally and globally. The Programe components are the following: **- Fast-Track Transactions Identification**	3.7	2007-2010

	The objective of this early activity is to enable AgBiz to quickly target program assistance on immediately implement-able transactions, and to achieve successful program supported sales within one year. Every AgBiz program intervention must lead to commercially viable and sustainable transactions. **- Value Chain Competitiveness Enhancement Opportunity and Constraints Identification** Once the value chains for competitiveness enhancement have been selected, significant participants in the middle, e.g., processors, and end links, e.g., marketers, of the selected value chains will be contacted to determine their level of interest in participating in AgBiz value chain competitiveness enhancement activities. The major focus of this work will be to a) determine what these value chain participants believe are the most significant opportunities for expanding the number and average value of transactions in their value chain, and b) what they see as the most significant constraints to improving the competitiveness of their value chain. **- Support Program Development and Implementation** Once the priority opportunities and constraints in each of the selected value chains have been identified, AgBiz will work with participants in these value chains to develop specific projects for helping individual firms, or groupings of firms or producers, to capitalize on the identified opportunities and overcome the constraints. This support will be structured as a package of services needed by a firm, or grouping of firms or producers (AgBiz customer) in the selected value chains, to capitalize on the identified opportunities and/or overcome		

	the constraints to competitiveness in high opportunity markets. This package will be referred to as a customer project. AgBiz may provide direct technical support to customers via approved support projects, and/or share the cost of implementing the project with the customer. **- Policy and Institutional Reforms** Reforms needed in the enabling environment, based on their impacts the selected value chains, will be identified via our transactions development and implementation experience, and advocacy to reform the priority constraints will be implemented by the most relevant associations in the country, not directly by AgBiz. - **Financing Secured for Customers** AgBiz, working in concert with our partner Crimson Capital, will help customers in the selected value chains secure cost and terms effective financing for their projects, i.e., competitiveness enhancement activities and sales contracts. In addition to assisting with developing business plans and credit applications, AgBiz will develop a collaborative relationship with a range of alternative sources of financing to understand their requirements for financing AgBiz customers, and the comparative advantages and disadvantages of these alternative sources.		

Table 5. List of projects/research involving rural tourisim

Project title	Funding Body	Main outcome
Lake Ohrid Conservation project (1998/2000)	WORLD BANK	A participatory watershed action plan, with pilot and demonstration projects, to address priority issues in the areas of municipal environmental services, industry, tourism, agriculture, forestry, and fisheries; and a public awareness and participation program involving local NGOs and community groups of all sectors of social/ economic activity.
Case study for rural development in the Republic of Macedonia - 2003	EAR	A study confirming the non-availability of relevant data and identifying key priorities for rural development as analysed in surveys carried out in several rural locations.
Master Plan study for Tourism in Macedonia (2002/ 2003)	L.BERGER ltd	First and main study for the planning/promotion of tourism sector in the country (little attention paid to rural tourism).
Regional Strategy for Sustainable Tourism Development with special accent on Eco-Tourism (2003/2004)	REC- Regional Environmental Centre	A comprehensive study on the analysis and strategy for the development of tourism activities in the Prespa lake area, with distinct analysis for the Albanian and the country's sides.
Beautiful Brajcino (2003/2005)	SWISS Agency for Development and Cooperation	A pilot project aiming at creating an example of village centred on ecologically and culturally sustainable tourism. Some families were actively supported to start tourism activities; other facilities were provided (e.g. signs, paths).

Heritage Trail (2003/ 2005)	GTZ	A project carried out in cooperation with the Municipality of Resen, it was centred on the promotion of village tourism (some 20 families were supported).
Local Governance for Sustainable Human and Economic Development (2003/2006)	UNDP	Mainly an institution-building programme financed by the Government of Finland and UNDP, implemented in Berovo, Gevgelija and Struga. Local Development Agencies and Tourism Info Points have been established in these municipalities, actively working on the implementation of a series of projects in the area of economic, social and environmental development.
Preliminary Technical Assessment -2006	European Commission/Council of Europe	A study on the physical condition-risk assessment and intervention priority (including cost estimates) has been carried out by the Directorate for Protection of Cultural Heritage for some villages (Maloviste, Kicinica).
Macedonian Village 2007	Ministry of Economy	An ongoing project assessing the tourism potential of some villages with the view or either recovering them, or to build a new village to represent a main tourism attraction (sort of amusement park).

ANNEX No. 14 Baseline Indicators

No.	Indicator	Measurement	Country
1.	Economic development	GDP/capita in € current prices, 2005	2,235
2.	Employment rate	Share of employees in comparison to active population; 2002	33%
3.	Unemployment rate	Unemployment rate in comparison to active population; 2005	37.3%
4.	Long term unemployment	Share of long term unemployment in total unemployment	75%
5.	Self-employment development	Average development rate of self-employed; 2003-2005	21%
6.	Structure of employment	Share of women in the total employed	38%
7.	Educational attainment	Share of population without or with incomplete education; with primary education; with secondary education; with higher education.	 18% 35% 40% 7%
8.	Population density	No. of citizens per sq. km, 2004-2005	79 c/sq. km
9.	Net migration	Net average migration rate	-1.45/1,000 inhabitants
10.	Age structure	Share of population (2002) <20, 21-64, >65 years;	 29% 60% 11%
11.	Agricultural GDP	Share of agricultural GDP (including hunting, forestry and fishery) in total GDP (%), 2004	11.3%
12.	Economic development of primary sector	Average agricultural real GDP growth rate 2002-2004	2.6%
13.	Agricultural land use	Agricultural land per capita (ha), 2004	0.625 ha/capita
14.	Farm structure	Share of farms <2ha 0-5 ha	 48.6%, 88.8%
15.	Age structure in agriculture	Share of farmers (2002) <=40 41-65 >65	 34% 59% 7%
16.	Labour productivity in agriculture	Gross value added /annual working unit in agriculture; 2004	4,854 €/labour work unit
17.	Labour productivity	Gross value added per employee; 2004	€10,275

	in the food industry		
18.	Economic development of food industry	Average rate of increase of the value of the processed agriculture products 2001-2004	22%

ANNEX No. 15 List of food processing activities eligible under Measure 302

Production of food products

Descriptive	NACE Rev. 2
Production of honey and beeswax	**01.49 Raising other animals**
Operation of slaughterhouses engaged in killing, dressing or packing meat and poultry: beef, pork, lamb, rabbit, mutton, etc. and or poultry Rendering of lard and other edible fats of animal or poultry origin Processing of animal offal	**10.11 Processing and preserving of meat** **10.12 Processing and preserving of poultry meat**
Production of dried, salted or smoked meat Production of meat products: sausages, salami, pâtés,	**10.13 Production of meat and poultry meat products**
Preparation and preservation of fresh water fish, crustaceans and molluscs (i.e. drying, boiling, smoking,salting, immersing in brine, caviar)	**10.20 Processing and preserving of fish, crustaceans and molluscs**
Production of fruit jam, marmalade, jellies, compotes, candid fruits, dried fruits, fruit juices and other preserved fruits Processing of mushrooms Roasting of nuts, production of nut pastes Processing of vegetables: Grinding of paprika, traditional preserving of vegetable (“ajvar”, “pindzur”, “lutenica”, “malidzano” and other traditional cooked vegetable mixtures and pates), preserved vegetables (in oil or in vinegar), boiled vegetables, dried vegetables; Production of concentrates from fresh fruits and vegetables	**10.32 Manufacture of fruit and vegetable juice** **10.39 Other processing and preserving of fruit and vegetables**
Production and processing of vegetable oils: sunflower-seed oil, pumpkin seed oil, oil-bearing roots, margarine etc.	**10.41 Manufacture of oils and fats** **10.42 Manufacture of margarine and similar edible fats**
Production of milk products: yoghurt, sour milk, cheese (white cheese, soft cheese, yellow cheese, “kashkaval”), butter, dairy spreads, curd (i.e. “urda”), cream, whey	**10.51 Operation of dairies and cheese making**
Milling products: Grain milling: production of flour, groats, meal or pellets of wheat, rye, oats, maize (corn) or other cereal grains Rice milling: production of husked, milled,	**10.61 Production of grain mill products**

polished, glazed, parboiled or converted rice; production of rice flour Vegetable milling: production of flour or meal of dried leguminous vegetables, of roots or tubers, or of edible nuts	
Bakery products: Manufacture of bakery products:bread and rolls, pastry, cakes, pies, tarts, waffles, rolls, biscuits and other dry bakery products, whether sweet or salted	**10.71 Manufacture of bread; manufacture of fresh pastry goods and cakes** **10.72 Manufacture of rusks and biscuits; manufacture of preserved pastry goods and cakes**
Pasta products Manufacture of traditional pastas such as “juvki”, “tarana”, “kadayıf”, noodles, and similar farinaceous products whether or not cooked or stuffed	**10.73 Manufacture of macaroni, noodles, couscous and similar farinaceous products**
Production of herbal tea Blending of tea, manufacture of extracts and preparations based on tea, packing of tea including packing in tea-bags, manufacture of herb infusions (mint, vervain, chamomile etc.)	**10.83 Processing of tea and coffee**
Manufacture of spices Manufacture of vinegar	**10.84 Production of spices and other seasonings**

Production of beverages

Descriptive	NCA (OG 147/08)
Production of wine and alcoholic drinks from grape or from fruits, beer	**11.01 Distilling, rectifying and blending of spirits** **11.02 Manufacture of wine from grape** **11.03 Manufacture of cider and other fruit wines** **11.04 Manufacture of other non-distilled fermented beverages** **11.05 Manufacture of beer**

ANNEX No. 16 List of non-food processing activities eligible under Measure 302

Descriptive	NACE Rev. 2
Production of roundwood for forest-based manufacturing industries Production of roundwood used in an unprocessed form such as pit-props, fence posts and utility poles Gathering and production of wood for energy Gathering and production of forest harvesting residues for energy Production of charcoal in the forest (using traditional methods)	**02.20 Logging**
Manufacture of prepared feeds for farm animals, including concentrated animal feed and feed supplements Preparation of unmixed (single) feeds for farm animals	**10.91 Manufacture of prepared feeds for farm animals**
Manufacture of prepared feeds for pets, including dogs, cats, birds, fish etc. Treatment of slaughter waste to produce animal feeds	**10.92 Manufacture of prepared pet foods**
Sawing, planning and machining of wood Slicing, peeling or chipping logs Manufacture of wooden railway sleepers Manufacture of unassembled wooden flooring Manufacture of wood wool, wood flour, chips, particles Drying of wood Impregnation or chemical treatment of wood with preservatives or other materials	**16.10 Sawmilling and planing of wood**
Manufacture of veneer sheets thin enough to be used for veneering, making plywood or other purposes: smoothed, dyed, coated, impregnated, reinforced (with paper or fabric backing); made in the form of motifs Manufacture of plywood, veneer panels and similar laminated wood boards and sheets Manufacture of oriented strand board (OSB) and other particle board Manufacture of medium density fibreboard (MDF) and other fibreboard Manufacture of densified wood Manufacture of glue laminated wood, laminated veneer wood	**16.21 Manufacture of veneer sheets and wood-based panels**
Manufacture of wooden goods intended to be used primarily in the construction industry: beams, rafters, roof struts; glue-laminated	**16.23 Manufacture of other builders' carpentry and joinery**

and metal connected, prefabricated wooden roof trusses; doors, windows, shutters and their frames, whether or not containing metal fittings, such as hinges, locks etc.; stairs, railings; wooden beadings and mouldings, shingles and shakes Manufacture of prefabricated buildings, or elements thereof, predominantly of wood, e.g. saunas Manufacture of mobile homes Manufacture of wood partitions (except free standing)	
Manufacture of packing cases, boxes, crates, drums and similar packings of wood Manufacture of pallets, box pallets and other load boards of wood Manufacture of barrels, vats, tubs and other coopers' products of wood Manufacture of wooden cable-drums	**16.24 Manufacture of wooden containers**
Manufacture of corrugated paper and paperboard Manufacture of containers of corrugated paper or paperboard Manufacture of folding paperboard containers Manufacture of containers of solid board Manufacture of other containers of paper and paperboard Manufacture of sacks and bags of paper Manufacture of office box files and similar articles	**17.21 Manufacture of corrugated paper and paperboard and of containers of paper and paperboard**
Manufacture of labels Manufacture of filter paper and paperboard Manufacture of paper and paperboard bobbins, spools, cops etc. Manufacture of egg trays and other moulded pulp packaging products etc.	**17.29 Manufacture of other articles of paper and paperboard**
Manufacture of extracts of natural aromatic products Manufacture of mixtures of odoriferous products for the manufacture of perfumes or food Manufacture of perfumes and toilet preparations: perfumes and toilet water, beauty and make-up preparations, manicure and pedicure preparations, manufacture of cosmetic soap preparation of botanical products (grinding, grading, milling) for pharmaceutical use	**20.53 Manufacture of essential oils** **20.42 Manufacture of perfumes and toilet preparations** **21.20 Manufacture of pharmaceutical preparations**
Manufacture of fertilisers: straight or complex nitrogenous, phosphatic or potassic fertilisers, urea, crude natural phosphates	**20.15 Manufacture of fertilisers and nitrogen compounds**

and crude natural potassium salts Manufacture of associated nitrogen products: nitric and sulphonitric acids, ammonia, ammonium chloride, ammonium carbonate, nitrites and nitrates of potassium Manufacture of potting soil with peat as main constituent Manufacture of potting soil mixtures of natural soil, sand, clays and minerals	
Manufacture of insecticides, rodenticides, fungicides, herbicides, acaricides, molluscicides, biocides Manufacture of anti-sprouting products, plant growth regulators Manufacture of disinfectants (for agricultural and other use) Manufacture of other agrochemical products n.e.c.	**20.20 Manufacture of pesticides and other agrochemical products**
Manufacture of chairs and seats for offices, workrooms, hotels, restaurants and public premises Manufacture of chairs and seats for theatres, cinemas and the like Manufacture of special furniture for shops: counters, display cases, shelves etc. Manufacture of office furniture Manufacture of laboratory benches, stools, and other laboratory seating, laboratory furniture (e.g. cabinets and tables) Manufacture of furniture for churches, schools, restaurants - decorative restaurant carts, such as a desert cart, food wagons	**31.01 Manufacture of office and shop furniture**
Manufacture of kitchen furniture	**31.02 Manufacture of kitchen furniture**

ANNEX No. 17 List of traditional handicraft activities eligible under Measure 302

Production of wearing apparel

Descriptive	NACE Rev. 2
Manufacture of wearing apparel made of leather or composition leather including leather industrial work accessories as welder's leather aprons	**14.11 Manufacture of leather clothes**
Manufacture of other outerwear made of woven, knitted or crocheted fabric, non-wovens etc. for men, women and children: coats, suits, ensembles, jackets, trousers, skirts etc. Custom tailoring Manufacture of parts of the products listed	**14.13 Manufacture of other outerwear**
Manufacture of babies' garments, tracksuits, ski suits, swimwear etc. Manufacture of hats and caps Manufacture of other clothing accessories: gloves, belts, shawls, ties, cravats, hairnets etc Manufacture of headgear of fur skins Manufacture of footwear of textile material without applied soles Manufacture of parts of the products listed	**14.19 Manufacture of other wearing apparel and accessories**
Manufacture of articles made of fur skins: fur wearing apparel and clothing accessories, assemblies of fur skins such as "dropped" fur skins, plates, mats, strips etc., diverse articles of fur skins: rugs, unstuffed pouffes, industrial polishing cloths	**14.20 Manufacture of articles of fur**
Manufacture of hosiery, including socks, tights and pantyhose	**14.31 Manufacture of knitted and crocheted hosiery**
Manufacture of knitted or crocheted wearing apparel and other made-up articles directly into shape: pullovers, cardigans, jerseys, waistcoats and similar articles	**14.39 Manufacture of other knitted and crocheted apparel**

Production of leather and leather products

Descriptive	NACE Rev. 2
Tanning, dyeing and dressing of hides and skins Manufacture of chamois dressed, parchment dressed, patent or metallised leathers Manufacture of composition leather Scraping, shearing, plucking, currying,	**15.11 Tanning and dressing of leather; dressing and dyeing of fur**

tanning, bleaching and dyeing of fur skins and hides with the hair on	
Manufacture of luggage, handbags and the like, of leather, composition leather or any other material, such as plastic sheeting, textile materials, vulcanised fibre or paperboard, where the same technology is used as for leather Manufacture of saddlery and harness Manufacture of non-metallic watch bands (e.g. fabric, leather, plastic) Manufacture of diverse articles of leather or composition leather: driving belts, packings etc. Manufacture of shoe-lace, of leather Manufacture of horse whips and riding crops	**15.12 Manufacture of luggage, handbags and the like, saddlery and harness**
Manufacture of footwear for all purposes, of any material, by any process, including moulding (see below for exceptions) Manufacture of leather parts of footwear: manufacture of uppers and parts of uppers, outer and inner soles, heels etc. Manufacture of gaiters, leggings and similar articles	**15.20 Manufacture of footwear**

Wood processing

Descriptive	NACE Rev. 2
Manufacture of wooden parquet floor blocks, strips etc., assembled into panels	**16.22 Manufacture of assembled parquet floors**
Manufacture of various wood products: wooden handles and bodies for tools, brooms, brushes, wooden boot or shoe lasts and trees, clothes hangers, household utensils and kitchenware of wood, wooden statuettes and ornaments, wood marquetry, inlaid wood, wooden cases for jewellery, cutlery and similar articles, wooden spools, cops, bobbins, sewing thread reels and similar articles of turned wood, other articles of wood Manufacture of articles of natural or agglomerated cork, including floor coverings Manufacture of plaits and products of plaiting materials: mats, matting, screens, cases etc. Manufacture of basket-ware and wickerwork	**16.29 Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials**

Manufacture of fire logs and pellets for energy, made of pressed wood or substitute materials like coffee or soybean grounds Manufacture of wooden mirror and picture frames Manufacture of frames for artists' canvases Manufacture of wooden shoe parts (e.g. heels and lasts) Manufacture of handles for umbrellas, canes and similar Manufacture of blocks for the manufacture of smoking pipes	

Production of paper and paper products

Descriptive	NACE Rev. 2
Manufacture of labels Manufacture of filter paper and paperboard Manufacture of paper and paperboard bobbins, spools, cops etc. Manufacture of egg trays and other moulded pulp packaging products etc. Manufacture of paper novelties Manufacture of paper or paperboard cards for use on Jacquard machines	**17.29 Manufacture of other articles of paper and paperboard**

Production of other nonmetal and mineral products

Descriptive	NACE Rev. 2
Manufacture of flat glass, including wired, coloured or tinted flat glass	**23.11 Manufacture of flat glass**
Manufacture of toughened or laminated flat glass Manufacture of glass mirrors Manufacture of multiple-walled insulating units of glass	**23.12 Shaping and processing of flat glass**
Manufacture of bottles and other containers of glass or crystal Manufacture of drinking glasses and other domestic glass or crystal articles	**23.13 Manufacture of hollow glass**
Manufacture of glass fibres, including glass wool and non-woven products thereof	**23.14 Manufacture of glass fibres**
Manufacture of non-refractory ceramic hearth or wall tiles, mosaic cubes etc. Manufacture of non-refractory ceramic flags and paving	**23.31 Manufacture of ceramic tiles and flags**
Manufacture of structural non-refractory clay building materials: n manufacture of ceramic bricks, roofing tiles, chimney pots, pipes, conduits etc. Manufacture of flooring blocks in baked clay	**23.32 Manufacture of bricks, tiles and construction products, in baked clay**
Manufacture of ceramic tableware and other domestic or toilet articles Manufacture of statuettes and other ornamental ceramic articles	**23.41 Manufacture of ceramic household and ornamental articles**

Manufacture of ceramic sanitary fixtures, e.g. sinks, baths, bidets, water closet pans etc. Manufacture of other ceramic fixtures	**23.42 Manufacture of ceramic sanitary fixtures**
Manufacture of ceramic pots, jars and similar articles of a kind used for conveyance or packing of goods Manufacture of ceramic products n.e.c.	**23.49 Manufacture of other ceramic products**
Manufacture of other articles of concrete, plaster, cement or artificial stone: statuary, furniture, bas- and haut-reliefs, vases, flowerpots etc.	**23.69 Manufacture of other articles of concrete, plaster and cement**
Cutting, shaping and finishing of stone for use in construction, in cemeteries, on roads, as roofing etc. Manufacture of stone furniture	**23.70 Cutting, shaping and finishing of stone**
Manufacture of millstones, sharpening or polishing stones and natural or artificial abrasive products on a support, including abrasive products on a soft base (e.g. sandpaper)	**23.91 Production of abrasive products**

Production of metals

Descriptive	NACE Rev. 2
Casting of semi-finished iron products Casting of grey iron castings Casting of spheroidal graphite iron castings Casting of malleable cast-iron products Manufacture of tubes, pipes and hollow profiles and of tube or pipe fittings of cast-iron	**24.51 Casting of iron**
Casting of semi-finished products of aluminium, magnesium, titanium, zinc etc. Casting of light metal castings	**24.53 Casting of light metals**
Casting of heavy metal castings Casting of precious metal castings Die-casting of non-ferrous metal castings	**24.54 Casting of other non-ferrous metals**

Production of fabricated metal products, except machines and equipment

Descriptive	NACE Rev. 2
Manufacture of metal doors, windows and their frames, shutters and gates Metal room partitions for floor attachment	**25.12 Manufacture of doors and windows of metal**
Manufacture of reservoirs, tanks and similar containers of metal, of types normally installed as fixtures for storage or manufacturing use	**25.29 Manufacture of other tanks, reservoirs and containers of metal**
Forging, pressing, stamping and roll-forming of metal Powder metallurgy: production of metal objects directly from metal powders by heat treatment (sintering) or under pressure	**25.50 Forging, pressing, stamping and roll-forming of metal; powder metallurgy**
Plating, anodising etc. of metals Heat treatment of metals	**25.61 Treatment and coating of metals**

Deburring, sandblasting, tumbling, cleaning of metals Colouring, engraving of metals Non-metallic coating of metals: plasticising, enamelling, lacquering etc. Hardening, buffing of metals	
Manufacture of domestic cutlery such as knives, forks, spoons etc. Manufacture of other articles of cutlery: cleavers and choppers, razors and razor blades, scissors and hair clippers Manufacture of cutlasses, swords, bayonets etc.	**25.71 Manufacture of cutlery**
Manufacture of padlocks, locks, keys, hinges and the like, hardware for buildings, furniture, vehicles etc.	**25.72 Manufacture of locks and hinges**
Manufacture of knives and cutting blades for machines or for mechanical appliances Manufacture of hand tools such as pliers, screwdrivers etc. Manufacture of non-power-driven agricultural hand tools Manufacture of saws and saw blades, including circular saw blades and chainsaw blades Manufacture of interchangeable tools for hand tools, whether or not power-operated, or for machine tools: drills, punches, milling cutters etc. Manufacture of press tools Manufacture of blacksmiths' tools: forges, anvils etc. Manufacture of moulding boxes and moulds (except ingot moulds) Manufacture of vices, clamps	**25.73 Manufacture of tools**
Manufacture of pails, cans, drums, buckets, boxes	**25.91 Manufacture of steel drums and similar containers**
Manufacture of tins and cans for food products, collapsible tubes and boxes Manufacture of metallic closures	**25.92 Manufacture of light metal packaging**
Manufacture of metal cable, plaited bands and similar articles Manufacture of uninsulated metal cable or insulated cable not capable of being used as a conductor of electricity Manufacture of coated or cored wire Manufacture of articles made of wire: barbed wire, wire fencing, grill, netting, cloth etc. - coated electrodes for electric arc-welding Manufacture of nails and pins Manufacture of springs (except watch	**25.93 Manufacture of wire products, chain and springs**

springs): leaf springs, helical springs, torsion bar springs, leaves for springs Manufacture of chain, except power transmission chain	
Manufacture of metal household articles: flatware: plates, saucers etc.; hollowware: pots, kettles etc.; dinnerware: bowls, platters etc.; saucepans, frying pans and other non-electrical utensils for use at the table or in the kitchen; small hand-operated kitchen appliances and accessories metal scouring pads Manufacture of building components of zinc: gutters, roof capping, baths, sinks, washbasins and similar articles Manufacture of metal goods for office use, except furniture Manufacture of safes, strongboxes, armoured doors etc. Manufacture of various metal articles: ship propellers and blades thereof; anchors; bells; assembled railway track fixtures; clasps, buckles, hooks; metal ladder; metal sings, including road signs Manufacture of foil bags Manufacture of permanent metallic magnets Manufacture of metal vacuum jugs and bottles Manufacture of metal badges and metal military insignia Manufacture of metal hair curlers, metal umbrella handles and frames, combs	**25.99 Manufacture of other fabricated metal products n.e.c.**

Production of watches and clocks

Descriptive	NACE Rev. 2
Manufacture of watches and clocks of all kinds, including instrument panel clocks Manufacture of watch and clock cases, including cases of precious metals manufacture of time switches and other releases with a watch or clock movement or with synchronous motor: time locks Manufacture of components for clocks and watches: movements of all kinds for watches and clocks; springs, jewels, dials, hands, plates, bridges and other parts; watch and clock cases and housings of all materials	**26.52 Manufacture of watches and clocks**

Production of furniture

Descriptive	NACE Rev. 2

Manufacture of sofas, sofa beds and sofa sets Manufacture of garden chairs and seats Manufacture of furniture for bedrooms, living rooms, gardens etc. Manufacture of cabinets for sewing machines, televisions etc. Finishing such as upholstery of chairs and seats Finishing of furniture such as spraying, painting, French polishing and upholstering	**31.09 Manufacture of other furniture**

Production of other products

Descriptive	NACE Rev. 2
Production of worked pearls Production of precious and semi-precious stones in the worked state, including the working of industrial quality stones and synthetic or reconstructed precious or semi-precious stones Manufacture of jewellery of precious metal or of base metals clad with precious metals, or precious or semi-precious stones, or of combinations of precious metal and precious or semi-precious stones or of other materials Manufacture of goldsmiths' articles of precious metals or of base metals clad with precious metals: dinnerware, flatware, hollowware, toilet articles, office or desk articles, articles for religious use etc. Manufacture of precious metal watch bands, wristbands, watch straps and cigarette cases Engraving of personal precious and non-precious metal products	**32.12 Production of jewelry and similar products**
Manufacture of costume or imitation jewellery: rings, bracelets, necklaces, and similar articles of jewellery made from base metals plated with precious metals; jewellery containing imitation stones such as imitation gems stones, imitation diamonds, and similar Manufacture of metal watch bands (except precious metal)	**32.13 Manufacture of imitation jewellery and related articles**
Manufacture of stringed instruments Manufacture of keyboard stringed instruments, including automatic pianos Manufacture of keyboard pipe organs, including harmoniums and similar keyboard instruments with free metal reeds Manufacture of accordions and similar	**32.20 Production of musical instruments**

instruments, including mouth organs Manufacture of wind instruments Manufacture of percussion musical instruments	
Manufacture of dolls and doll garments, parts and accessories Manufacture of action figures Manufacture of toy animals Manufacture of toy musical instruments Manufacture of playing cards Manufacture of board games and similar games Manufacture of electronic games: chess etc. Manufacture of reduced-size (“scale”) models and similar recreational models, electrical trains, construction sets etc. Manufacture of coin-operated games, billiards, special tables for casino games, etc. Manufacture of articles for funfair, table or parlour games Manufacture of wheeled toys designed to be ridden, including plastic bicycles and tricycles Manufacture of puzzles and similar articles	**32.40 Manufacture of games and toys of paper or paperboard**
Manufacture of brooms and brushes, including brushes constituting parts of machines, hand-operated mechanical floor sweepers, mops and feather dusters, paint brushes, paint pads and rollers, squeegees and other brushes, brooms, mops etc. Manufacture of shoe and clothes brushes	**32.91 Manufacture of brooms and brushes**

ANNEX No. 18 List of rural services eligible under Measure 302

Descriptive	NACE Rev. 2
Repair and maintenance of industrial machinery and equipment like sharpening or installing commercial and industrial machinery blades and saws; the provision of welding (e.g. automotive, general) repair services; the repair of agricultural and other heavy and industrial machinery and equipment (e.g. forklifts and other materials handling equipment, machine tools, commercial refrigeration equipment, construction equipment and mining machinery)	**33.12 Repair of machinery**
Pet care services such as boarding, grooming, sitting and training pets	**96.09 Other personal service activities n.e.c.**
Repair of animal drawn buggies and wagons	**33.17 Repair and maintenance of other transport equipment**
Maintenance and repair of motor vehicles: mechanical repairs, electrical repairs, electronic injection systems repair, ordinary servicing, bodywork repair, repair of motor vehicle parts, washing, polishing, etc., spraying and painting, repair of screens and windows, repair of motor vehicle seats, tyre and tube repair, fitting or replacement, anti-rust treatment, installation of parts and accessories not as part of the manufacturing process	**45.20 Maintenance and repair of motor vehicles**
Maintenance and repair of motorcycles	**45.40 Sale, maintenance and repair of motorcycles and related parts and accessories**
Provision of food services based on contractual arrangements with the customer, at the location specified by the customer, for a specific event.	**56.21 Event catering activities**
Activities of: homes for the elderly with nursing care, rest homes with nursing care, nursing care facilities nursing homes, convalescent homes	**87.10 Residential nursing care activities**
Activities of day nurseries for pupils, including day-care activities for disabled children	**88.91 Child day-care activities**
Fitness and body-building clubs and facilities	**93.13 Fitness facilities**

Repair of electronic equipment, such as computers and computing machinery and peripheral equipment. Repair and maintenance of: desktop computers, laptop computers, Magnetic disk drives, flash drives and other storage devices, optical disk drives (CD-RW, CD-ROM, DVD-ROM, DVD-RW), printers, Monitors, keyboards Mice, joysticks and trackball accessories, internal and external computer modems, dedicated computer terminals, computer servers, scanners, including bar code scanners, smart card readers, virtual reality helmets, computer projectors, hand-held computers (PDA's)	**95.11 Repair of computers and peripheral equipment**
Repair and maintenance of communications equipment such as: cordless telephones, cellular phone, communications transmission equipment (e.g. routers, bridges, modems), two-way radios, commercial TV and video cameras	**95.12 Repair of communication equipment**
Repair and maintenance of consumer electronics: television, radio receivers, DVD players/recorders, CD players, household-type video cameras	**95.21 Repair of consumer electronics**
Repair and servicing household appliances: refrigerators, stoves, washing machines, clothes dryers, room air conditioners, etc. Repair and servicing home and garden equipment: lawnmowers, edgers, snow- and leaf- blowers, trimmers, etc.	**95.22 Repair of household appliances and home and garden equipment**
Repair and maintenance of footwear and leather goods: repair of boots, shoes, luggage and the like, fitting of heels	**95.23 Repair of footwear and leather goods**
Reupholstering, refinishing, repairing and restoring of furniture and home furnishings including office furniture	**95.24 Repair of furniture and home furnishings**
Repair of watches, clocks and their parts such as watch cases and housings of all materials; movements, chronometers, etc. Repair of jewellery	**95.25 Repair of watches, clocks and jewellery**
Repair of personal and household goods: - repair of bicycles - repair and alteration of clothing - repair of sporting goods (except sporting guns) and camping equipment - repair of books	**95.29 Repair of other personal and household goods**

- repair of musical instruments (except organs and historical musical instruments) - repair of toys and similar articles - repair of other personal and household goods	
Laundering and dry cleaning, pressing etc., of all kinds of clothing (including fur) and textiles, provided by mechanical equipment, by hand or by self-service coin-operated machines, whether for the general public or for industrial or commercial clients Laundry collection and delivery Carpet and rug shampooing and drapery and curtain cleaning, whether on clients' premises or not	**96.01 Washing and (dry-)cleaning of textile and fur products**
Hair washing, trimming and cutting, setting, dyeing, tinting, waving, straightening and similar activities for men and women Shaving and beard trimming Facial massage, manicure and pedicure, make-up etc.	**96.02 Hairdressing and other beauty treatment**
Activities of Turkish baths, sauna and steam baths, solariums, reducing and slendering salons, massage salons etc.	**96.04 Physical well-being activities**

ANNEX No. 19 List of mountainous, bordering and less developed areas

A. List of settlements located in Municipalities with rural centers

Municipality Berovo	**Municipality Dojran**	**Municipality Kumanovo**	**Municipality Resen**
1. Vladimirovo	35. Nikolic*	59. Orasec 60. Klecovce	86. Ljubojno*
Municipality Bitola	**Municipality Dolneni**	**Municipality Lipkovo**	**Municipality Saraj**
2. Dihovo 3. Kukurecani 4. Porodin 5. Capari*	36. Dolneni 37. Zitose	61. Lipkovo 62. Lojane*	87. Radusa*
Municipality Bogovinje	**Municipality Drugovo**	**Municipality Lozovo**	**Municipality Sveti Nikole**
6. Bogovinje	38. Drugovo 39. Izvor	63. Lozovo	88. Nemanjica*
Municipality Bosilovo	**Municipality Gorce Petrov**	**Municipality Makedonska**	**Municipality Sopiste**
7. Bosilovo	40. Orman	Kamenica 64. Lukovica	89. Sopiste
Municipality Brvenica	**Municipality Zelino**	**Municipality Makedonski Brod**	**Municipality Staro Nagoricane**
8.Brvenica 9. Miletino 10. Celopek	41. Zelino	 65. Samokov 66. Rastes*	90. Dragomance 91. Staro Nagoricane
Municipality Valandovo	**Municipality Zajas**	**Municipality Mavrovo i Rostusa**	**Municipality Struga**
11. Calakli	42. Zajas	67. Mavrovi Anovi 68. Rostuse	92. Delgozda 93. Labunista 94.Lukovo 95. Radolista*
Municipality Vasilevo	**Municipality Zelenikovo**	**Municipality Mogila**	**Municipality Strumica**
12. Vasilevo	43. Zelenikovo	69. Dobrusevo 70. Mogila	96. Kuklis 97. Kosturino 98.Murtino
Municipality Vevcani	**Municipality Zrnovci**	**Municipality Negotino**	**Municipality Studenicani**
13. Vevcani*	44. Zrnovci	71. Dolni Disan	99. Studenicani
Municipality Veles	**Municipality Ilinden**	**Municipality Novaci**	**Municipality Tearce**
14. Ivankovci	45. Miladinovci	72. Bac* 73. Novaci	100. Dobroste 101. Lesok

		74. Staravina	102. Neraste 103. Tearce
Municipality Vinica	**Municipality Jegunovce**	**Municipality Novo Selo**	**Municipality Tetovo**
15. Blatec 16. Dragobraste* 17. Istibanja	46. Vratnica 47. Jegunovce	75. Novo Selo	104. Sipkovica*
Municipality Vranestica	**Municipality Kavadarci**	**Municipality Oslomej**	**Municipality Centar Zupa**
18. Vranestica	48. Drenovo 49. Konopiste 50. Krnjevo	76. Oslomej	105. Centar Zupa
Municipality Vrapciste	**Municipality Karbinci**	**Municipality Ohrid**	**Municipality Caska**
19. Vrapciste 20 Negotino-Polosko	51. Karbinci	77. Kosel	106. Bogomila 107. Izvor 108. Caska
Municipality Gevgelija	**Municipality Konce**	**Municipality Petrovec**	**Municipality Cesinovo i Oblesevo**
21. Miravci	52. Konce	78. Katlanovo	109. Cesinovo
Municipality Gostivar	**Municipality Kocani**	**Municipality Plasnica**	**Municipality Cucer Sandevo**
22. Vrutok 23. Srbinovo 24. Cegrane	53. Orizari	79. Plasnica	110. Cucer Sandevo
Municipality Gradsko	**Municipality Kratovo**	**Municipality Prilep**	**Municipality Stip**
25. Gradsko	54. Muskovo*	80. Vitoliste* 81. Topolcani	111. Lakavica 112. Sasavarlija*
Municipality Debarca-Belcista	**Municipality Kriva Palanka**	**Municipality Probistip**	
26. Arbinovo* 27. belcista 28. Trebenista	55. Dobrovnica* 56. Konopnica	82. Dolno Barbarevo* 83. Zletovo	
Municipality Delcevo	**Municipality Krivogastani**	**Municipality Radovis**	
29. Dramce* 30. Trabotiviste	57. Krivogastani	84. Podares	
Municipality Demir Hisar	**Municipality Krusevo**	**Municipality Rankovce**	
31.Dolenci 32. Edinakovo 33. Smilevo* 34. Sopotnica	58. Bucim	85. Rankovce	
1) Settlements marked with (*) are also located in areas with status of specific area.			

B. List of settlements which are located in the areas that have a status of specific areas in the country

1. List of rural areas located in 'Mountainous' areas (>700m)

Municipality Berovo	**Municipality Bogovinje**	**Municipality Brvenica**	**Municipality Vasilevo**
1. Budinarci 2. Vladimirovo 3. Dvoriste 4. Mitrasinci 5. Ratevo 6. Rusinovo 7. Smojmirovo 8. Macevo 9. Berovo	10. Gorno Palciste 11. Jelovjane 12. Novake 13. Novo Selo 14. Rakovec 15. Selce Kech 16. Sinicani 17. Urvich	18. Gurgurnica	19. Kuskulija 20. Nivicino
Municipality Bitola		**Municipality Vranestica**	**Municipality Vevcani**
21. Bratin Dol 22. Brusnik 23. Gopes 24. Graesnica 25. Dragos 26. Drevenik 27. Gjavato 28. Zlokukjani 29. Kazani 30. Kisava 31. Magarevo 32. Maloviste 33. Metimir 34. Nizepole 35. Oblakovo 36. Orehovo 37. Ostrec	38. Rotino 39. Sviniste 40. Snegovo 41. Strezevo 42. Bukovo 43. Krklino 44. Dolenci 45. Dihovo 46. Lisolaj 47. Lavci 48. Lera 49. Ramna 50. Lopatica 51. Srpci 52. Staro Zmirnovo 53. Trnovo 54. Capari	55. Dupjani 56. Kozicino 57. Krusica 58. Orlanci 59. Patec 60. Rabetino 61. Svetorace 62. Karbunica 63. Vranestica 64. Recani-Celopecko	65. Vevcani
Municipality Veles	**Municipality Vinica**	**Municipality Vrapciste**	**Municipality Gevgelija**
66. Novo Selo	67. Kalimanci 68. Laki 69. Trsino 70. Grljani	71. Kaliste 72. Novo Selo 73. Gorjane 74. Vranovci 75. Pozarane 76. Lomnica 77. Gurgeviste	78. Huma
Municipality Gostivar		**Municipality Gradsko**	**Municipality Debar**
79. Brodec 80. Gorno Jelovce 81. Gorna Gonovica 82. Dolno Jelovce 83. Gorna Gonovica 84. Zelezna Reka 85. Korito	89. Mitroj Krsti 90. Padaliste 91. Peckovo 92. Srbinovo 93. Strajane 94. Trnovo 95. Kafa	99. Dvoriste	100. Banjiste 101. Gari 102. Gorno Kosovrasti 103. Mogorce 104. Osoj 105. Rajcica 106. Tatar Elevci

86. Kunovo 87. Lesnica 88. Merdita	96. Vrutok 97. Recane 98. Simnica		107. Krivci 108. Hame 109. Dzepiste
Municipality Delcevo	**Municipality Demir Hisar**		**Municipality Dolneni**
110. Bigla 111. Vetren 112. Vratislavci 113. Dramce 114. Kiselica 115. Grad 116. Nov Istevnik 117. Selnik 118. Stamer 119. Star Istevnik 120. Turija 121. Virce 122. Gabrovo 123. Zvego 124. Razlovci 125. Ciflik	126. Babino 127. Bazernik 128. Boiste 129. Brezovo 130. Velmevci 131. Virovo 132. Golemo Ilino 133. Zeleznec 134. Zasle 135. Leskovo 136. Malo Ilino 137. Mrenoga 138. Radovo 139. Rastojca 140. Smilevo	141. Suvo Grlo 142. Cerovo 143. Kociste 144. Obednik 145. Zvan 146. Sloesnica 147. Strugovo 148. Zurce 149. Zagorce 150. Novo Selo 151. Rakitnica 152. Sopotnica 153. Suvo Dol 154. Utovo 155. Dolenci	156. Zrze 157. Margari 158. Gorno Selo 159. Gostirazni 160. Drenovci 161. Dolgaec 162. Strovija 163. Kosino 164. Nebregovo 165. Slepce
Municipality Debarca		**Municipality Drugovo**	
166. Arbinovo 167. Brezani 168. Vrbjani 169. Godivje 170. Gorno Sredorecie 171. Grko Pole 172. Dolno Sredorecie 173. Zlesti 174. Klimestani 175. Laktinje 176. Mramorec 177. Slatino 178. Slatinski Ciflik 179. Slivovo 180. Sosani	181. Turje 182. Crvena Voda 183. Belcista 184. Botun 185. Velmej 186. Izdeglavje 187. Lesani 188. Novo Selo 189. Ozdoleni 190. Pesocani 191. Volino 192. Orovnik 193. Trebenista 194. Gorenci 195. Meseista	196. Belica 197. Brzdani 198. Vidrani 199. Golemo Crsko 200. Gorna Dusegubica 201. Gorno Dobrenoec 202. Dolna Dusegubica 203. Dolno Dobrenoec 204. Manastirsko Dolenci 205. Ivancista 206. Izvor 207. Javorec	208. Judovo 209. Kladnik 210. Klenoec 211. Kozica 212. Lavcani 213. Malkoec 214. Malo Crsko 215. Podvis 216. Popoec 217. Popolzani 218. Prostranje 219. Cer 220. Drugovo 221. Ehloec 222. Sviniste
Municipality Zelenikovo	**Municipality Zelino**	**Municipality Kicevo**	**Municipality Konce**
223. Paligrad	224. Gorna Lesnica 225. Lukovica 226. Sedlarevo 227. Merovo 228. Cerevo	229. Knezino 230. Osoj 231. Rastani	232. Gorni Lipovik 233. Negrenovci
Municipality Zajas	**Municipality Kavadarci**	**Municipality Kratovo**	**Municipality Jegunovce**
234. Bacista 235. Bukojcani 236. Lesnica 237. Midinci 238. Recani-Zajasko 239. Tajmiste 240. GornoStrogomiste	246. Bojanciste 247. Bohula 248. Galiste 249. Klinovo 250. Kumanicevo 251. Majden 252. R'zanovo	259. Gorno Kratovo 260. Emirica 261. Kavrak 262. Knezevo 263. Kojkovo 264. Kunovo 265. Lukovo	274. Staro Selo 275. Rogacevo 276. Beloviste 277. Jazince

241. Dlapkin Dol 242. Zajas 243. DolnoStrogomiste 244. Kolari 245. Gresnica	253. Radnja 254. Rozden 255. Stragovo 256. Bunarce 257. Pravednik 258. Konopiste	266. Muskovo 267. Nezilovo 268. Blizanci 269. Stracin 270. Prikovci 271. Tatomir 272. Slegovo 273. Ketenovo	
Municipality Kocani	**Municipality Krusevo**	**Municipality Lipkovo**	**Municipality Karbinci**
278. Bezikovo 279. Gorno Gradce 280. Glavovica 281. Jastrebnik 282. Kostin Dol 283. Leski 284. Nebojani 285. Nivicani 286. Novo Selo 287. Polaki 288. Preseka 289. Trkanje 290. Pantelej 291. Rajcani 292. Pasadzikovo 293. Recani 294. Dolno Gradce	295. Arilevo 296. Belusino 297. Birino 298. Gorno Divjaci 299. Dolno Divjaci 300. Ostrilci 301. Pusta Reka 302. Selce 303. Norovo 304. Jakrenovo 305. Krusevo 306. Vrboec 307. Borino	308. Belanovce 309. Glaznja 310. Gosince 311. Zlokukane 312. Izvor 313. Rnkovce 314. Straza 315. Strima	316. Vrteska 317. Ebeplija 318. Junuzlija 319. Micak 320. Kepekcelija 321. Kurfalija 322. Kucica 323. Muratlija 324. Pripecani 325. Prnalija 326. Kucilat
Municipality Kriva Palanka			**Municipality Mogila**
327. B's 328. Bastevo 329. Borovo 330. Varoviste 331. Gabar 332. Golema Crcorija 333. Gradec 334. Dlabocica 335. Dobrovnica 336. Drenak 337. Drenje	338. Duracka Reka 339. Zidilovo 340. Kiselica 341. Konopnica 342. Kostur 343. Kosari Krklja 344. Krstov Dol 345. Lozanovo 346. Luke 347. Mala Crcorija 348. Martinica 349. Metezevo	350. Nerav 351. Ogut 352. Osice 353. Podrzi konj 354. Stanci 355. Trnovo 356. Uzem 357. Kostur 358. Kriva Palanka 359. Mozdivnjak	360. Mojno 361. Crnicani
Municipality Novo Selo	**Municipality Mavrovo i Rostusa**		
362. Barbarevo 363. Badolen 364. Stinik	365. Adzievci 366. Belicica 367. Bibaj 368. Bituse 369. Bogdevo 370. Boletin 371. Velebrdo 372. Volkovija 373. Viduse 374. Vrben 375. Vrbjani	379. Zirovnica 380. Zuznje 381. Jance 382. Kicinica 383. Krakornica 384. Leunovo 385. Lazaropole 386. Mavrovi Anovi 387. Niviste 388. Nikiforovo 389. Nistrovo	393. Prisojnica 394. Rosoki 395. Rostusa 396. Ribnica 397. Selce 398. Sence 399. Skudrinje 400. Sretkovo 401. Tanuse 402. Trebiste 403. Tresonce

	376. Galicnik 377. Grekaj 378. Duf	390. Nicpur 391. Novo Selo 392. Orkuse	404. Cerovo 405. Mavrovo 406. Susica
Municipality Makedonska Kamenica	**Municipality Novaci**	**Municipality Makedonski Brod**	
407. Dulica 408. Kosevica 409. Kostin Dol 410. Mostica 411. Sasa 412. Cera	413. Brnik 414. Budimirci 415. Gnilez 416. Grumazi 417. Grunista 418. Iveni 419. Meglenci 420. Orle 421. Petalino 422. Polog 423. Zovik 424. Staravina 425. Armatus 426. Makovo 427. Gradesnica 428. Dolno Orehovo 429. Zivojno 430. Paralovo 431. Tepavci 432. Zovik 2 433. Veleselo	434. Bence 435. Bitovo 436. Breznica 437. Brest 438. Volce 439. Dolni Manastirec 440. Gorno Botusje 441. Gorno Krusje 442. Dolnono Botusje 443. Dolno Krusje 444. Drenovo 445. Zagrad 446. Zvecan 447. Ince 448. Kovac 449. Kosovo	450. Lupste 451. Staro Selo 452. Ramne 453. Rastes 454. Slansko 455. Susica 456. Tazevo 457. Tomino Selo 458. Trebovlje 459. Cresnevo 460. Krapa 461. Lokvica 462. Mogilec 463. Rusjaci 464. Vir
Municipality Ohrid	**Municipality Pehcevo**	**Municipality Probistip**	**Municipality Plasnica**
465. Vapila 466. Velestovo 467. Elsani 468. Zavoj 469. Konjsko 470. Kuratica 471. Livoista 472. Ljubanista 473. Ramne 474. Plake 475. Rasino 476. Recica 477. Svinista 478. Sirula 479. Skrebatno 480. Sipokno 481. Dolno Lakocerej 482. Gorno Lakocerej 483. Orman 484. Velgosti 485. Dolno Konjsko 486. Kosel 487. Trpejca 488. Openica 489. Pestani	492. Negrevo 493. Pancarevo 494. Crnik 495. Ciflik 496. Robovo 497. Umlena 498. Pehcevo	499. Grizilevci 500. Zelengrad 501. Jamiste 502. Kundino 503. Lesnovo 504. Marcino 505. Gorni Stubol 506. Dobrevo 507. Dreveno 508. Stalkovica	509. Preglovo

490. Leskoec 491. Podmolje			
Municipality Sopiste	**Municipality Radovis**	**Municipality Prilep**	**Municipality Oslomej**
510. Drzilovo 511. Sveta Petka 512. Nova Breznica 513. Patiska Reka 514. Gorno Sonje	515. Ali Koc 516. Ali Lobasi 517. Kozbunar 518. Kodzalija 519. Novo Selo 520. Papavnica 521. Smilanci 522. Saintas 523. Sipkovica 524. Sturkovo 525. Drzani 526. Karalobosi 527. Karadzaral 528. Hudaverlija 529. Durutlija 530. Koselija 531. Supurge 532. Cesme Maale	533. Belovodica 534. Besiste 535. Bonce 536. Veprcani 537. Vitoliste 538. Volkovo 539. Dabnica 540. Zivovo 541. Kokre 542. Krusevica 543. Krstec 544. Lopatica 545. Pletvar 546. Polciste 547. Prilepec 548. Prisad 549. Oreovac 550. Stavica 551. Pestani 552. Leniste 553. Malo Ruvci 554. Marul 555. Selce 556. Cumovo	557. Berikovo 558. Jagol Dolenci 559. Novo Selo 560. Papradiste 561. Garani 562. Jagol 563. Premka 564. Srbica 565. Zubrino 566. Tuin 567. Sutovo 568. Arangel 569. Oslomej 570. Popovjani
Municipality Rankovce	**Municipality Resen**	**Municipality Struga**	
571. Baratlija 572. German 573. Milutince 574. P'kliste 575. Stanca 576. Gulince 577. Krivi Kamen 578. Odreno 579. Otosnica 580. Petralica 581. Psaca 582. Radibus	583. Arvati 584. Bolno 585. Brajcino 586. Gorno Krusje 587. Evla 588. Zlatari 589. Izbista 590. Ilino 591. Konjsko 592. Kriveni 593. Lavci 594. Leva Reka 595. Grncari 596. Dolno Dupeni 597. Podmocani 598. Rajca 599. Resen 600. Gorno Dupen 601. Stenje 602. Jankovec 603. Sopotsko 604. Leskoec	626. Bezovo 627. Bogojci 628. Boroec 629. Brcevo 630. Burinec 631. Visni 632. Gorna Belica 633. Drenok 634. Zbazdi 635. Jablanica 636. Labunista 637. Lakavica 638. Lokov 639. Mali Vlaj 640. Mislodezda 641. Modric 642. Nerezi 643. Piskupstina 644. Frangovo 645. Podgorci 646. Poum 647. Prisovjani	650. Toska 651. Lukovo 652. Oktisi 653. Tasmarunista 654. Vraniste 655. Globocica 656. Draslajca 657. Novo Selo 658. Sum 659. Livada 660. Velesta 661. Dolno Tatesi 662. Gorno Tatesi 663. Dzepin 664. Zagracani 665. Korosista 666. Radolista 667. Radozda 668. Dolna Belica 669. Dobovjani 670. Delogozdi

	605. Ljubojno 606. Otesevo 607. Petrino 608. Pokrvenik 609. Stipona 610. Surlenci 611. Kurbinovo 612. Preljublje 613. Strbovo 614. Slivnica 615. Dolna Bela Crkva 616. Dolno Perovo 617. Nakolec 618. Asamati 619. Pretor 620. Drmeni 621. Ezerani 622. Carev Dvor 623. Gorna Bela Crkva 624. Volkoderi 625. Kozjak	648. R'zanovo 649. Selci	
Municipality Tetovo	**Municipality Tearce**	**Municipality Cucer-Sandevo**	**Municipality Caska**
671. Bozovce 672. Brodec 673. Vejce 674. Vesala 675. Gajre 676. Germo 677. Lavce 678. Lisec 679. Otunje 680. Selce 681. Setole 682. Sipkovica 683. Jedoarce	684. Brezno 685. Varvara 686. Jelosnik	687. Blace 688. Brest 689. Brodec 690. Tanusevci	691. Gorno Jabolciste 692. Gorno Vranovci 693. Papradiste 694. Popadija 695. Cresnovo 696. Dolno Jabolciste 697. Orese 698. Plevenje 699. Nezilovo 700. Krnino 701. Kapinovo
Municipality Centar Zupa	**Municipality Staro Nagoricane**	**Municipality Studenicani**	**Municipality Stip**
702. Bajramovci 703. Brestani 704. Gorno Melnicani 705. Gorenci 706. Dolgas 707. Dolno Melnicani 708. Elevci 709. Zitineni 710. Kocista 711. Kodzadzik 712. Novak 713. Osolnica 714. Odzovci 715. Paresi 716. Balanci 717. Crnoboci	722. Arbanasko 723. Dlabocica 724. Dejlovce 725. Aljince 726. Kokino 727. Mglence 728. Malotino 729. Osice 730. Ramno 731. Bukovljane 732. Cvetisnica	733. Aldinci 734. Elovo 735. Kaldirec 736. Ramni Gaber 737. Cvetovo 738. Crn Vrv	739. Kalapetrovci 740. Kosevo 741. Nikoman 742. Pocivalo 743. Sasavarlija 744. Suvo Grlo

718. Evla 719. Mal Papradnik 720. Pralenik 721. Centar Zupa			

ANNEX No. 20 Minimum quality standards derived from EUROGITES classification for rural accommodation – 2005

Block 1 Equipment

N	Description	minimum standard
1.1	Local style of building	With general outlay and materials typical of the region, no concrete/ metals in evident in interior and exterior design
1.2.	Overall cleanliness	Medium
1.3	Bedroom size	9 sqm/ single bed, 15 sqm for double one
1.4	Bedroom equipment	Bed, 1 chair/bed, 1 desk, 1 wardrobe, 1 bedside table/bed, 1 beside lamp/bed, 1 window with surface equal to 1/10 of the bedroom, heating(fixed or mobile), 1 painting/poster/photo
1.5	Bed size	Double 135/180, Single 90/180 cm
1.6	Size of common areas	4 sqm/guest
1.7	Bathroom equipment	Shower/bath with hot water (60 lt/day-person), 1 window/forced ventilation, heating (fixed or mobile)
1.8	Bathroom per clients	1 every 6 guests
1.9	Kitchen	2 fires, 1 window/forced ventilation, washing basin, refrigerator, 1 table, 1 chair/guest
1.10	General equipment of the house	Water, electricity, sewage connections fully complying with the law

Block 2 Services at the accommodation

N	Description	minimum standard
2.1	House information	Information about the house history/renovation process, village where it is located, Emergency exit, key telephone numbers, etc
2.2	Tourist Information	Information about the Municipality, main natural and cultural heritage attractions, local providers of food
2.3	Contact person	The owner or his/her delegate must be available in case of necessity at least 8 h/day, and when not directly available a telephone number must be delivered
2.4	Insurance	The owner/entrepreneur must have a public liability insurance to protect him/she from any civil responsibility for damages incurred to the guests
2.5	Cleaning	Room: once every 4 days (or every 7 days if the guests stay longer than one week) Towels: once every 4 days
2.6	Signposting	One on the house, one at the last road crossing leading to it
2.7	Aid	First aid box available in the house, information sheet about nearest health services (pharmacy, hospital)

2.8 Price	Price list exposed in every room (in local currency&Eur)

ANNEX No. 21 Agriculture products according to Annex I of the EC Treaty

LIST referred to in Article 32 of the Treaty

(1) No in the Brussels nomenclature	(2) Description of products
Chapter 1	Live animals
Chapter 2	Meat and edible meat offal
Chapter 3	Fish, crustaceans and molluscs
Chapter 4	Dairy produce; birds' eggs; natural honey
Chapter 5	
05.04	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof
05.15	Animal products not elsewhere specified or included; dead animals of Chapter 1 or Chapter 3, unfit for human consumption
Chapter 6	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage
Chapter 7	Edible vegetables and certain roots and tubers
Chapter 8	Edible fruit and nuts; peel of melons or citrus fruit
Chapter 9	Coffee, tea and spices, excluding maté (heading No 0903)
Chapter 10	Cereals
Chapter 11	Products of the milling industry; malt and starches; gluten; inulin
Chapter 12	Oil seeds and oleaginous fruit; miscellaneous grains, seeds and fruit; industrial and medical plants; straw and fodder
Chapter 13	
ex13.03	Pectin
Chapter 15	
15.01	Lard and other rendered pig fat; rendered poultry fat
15.02	Unrendered fats of bovine cattle, sheep or goats; tallow (including "premier jus") produced from those fats
15.03	Lard stearin, oleostearin and tallow stearin; lard oil, oleo-oil and tallow oil, not emulsified or mixed or prepared in any way
15.04	Fats and oil, of fish and marine mammals, whether or not refined
15.07	Fixed vegetable oils, fluid or solid, crude, refined or purified
15.12	Animal or vegetable fats and oils, hydrogenated, whether or not refined, but not further prepared
15.13	Margarine, imitation lard and other prepared edible fats
15.17	Residues resulting from the treatment of fatty substances or animal or vegetable waxes
Chapter 16	Preparations of meat, of fish, of crustaceans or molluscs
Chapter 17	

17.01	Beet sugar and cane sugar, solid
17.02	Other sugars; sugar syrups; artificial honey (whether or not mixed with natural honey); caramel
17.03	Molasses, whether or not decolourised
17.05(1)	Flavoured or coloured sugars, syrups and molasses, but not including fruit juices containing added sugar in any proportion
Chapter 18	
18.01	Cocoa beans, whole or broken, raw or roasted
18.02	Cocoa shells, husks, skins and waste
Chapter 20	Preparations of vegetables, fruit or other parts of plants
Chapter 22	
22.04	Grape must, in fermentation or with fermentation arrested otherwise than by the addition of alcohol
22.05	Wine of fresh grapes; grape must with fermentation arrested by the addition of alcohol
22.07	Other fermented beverages (for example, cider, perry and mead)
ex22.08(1) ex22.09(1)	Ethyl alcohol or neutral spirits, whether or not denatured, of any strength, obtained from agricultural products listed in Annex I to the Treaty, excluding liqueurs and other spirituous beverages and compound alcoholic preparations (known as "concentrated extracts") for the manufacture of beverages
ex22.10(1)	Vinegar and substitutes for vinegar
Chapter 23	Residues and waste from the food industries; prepared animal fodder
Chapter 24	
24.01	Unmanufactured tobacco, tobacco refuse
Chapter 45	
45.01	Natural cork, unworked, crushed, granulated or ground; waste cork
Chapter 54	
54.01	Flax, raw or processed but not spun; flax tow and waste (including pulled or garnetted rags)
Chapter 57	
57.01	True hemp (Cannabis sativa), raw or processed but not spun; tow and waste of true hemp (including pulled or garnetted rags or ropes)
(1) Heading added by Article 1 of Regulation No 7a of the Council of the European Economic Community, of 18 December 1959 (OJ 7, 30.1.1961, p. 71 — Special edition (English edition) 1959 to 1962, p. 68).	

ANNEX No. 22 List of Natural Protected Zones and Rewiew of the current acts regulating protected areas and facilities

Title of the act which nominates protected areas and facilities	Number of the act	Title of the facility
1) Law on nomination of the National Park Pelister	OG 150/07	Pelister
2) Law on nomination of the National Park Mavrovo	OG 10/49, 20/49, 23/52, 16/65	Mavrovo
3) Decision of the National institute for protection of the cultural monuments, for nomination of the cave Mlecnik as a cultural monument	Decision no. 1 of 1952	Cave Mlecnik
4) Decision of the National institute for protection of the cultural monuments, for nomination of the Slatino cave – as a monument of nature	Decision no. 101 of 1953	Upper Slatino Cave Gorna Slatinska Pestera
5) Law on nomination of the National park Galicica	OG 31/58, 16/65	Galicica
6) Decision of the National institute for protection of the cultural monuments, for nomination of the paleonthological locality Kalnica as a monument of nature	Decision of 1.10.1960	Kalnica
7) Decision of the National institute for protection of the cultural monuments, for nomination of the paleonthological locality Prevalec as a monument of nature	Decision of 1.10.1960	Prevalec
8) Decision of the National institute for protection of the cultural monuments, for nomination of the Demir Kapija gorge as a monument of nature	Decision no. 03-167-2/60	Demir Kapija
9) Decision of the National institute for protection of the cultural monuments, for nomination of composition of wild chestnut by Garska River as a botanical reservation	Decision no. 03-190-2/60	Garska River Garska Reka
10) Decision of the National institute for protection of the cultural monuments, for nomination of composition of wild chestnut by Drenacka River as a botanical reservation	Decision no. 03-190-2/60	Drenacka Reka
11) Decision of the National institute for protection of the cultural	Decision no. 03-42/61	Manastir

monuments, for nomination of locality with fossils by Manastir as a monument of nature		
12) Decision of the National institute for protection of the cultural monuments, for nomination of stalks of plane in the village of Kalista as a monument of nature	Decision no. 03-232-1/61	Platan
13) Decision of the National institute for protection of the cultural monuments, for nomination of composition of wild chestnut of the locality of Suvi Dol as a botanical reservation	Decision no. 03-233-1/61	Suvi Dol
14) Decision of the National institute for protection of the cultural monuments, for nomination of stalks of black mulberry in the yard of the monastery of Lesnovo, as a monument of nature	Decision no. 04-49-1/62	Crna Dudinka
15) Decision of the National institute for protection of the cultural monuments, for nomination of plane forest by the Iber River as a special reservation	Decision no. 08-530-1/63	Iberliska Reka
16) Decision of the National institute for protection of the cultural monuments, for nomination of stalks of black walnuts in Demir Kapija as a monument of nature	Decision no. 08-531-1/63	Crni Orevi
17) Decision of the National institute for protection of the cultural monuments, for nomination of black pine forests at the locality Menkova Livada a s a special reservation	Decision no. 08-575/64	Menkova Meadow Menkova Livada
18) Decision of the National institute for protection of the cultural monuments, for nomination of forest of birch and fir in the locality Tumba as a special reservation	Decision no. 08-575/64	Tumba
19) Decision of the National institute for protection of the cultural monuments, for nomination of forest of white pine at the locality Golem Kozjak as special reservation	Decision no. 08-575/64	Golem Kozjak
20) Decision of the National institute for protection of the cultural monuments, for nomination of the cave Mlecnik as a monument of nature	Decision no. 08-180-3/64	Cave Mlecnik
21) Decision of the Municipality - Saat Kula, for nomination of	Official herald of the city of	Arboretum

arboretum at Trubarevo as a monument of nature	Skopje no. 162/65	
22) Decision of the National institute for protection of the cultural monuments, for nomination of Katlanovsko Blato as botanical-ichtiological-ornothological reservation	Decision no. 04-1458-1/65	Katlanovsko Blato
23) Decision of the National institute for protection of the cultural monuments, for nomination of composition of juniper forest at Popova Sapka as a special reservation	Decision no. 04-526-1/66	Popova Sapka
24) Decision of the National institute for protection of the cultural monuments, for nomination of group of linden stalks in the village of Recica as a monument of nature	Decision no. 04-283-1/66	Recica
25) Decision of the National institute for protection of the cultural monuments, for nomination of fir forests at the village of Brajcino as a special reservation	Decision no. 04-1139-1/67	Rupa
26) Decision of the National institute for protection of the cultural monuments, for nomination of forests of birch at the locality Neprtka as a special reservation	Decision no. 04-1140-1/67	Neprtka
27) Decision of the National institute for protection of the cultural monuments, for nomination of forests of buka at the locality Kalojzana, as a special reservation	Decision no. 04-1138-1/67	Kalojzana
28) Decision of the National institute for protection of the cultural monuments, for nomination of formation of rocks at the locality Karsi Bavci, as a monument of nature	Decision no. 04-1142-1/67	Karsi Bavci
29) Decision of the National institute for protection of the cultural monuments, for nomination of plantation of black pine in Tetovo, as a monument of nature	Decision no. 04-1028-1/67	Black pine
30) Decision of the National institute for protection of the cultural monuments, for nomination of stalks of plane in Tetovo, as a monument of nature	Decision no. 04-1027-2/67	Plane
31) Decision of the National institute for protection of the cultural monuments, for nomination of stalks of poplar at the village	Decision no. 04-222-1/67	Poplar

of Preljubiste, as a monument of nature		
32) Decision of the National institute for protection of the cultural monuments, for nomination of cypress stalks in Ohrid, as a monument of nature	Decision no. 04-622-1/67	Cypress stalks
33) Decision of the National institute for protection of the cultural monuments, for nomination of Alep pine in Ohrid, as a monument of nature	Decision no. 04-621-1/67	Alep pine Alepski bor
34) Decision of the National institute for protection of the cultural monuments, for nomination of plane stalks in Ohrid, as a monument of nature	Decision no. 04-623-1/67	Plane stalks Platanovi stebla
35) Decision of the National institute for protection of the cultural monuments, for nomination of the oak in the village of Trpeica, as a monument of nature	Decision no. 04-624-1/67	Oak
36) Decision of the National institute for protection of the cultural monuments, for nomination of group of cypress stalks by the church St. Kliment in Ohrid, as a monument of nature	Decision no. 04-629-1/67	Group of cypress stalks
37) Decision of the National institute for protection of the cultural monuments, for nomination of two cypress stalks in Ohrid, as a monument of nature	Decision no. 04-630-1/67	Cypress stalks
38) Decision of the National institute for protection of the cultural monuments, for nomination of pine stalks at the locality Karsi Bavci (Kratovo), as a monument of nature	Decision no. 04-1142-1/67	Pine
39) Resolution of the Assembly of the city of Skopje, for nomination of a part of the Vodno mountain as an area with special natural characteristics	Official herald of the city of Skopje no. 40/70	Vodno
40) Decision of the National institute for protection of the cultural monuments, for nomination of the cave Ubavica as a monument of nature	Decision no. 06-1089-1/68	Cave “Pestera Ubavica”
41) Decision of the National institute for protection of the cultural monuments, for nomination of forest of black pine at the	Decision no. 06-1476-1/69	Cam Ciflik

locality Cam Ciflik as a special reservation		
42) Decision of the National institute for protection of the cultural monuments, for nomination of the site of pine krivuq at Jakupica, as a special reservation	Decision no. 06-1476-1/69	Rucica
43) Decision of the National institute for protection of the cultural monuments, for nomination of plane stalks in Dojran, as a monument of nature	Decision no. 06-692-2/70	Plane stalks
44) Law on protection of the Ohrid lake, Prespa lake and Dojran lake	OG 45/77, 8/80, 51/88, 10/90, 62/96	Ohrid Lake
45) Law on protection of the Ohrid lake, Prespa lake and Dojran lake	OG 45/77, 8/80, 51/88, 10/90, 62/96	Prespa Lake
46) Law on protection of the Ohrid lake, Prespa lake and Dojran lake	OG 45/77, 8/80, 51/88, 10/90, 62/96	Dojran Lake
47) Resolution of the Municipality Assembly of Ohrid, for nomination of the locality Duvalo as a monument of nature	Resolution no. 01-5129/79	Duvalo
48) Resolution of the Assembly of the city of Skopje, for nomination of the locality Ostrovo at the village of Trubarevo as a monument of nature	Resolution no. 06-8566-1/76	Ostrovo
49) Resolution of the Municipality Assembly of Kumanovo for nomination of paleonthological locality at the village of Orasac as a monument of nature		Orasac
50) Resolution of the Municipality Assembly of Kocani, for nomination of group of plane stalks at the village of Morodvis as a monument of nature	Resolution of 28.06.1984	Morodvis
51) Resolution of the Municipality Assembly of Veles, for nomination of the plane stalk at village of Teovo, as a monument of nature	Resolution 5.07.1983	Platanovo steblo
52) Resolution of the Municipality Assembly of Veles, for nomination of paleonthological locality Karaslari, as a monument of nature	Resolution of 29.04.1983	Karaslari

53) Resolution of the Municipality Assembly of Veles, for nomination of paleonthological locality Kale Banjicko, as a monument of nature	Official herald of the city of Veles no. 7/83	Kale Banjicko
54) Resolution of the Municipality Assembly of Gazi Baba for nomination of composition of foja 55) at the village of Kozle as a monument of nature	Resolution from 27.01.1985	Kozle
56) Resolution of the Municipality Assembly of Kavadarci, for nomination the village of Konopiste as a monument of nature	Resolution no. from 1986	Konopiste
57) Resolution of the Municipality Assembly of Delcevo, for nomination of geological locality Zvegor as a monument of nature	Resolution of 21.02.1986	Zvegor
58) Resolution of the Municipality Assembly of Strumica, for nomination of stalks of plane and elm, as a monument of nature	Resolution of 02-867-1/86	Stems of plane and elm
59) Resolution of the Municipality Assembly of Strumica, for nomination of Kolesino waterfalls , as a monument of nature	Resolution no. 02-646/1 of 27.06.1986	Kolesino Waterfall “Kolesinski Vodopad”
60) Resolution of the Municipality Assembly of Berovo, for nomination of the mixed composition of fir, birch, white pine and juniper, as a monument of nature	Resolution no. 08-2659-1/87	Murite
61) Decision of the National Institute for protection of natural rarities, for identification of the feature of natural rarity of the state of plane at the village of Mokrino, Strumica	Decision no. 08-165/88	Plane
62) Resolution of the Municipality Assembly of Kocani, for nomination of oak stalk at the village of Beli, as a monument of nature	Official herald of the city of Kocani no. 2/83	Oak
63) Resolution of the Municipality Assembly of Gevgelija, for nomination of the wood type "Gol covek" as a monument of nature	Resolution no. 01-5431-1/87	Gol Covek
64) Resolution of the Municipality Assembly of Strumica	Resolution no.	Monospitovsko Blato

nomination of the plant Osmunda regalis as a monument of nature		
65) Resolution of the Municipality Assembly of Gevgelija, for nomination of a composition of firs, as a monument of nature	Resolution no. 01-98-1/88	Gladnica
66) Resolution of the Municipality Assembly of Radovis, for nomination of a mixed composition of walnut, linden and plane as a monument of nature	Resolution no. 02-246/86	Konce
67) Resolution of the Municipality Assembly of Kavadarci for nomination of the locality with relict community at the Drenak gorge as a monument of nature	Resolution no. 08-2290/17 From 5.06.1991	Drenak gorge
68) Resolution of the Assembly of the city of Skopje, for nomination of Katlanovo area as a monument of nature	Resolution no. 08-690-1/91	Katlanovo area
69) Decision of the Assembly of city of Skopje , for nomination of the canyon Matka, as a monument of nature	Resolution no. 08-925-1/94	Matka Canyon
70) Resolution of the Municipality Assembly of Prilep for nomination of the locality Zrze as a monument of nature	Resolution no. 08-76175/96	Zrze
71) Resolution of the Municipality Assembly of Bitola for nomination of the canyon of the Gradeska River as a monument of nature	Resolution no. 150-1/96	Canyon of Gradeska River
72) Law on nomination of ornithological reservation Ezerani as a strict natural reservation	OG 37/96	Ezerani
73) Resolution of the Municipality Assembly of Struga for nomination of the chestnut stalk at the village of G. Belica, as a monument of nature	Resolution no. 08-1025-4/96	Chestnut
74) Resolution of the Municipality Assembly of Gevgelija for nomination of wild oak at the locality Visoka Cuka on Kozuf mountain as a monument of nature	Resolution of 1997	Wild oak / Div Prnar
75) Law on nomination of the ornithological locality in the George of Crna Reka, as a strict natural reservation	OG 35/97	Tikves
76) Resolution of the Assembly of the municipality Samokov for	Resolution no. 163/2001	Belecnica River

nomination of the river Belesnica as a monument of nature		
77) Resolution on nomination of the floral locality "Majdan" as a monument of nature	Resolution no. 07-288/3 od 09.12.2002	Majdan
78) Resolution on nomination of the floral locality "Orlovo Brdo" as a monument of nature	Official herald of the Municipality of Negotino no. 3 of 01.04.2003	Orlovo Brdo
79) Law on nomination of locality "Lokvi-Golemo Konjari", as a strict natural reservation	OG 71/2003	Lokvi-Golemo Konjari
80) Law on nomination of locality "Ploce-Litotelmi", as a strict natural reservation Decision for accepting the proposal for nomination of locality "Ploce-Litotelmi", as a strict natural reservation	OG 71/2003 OG 16/08	Ploce-Litotelmi
81) Law on nomination of the locality Markovi Kuli as protected area in the category monument of nature	OG 49/2006	Markovi Kuli
82) Law on nomination of the locality Smolare Waterfalls as protected area in the category monument of nature	OG 35/2006	Smolare Waterfalls „Smolarski Vodopad”
83) Decision for accepting the proposal for nomination of locality "Slatinski Izvor” as a monument of nature	OG 74/06	Slatinski Izvor
84) Law on nomination of Kuklica locality a monument of nature	OG 103/08	Kuklica

ANNEX No. 23 Main recommendations of the Ex-ante evaluation

No.	Subject	Recommendations (ex ante preliminary report 16 July 2007)	MA Comments
		General and cross-cutting issues	
1	Analysis and SWOT	Section 1.2 (Rural Areas and the Environment) should be updated to reflect recent relevant studies e.g. tourism, micro enterprises, crafts.	Recommendation is taken into account, according to results of independent assessment being performed by two experts engaged by SLR Project and their findings.
2		At the end of the description of each sector and sub-sector a short paragraph should be inserted that would summarise the key issues that need to be addressed and the perceived priority in terms of overall objectives. This would improve the link between the sector analysis and the SWOT.	Recommendation will be taken into account
3		Section 1.6 (SWOT) should be revised to show more clearly the causal relationship between the situation analysis, identified needs and the proposed measures. In particular the “problems to be tackled” should be more explicit.	Recommendation is taken into account
4		No perspective is currently included that deals with disparities between and within regions of the country. A Regional Analysis sub-section could include a summary of any known differences there are in the socio-economic situation in regional areas where various ethnic minorities are concentrated compared to regions that have more homogenous populations.	Recommendation will be taken into account; according to results of independent assessment being performed under SIDA funded Project for Strengthening of MAFWE and their findings and according to the analysis prepared by UNDP on regional disparities.
5		The IPARD Programme is consistent with European and regional level objectives, although these are not described in the Programme. A short section should therefore be included to indicate coherence.	Recommendation is taken into account and a separate Chapter is introduced in Part III (Part III-Chapter 3.4. Complementarity of the IPARD Programme with other community policies.
6		The issue of credit is important in the context of implementation of IPARD as beneficiaries will require financing to meet their proportion of the cost of investments. The analysis identifies some of the problems of lending to agriculture (high transaction costs, lack of knowledge of sector, etc) it does not go into any depth on approaches that might overcome some of the problems.	Recommendation is under consideration.

No.	Subject	Recommendations (ex ante preliminary report 16 July 2007)	MA Comments
7		It would be useful if the sub-section on organics included further analysis of factors such as: how close small-scale farmers in various regions are to being organic (many small-scale farms have low or no use of mineral fertilisers and chemicals); the potential to improve incomes through conversion of these producers to organic certification; regional variations; linkages with regional and EU markets; lessons learned from the MAFWE support programme; training and education support systems, etc.	Organic farming is of no focus of support in this Programming period, so it is agreed that brief outline information is sufficient to give an overview of this sector at this stage and when (if) addressed in the future it will be subject to deeper sub-sector study and analysis results will be taken into account.
8		Overall for wider rural issues, there should be further discussion of the identified weaknesses in a narrative section after the SWOT indicating how these issues are to be tackled (ref to NARDS) and before Part III of the Programme is elaborated.	Recommendation will be taken into account and introduced in Part I -Chapter 1.6. SWOT Analysis
9	National Governanc e	Identified priorities that have implications for the IPARD Programme should be highlighted and where possible an indication given of any progress or action already underway.	Recommendation will be taken into account
10		A concluding synthesis of Part II should be included to that there is a clearer link between Parts I, II and III.	Recommendation will be taken into account in Part II-new Chapter 2.6 Lessons Learnt
11		A section on lessons learned should be included. This should be analytical and particularly refer to any lessons drawn from the current RD programmes.	Recommendation will be taken into account in Part II-new Chapter 2.6 Lessons Learnt
12		A concluding paragraph should be included in paragraph 2.4 that summarises the reforms underway of the current support policies and the steps planned to align the support measures more closely with the CAP.	Recommendation will be taken into account and introduced in Part II-new Chapter 2.4.2.4 Harmonisation of agriculture and rural aid scheme with the community policies
13	Strategy & Objectives	Competitiveness should be emphasised in the general objective.	Recommendation is taken into account in Part III-Chapter 3.1 Strategy and objectives of IPARD programming process
14		Revise the wording of the objectives of the measures so that the objectives are more specific.	Recommendation is taken into account
15		The selection of priority sectors is not mentioned in the NDP or NARDS, and its first mention in the IPARD Programme is in Section 3.1 of Part III of the Programme. Earlier mention of these priority sectors, the rationale for selection and the objectives for development of each should be described in Part II of the Programme (after the	Recommendation will be taken into account and mentioned paragraph (Government Decision) will be addressed in Part III-Chapter 3.1.5 General Objectives and Priorities of the IPARD Programme

No.	Subject	Recommendations (ex ante preliminary report 16 July 2007)	MA Comments
		SWOT), along with sector objectives. Clarify the selection criteria of priority sectors that informed the government decision of July 25th 2006.	
16		Section 3.1.1.4 outlines General Objectives and Priorities of the IPARD Programme. These directly refer to the principles laid down in IPA for rural development (i.e. IPA component V), emphasising policy development, preparation for implementation of the acquis communautaire and management of the Common Agricultural Policy, and the sustainable adaptation of the agricultural sector and rural areas. For greater clarity these two sections could be merged into one, and the hierarchy of objectives spelled out as General Objectives (relating to acquis communautaire and CAP) and Specific Objectives. The latter objectives should be further refined, using suggestions already offered by the Ex-Ante evaluators.	**Need further clarification on expert recommendation-which two chapters?**
17		Strategic objectives for wider rural development should be included after the SWOT and the rationale for selection of these objectives.	Recommendation is taken into account and the mentioned paragraph (Rational) is addressed in Part III-Chapter 3.2.3 Diversification and development of rural economic activities
18	Selected Measures	A short piece on the expected impact of each measure should be included in the measure fiches.	Recommendation will be taken into account in Part IV-Chapter 4.1, 4.2 and 4.3
19		The selection criteria for each measure should aim to take account of the business plans that support the applications and also the weightings should be reassessed.	**Need further clarification on expert recommendation**
20		The allocation of 35% of funding under measure 1.2 to poultry should be better justified in the analysis or else the allocation be reassessed.	Recommendation will be taken into account and the need of new poultry slaughterhouse will be described in Part I-Chapter 1.6 SWOT, Part I-Chapter 1.3.5.10. Milk and meat priorities, Part III-Chapter 3.2.2. Investments in processing and marketing of agricultural products to restructure and to upgrade to Community standards and Part IV-Chapter 4.2.1. Rationale.

No.	Subject	Recommendations (ex ante preliminary report 16 July 2007)	MA Comments
21		Better justify or adjust the concentration on selected regions for farm-based rural tourism within measure 3.1.	Recommendation will be taken into account
22		Reassess the selection criteria for measure 3.1 as currently they are too closely related to agriculture compared to wider rural development.	Recommendation will be taken into account
23	Completeness of Programme	The areas not completed include:	
24		A section on lessons learned.	Recommendation will be taken into account in Part II-new Chapter 2.6 Lessons Learnt
25		A section on implementing arrangements (including monitoring and evaluation). It is noted that in the measure fiches some of the implementing arrangements are described and initial attempts to identify monitoring indicators are made. The detailed information on eligibility and selection (criteria) is part of the implementation process and is included.	Recommendation will be taken into account in Part III-Chapter 3.5. Implementation Arrangements
26		Training Strategy.	Recommendation will be taken into account in Part III-Chapter 3.5. Implementation Arrangements and in Part I-Chapter 1.3.7.6. Agriculture knowledge policy
27		Details on Social Inclusion/Partnership and Consultation.	Recommendation will be taken into account in Part III-Chapter 3.5. Implementation Arrangements
28		Planned Information and Promotion.	Recommendation will be taken into account in Part III-Chapter 3.5. Implementation Arrangements
29	Training	The training strategy should ensure that there is a broad range of	Recommendation will be considered.

No.	Subject	Recommendations (ex ante preliminary report 16 July 2007)	MA Comments
		training providers reflecting the diversity of IPARD. Training should be managed by a body independent of any of the training providers.	
30	Environmental Considerations	Include a brief addition to both the Strategy in Part III of the programme and technical fiches for all three measures on the rationale for environmental compliance and its relationship to wider competitiveness.	Recommendation is taken into account in Part III-Chapter 3.4 Complementarity of the IPARD programme with other community policies
31		Set up functional coordination structures with MoEPP for screening applications for environmental compliance, including decisions relating to the need for EIAs and also for spatial development considerations.	This recommendation is part of the National policy in the country elaborated in Part II National Governance Context
32	Programme Implementation and Monitoring and Evaluation	Systems to develop M&E should be established at sub-measure level but in a simple way that can be built on.	Recommendation will be taken into account in Part IV-Chapter 4.1.; 4.2.; 4.3 and 4.4 and in Part III-Chapter 3.5.2 Monitoring and Evaluation
33		It may be possible to collect useful baseline data in the application form. This should be kept in mind during the planning for implementation. Farmer and business registration systems should be included in the M&E system.	Recommendation will be considered.
34		Monitoring committees should be broadly representative of all Rural Development interests and not confined to government or solely agricultural organisations.	Recommendation is taken into account in Part III-Chapter 3.5.2 Monitoring and Evaluation

ANNEX No. 24 Storage and handling of Manure

1) Manure storage structures must be designed and managed to contain manure (including wastewater, contaminated runoff, and manure mixed with litter or bedding) without any discharge to the ground and in waters;
2) For storing manure the following types of storage may be proposed by the applicant:

a. outdoors pads only for solid manure storage, or
b. outside below ground storages or outside above ground tank storages or lagoons, for liquid manure storage or
c. deep pits under the building floor housing the animals farther from milking parlour or processing facility

a. Outdoors pads only for solid manure storage

Minimum requirements for storage of solid manure:

1) In case of storing manure in solid state, pad with at least three side walls where the manure is stacked must be envisaged, following these recommendations:

- urine has to be separated from solid manure and directed into a urine depot (applicable only for cattle and pigs).
- levelled ground for solid manure heaps should be placed on elevated grounds to prevent flooding.
- the ground and walls must be made of waterproof material which prior to stocking must be covered with layer of absorbing material (substratum of chopped straw, leaves etc.) in order to absorb remains of liquid manure.draining impermeable canals connected with urine depot or tank may be envisaged for drainage of the remaining liquid (applicable only for cattle and pigs).
- the heaps must be covered with material (with film or with thick layer of peat, chopped straw etc.) for odour protection as well as roofed for rain and sun protection.
- manure heaps must be at least 30 m from any well and must not be on a shore or bank of a water body, protected zone of a water intake. Also they should not be attached or close to the breeding stables.
- the capacity of the pad should be to store solid manure for at least 12 weeks.

b. Outside below ground storages or outside above ground tank storages or lagoons

Minimum requirements for storage of semi-solid or liquid manure (applicable only for cattle and pigs):

In case of storing manure in semi-solid or liquid state above ground tanks or storages or bellow ground tanks or storages or lagoons must be envisaged, following these recommendations:

- In case of above ground tank, the tank must be covered (floating membrane or air-proof tent or other) and contain provision for aeration to avoid accumulation of lethal gases and pumping;
- in case of above ground tank, below ground storages or outdoors lagoons, the floors and walls must be waterproof and any possibility of leakage must be prevented.

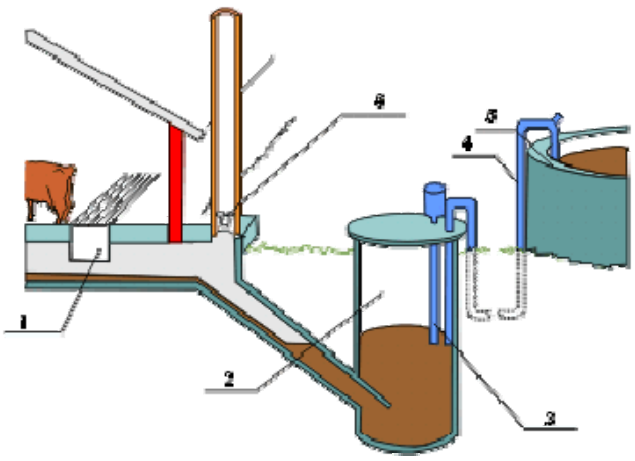
- the ground site where the storage is located must be fenced with at least 1,5 m high fence and properly marked with warning sign for danger and restriction for non-authorised access.
- the semi-solid or liquid manure must not be directed to the main sewage system;
- the capacity of the tank or lagoon should be to store semi-solid or liquid manure for at least 16 weeks.

c. Deep pits under the building floor housing the animals

Minimum requirements for storage of semi-solid or liquid manure with deep pits under the breeding space (applicable only for cattle and pigs):

- the deep pits under the building floor housing the animals must be farther from milking parlour or processing facility.
- in case of storing manure in semi-solid or liquid state above ground tank storages or bellow ground storages for slurry and suitable pumping/mixing system if necessary must be envisaged.
- In case of above ground tank, the tank must be covered (example: floating membrane or air-proof tent or other) and contain provision for aeration to avoid accumulation of lethal gases and pumping/mixing;
- in case of bellow ground storages or outdoors lagoons, the floors and walls must be waterproof and any possibility of leakage must be prevented.
- the ground site where the storage is located must be fenced with at least 1,5 m high fence and properly marked with warning sign for danger and restriction for non-authorised access..
- the liquid manure must not be directed to the main sewage system.
- the capacity of the tank or lagoon should be to store liquid manure for at least 16 weeks.

Example of manure storage and handling system in case of deep pits under the building floor housing the animals for storage of liquid manure:



Slurry removal system: 1 – slurry channel; 2 - pit for pumping over; 3 - pump; 4 - rising pipe of slurry; 5 - slurry reservoir; 6 – ventilator