

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 (OG 11/02)
- 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 acts⁶⁷.

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,

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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 acts⁶⁸ 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),

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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 acts⁶⁹. 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 measures⁷⁰:

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 measures⁷¹. 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 measures⁷²:

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 measures⁷³: 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, 3197R255

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 measures⁷⁴.

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 Directives⁷⁵. 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 Directives⁷⁶.

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 measures⁷⁷. 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 bylaws⁷⁸ 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 measures⁷⁹. 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, 31987I0101, 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 Plan⁸⁰ 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 status⁸¹.

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 Convention⁸² and is established on the territory of its Members States. Identification of areas is based on several resolutions and recommendations⁸³. Activities for the development of the National emerald network started in 2002 and currently includes 16 areas⁸⁴, 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 cinémathèque (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 as 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 have 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 economy⁸⁵; 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 arrears⁸⁶ 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 transfers⁸⁷ (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)

code	Description	2005		2006		2007	
		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 accession⁸⁸ 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 purposes⁸⁹.

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 (except 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 2010⁹¹.
- 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 support⁹² 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, while 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 areas⁹³ 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 below.

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 meat 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
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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 areas⁹⁴, 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 regions⁹⁵ (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 from 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 projects 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 Program¹⁰⁰ 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 Agreement¹⁰¹ 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 regulation¹⁰² 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,

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. *SENER-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)
<i>Rural Rehabilitation Project (IFAD 1)</i>	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
<i>Agriculture Financial Services IFAD 2</i>	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
<i>Facility for Farmers' Access to Markets in the Balkan Area</i>	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, Probstip, 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 facilities 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.