

## PART III – STRATEGY OF THE IPARD PROGRAMME 2007-2013

### 3.1. STRATEGY AND OBJECTIVES OF IPARD PROGRAMMING

*On July 17, 2006, the Council of the European Union adopted the Regulation No 1085/2006<sup>105</sup> of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA). As a candidate country<sup>106</sup>, the Republic of Macedonia has access to all five IPA components<sup>107</sup>. The overall objective of pre-accession assistance is to support the country's efforts to comply with the Copenhagen accession criteria in terms of establishing stable institutions guaranteeing democracy and the rule of law, operate functioning market economy and adoption and implementation of the Acquis and show ability to assume the obligations of EU membership. This also involves preparing for the implementation of the Community's cohesion policy and rural development instruments by introducing strategic planning and management principles, which guide the implementation of EU structural instruments.*

*The basic policy documents setting down the priorities for programming of assistance under IPA are the European Partnership 2006, the Enlargement Strategy Paper, which presents the Commission's overall enlargement policy for the candidate and potential candidate countries, as well as the annual Progress Report on advances made on the road towards the EU, including implementation and enforcement of Community standards.*

#### 3.1.1. General Background of the IPARD Programming process

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

The IPARD strategic planning process was initially introduced in the scope of Multi-Annual Indicative Planning Document (MIPD), outlining the main priority areas for intervention. Accordingly, a Multi-Annual Operational Programme for the whole IPA implementation period 2007-2013 is prepared in a form of National Agriculture and Rural Development Plan (IPARD Programme)<sup>108</sup>.

<sup>105</sup> Official Journal L210, page 82.

<sup>106</sup> Decision by the European Council of Ministers on the 17<sup>th</sup> of December, 2005

<sup>107</sup> The IPA instrument consists of five components IPA-I: the Transition Assistance and Institution Building component; IPA-II: the Cross-Border Cooperation component which applies to border regions between beneficiaries from member states, candidate states and countries in pre-accession status; IPA III, IV and V: the Regional, Human Resources and Rural Development components which are planned for Candidate Countries.

<sup>108</sup> Article 184, IPA Implementing Regulation (EC) No: 718/2007. of 12 June 2007

The IPARD Programme consists of a coherent set of priority axis and developed appropriate implementing measures and operations (group of investments) to address a set of objectives for agriculture and rural development in the country, as well as description of the financial contribution which is needed to implement the defined strategies in the MIPD. Therefore, the set of priority axis of the IPARD Programme are in synergy with the National Strategy for Agriculture and Rural Development (2007-2013) relating to the strategy and objectives for development of the agriculture sector and the rural areas in the period of 2007-2013, and provide an added value to the pre-accession process.

Numerous background investigations were conducted in the course of preparation of the Programme to identify the main problems concerning agricultural production, food industry, and economic activities in rural areas. Following the requirement of the IPA regulation<sup>109</sup>, additional in-depth analysis of the sectors concerned - wine and grapes, fruit and vegetables, milk and dairy products and meat and meat products were conducted, involving independent expertise. The selection of the priority sectors proposed by the Ministry of Agriculture, Forestry and Water Economy (MAFWE) were adopted by the Government with a Decision of 25<sup>th</sup> of July, 2006.

The IPARD Programme has been prepared by the Ministry of Agriculture, Forestry and Water Economy with the support of the EU-funded Project *Structural and Legal Reforms of MAFWE* and in co-operation with other state agencies and coordinated with various non-governmental institutions (relevant social and economic partners) and stakeholders.

The set of priority axis and appropriate measures as outlined in the MIPD, are as follows:

#### **Priority Axis 1**

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

Measure 103: investments in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to Community standards.

#### **Priority Axis 3**

Measure 302: Diversification and development of rural economic activities; and,

**Supporting Measure 505:** Technical Assistance for the implementation of the IPARD Programme

The three main measures to be applied under this Programme were outlined in the Multi Indicative Planning Document (MIPD) developed for the purpose of the initial financing period starting 2007 until 2009 of the pre-accession instrument<sup>110</sup>

<sup>109</sup> Article 184 paragraph 2 (b), IPA Implementing Regulation (EC) No 718/2007 of 12 June 2007

<sup>110</sup> Multi-annual indicative financial framework (MIFF) for the period 2008-2010 [COM (2006) 672 final - Not published in the Official Journal]. This Multi-Annual Indicative Financial Framework, which

and further elaborated in detailed operations (projects and group of projects) on the basis of the encountered weaknesses in the frame of the in-depth analysis in the relevant sub-sector studies.

Additional measures will be considered to be introduced in the forthcoming financial period (2010-2013). These are:

**Priority Axis 1:**

Measure 102 Setting-up of producer groups;

**Priority Axis 2:**

Measure 201 Pilot promotion of Agri-environment measures ;( Preparation for implementation of actions relating to environment and the countryside)

Measure 202 Leader approach (Preparation and implementation of local rural development strategies)

**Priority Axis 3:**

Measure 301 Development and the improvement of rural infrastructure;

Measure 303 Improvement of training

In advance to their introduction within this Programme these measures will be subject to piloting with national funding or donor assistance in the immediate period before introduction under IPARD funding.

The main beneficiaries of the measures applied under the Programme will be agricultural holdings, agriculture cooperatives, food industry, rural economic operators, rural entrepreneurs, and the rural population as a whole. The IPARD Programme will be implemented under the guidance of the Ministry of Agriculture, Forestry and Water Economy (Managing Authority) through its Department for Rural Development acting as Secretariat in collaboration with the IPARD Sectoral Monitoring Committee and the Agency for financial support of Agriculture and Rural Development (IPARD Agency). Communication with the EU Commission on financial matters will be carried out through the National Fund (Ministry of Finance) and on programming matters through the IPA Monitoring Committee and National IPA Coordinator.

### 3.1.2. Overall National Development Objectives

In February 2007, the Government adopted the National Development Plan 2007-2009 (NDP). Based on the detailed assessment of the current economic, social and environmental situation in the country, the strategic objective of the NDP is:

***“to increase international competitiveness of the country that is required for a sustained economic growth and higher employment”.***

At a more operational level, the NDP's five sub-objectives are the following:

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covers 2008-2010, is therefore the first MIFF under IPA and confirms the 2007 figures, which were provided to Council and Parliament in the Commission's Preliminary Draft Budget 2007.

I. To strengthen economic competitiveness of the corporate sector through intensification of broad range structural reforms, including improvements of the business environment and investment climate, conducive to economic growth and job creation.

II. To develop new and improve existing physical infrastructure, particularly those related to transport, energy, ICT, environment and irrigation, in order to support economic growth and improve the overall competitiveness of the country.

III. To improve quality of education and training so that it will respond effectively to the requirements of the labour market, including the requirements of the knowledge based economy.

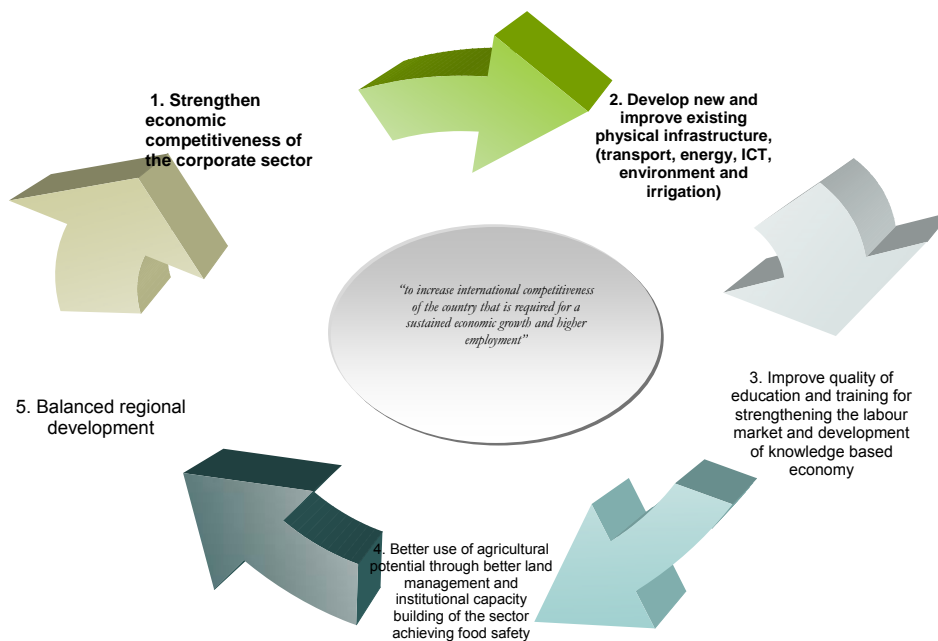
IV. To create preconditions for better use of agricultural potential of the country through better land management and institutional capacity building of the sector, through strengthened rural development, and through establishing conditions for safe food production and trade.

V. To create preconditions required for effective design and implementation of the balanced regional development policy within the country.

Agriculture and rural development are one of five development priorities through which the NDP's objectives are to be achieved. The document specifies that the majority of agriculture and rural development "investment needs"<sup>111</sup> (estimated at around 1/2 of the total needed investments), mostly concentrate towards the development of the agriculture sector and capacity enhancement of MAFWE in the period of 2007 – 2009 as well as investment activity in the rural development sector.

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<sup>111</sup> According to MAFWE, consolidated "investment needs" for this NDP priority increase from 57 million EUR in 2007 to 84 million in 2009 (with share within total "investment needs" from 14 to 12 per cent in the same period).

**Figure III - 1 National Development Objectives, 2007-2009**

### 3.1.3. National Agriculture and Rural Development Strategy 2007-2013

As a follow up of intensive integration of the country in the international courses of commodity exchange, primarily via the accession of the country to the WTO and signing of other multilateral and bilateral free trade agreements, in a specific situation where the sector experienced slow and incomplete restructuring conditions and low competitiveness, the country's agriculture is facing major challenges. Additionally, due to the process of political access to EU whose aim is to increase the capacity of domestic economy to act in the conditions of the single European market and approximation to the European standards of food quality and safety, the country's agri-food products should be brought in line with the demands of the domestic and European markets regarding the price, quality and expectation of the consumers in conditions of increased market competition.

To that end, it is necessary to restructure the predominantly unfavourable structure of agriculture producers who either produce limited market surplus or produce for the needs of their households, into specialised farmers and processors with increased economy of scale, thereby reducing the costs, improving the productivity of the factors of production and increasing the development potential in accordance with the real comparative advantages. On the other hand, the less competitive farmers should be allowed to diversify their economic activities in terms of production of non-traditional agriculture products demanded on the markets, which generate higher income out of limited resources, but also in activities, which are not necessarily linked with agriculture production.

The overall national objective and the fundamental principles outlined in the National Development Plan (NDP) above described constitute the framework for the national objective concerning sustainable agriculture, forestry, fisheries and rural development. According to the National Agricultural and Rural Development Strategy (NARDS)<sup>112</sup>, MAFWE has translated the overall development vision into following long-term sectoral strategic objective as the basis for agricultural and rural development and formulation of future agricultural policy:

***“To strengthen the ability of the country's agriculture to compete in the integrated regional markets of the European Union and south-eastern Europe through measures to increase the efficiency of agricultural production, processing and marketing, and to build appropriate, effective public and private institutions; to improve farm incomes; to ensure that consumers have access to safe, healthy food; to optimize the use of scarce land, forest and water resources, in an environmentally sustainable manner; and to build viable rural communities through sustainable rural development.”***

This objective directly contributes to four out of five of the NDP's key sub-objectives outlined above (see Part III-Chapter 3.1.2.).

In order to achieve the stated strategic objective, the NARDS outline the following focal areas for policy formulation, to be addressed during the period 2007-2013:

I. Increase Agriculture sector competitiveness by enhancing the efficiency of the key factors of production namely land, labour and capital, and improving agricultural support policies and the modernisation of the processing industry.

II. Improve structural linkages of the agricultural sector through a more structured horizontal and vertical integration, in line with EU requirements.

III. Achieve Food Quality and Safety through increased control and appliance of food safety systems (both at production and processing levels) and increased quality of plant and animal products.

IV. Achieve sustainable resource management in an environmentally acceptable manner.

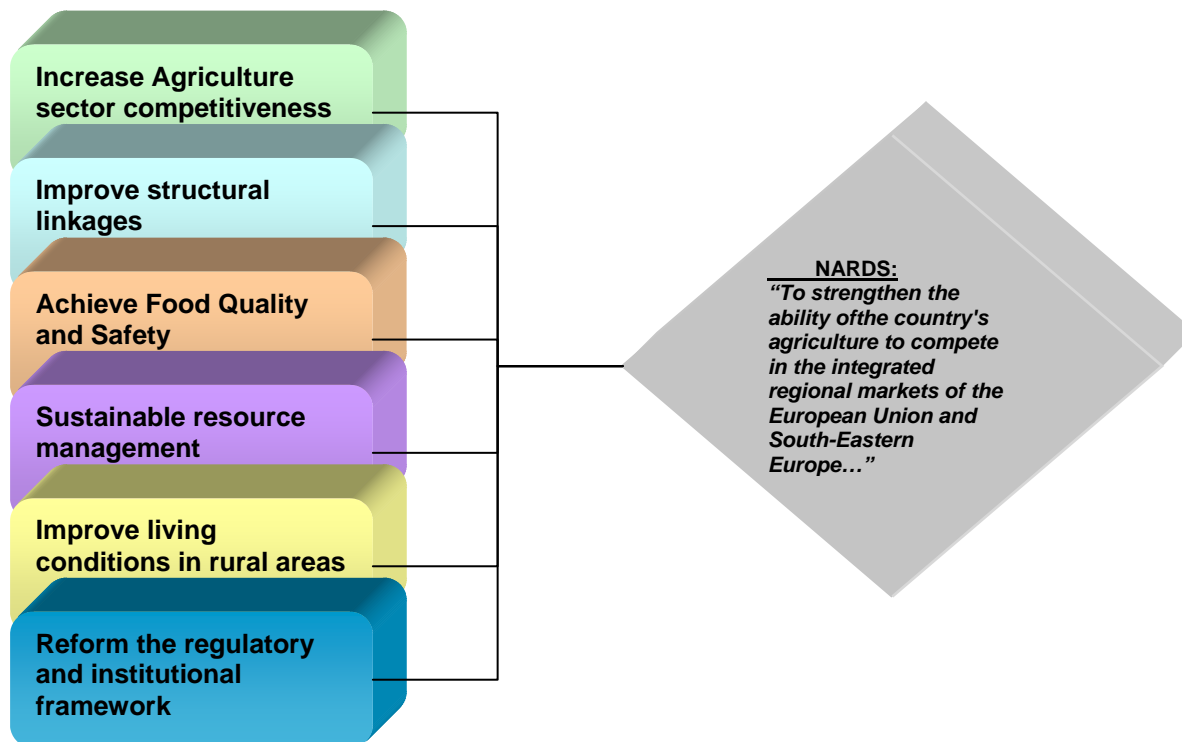
V. Improve living conditions in rural areas through the improvement of the physical infrastructure, favouring of creation of off-farm employment and

<sup>112</sup> The National Strategy for Agriculture and Rural Development 2007-2013 (NARDS) was adopted by the Government on 29.06.2007.

income generation opportunities, and through diversification of agricultural production.

- VI. Reform the regulatory and institutional framework in the key areas of food safety, veterinary, phytosanitary, seeds and propagating materials and animal nutrition; Common Markets Organization and Rural development (by establishing enabling legislation and administrative structures that are capable of rural development planning, identifying the structural needs in rural areas, the development, implementation and management of rural development programs; control of financial flows and measures undertaken; monitoring, reporting, control and evaluation of programs).

**Figure III - 2 National Agriculture and Rural Development Objectives, 2007-2013**



So far, the various national support schemes for Agriculture and Rural Development, (detailed in Part II, Section 2.4.), have insufficiently incorporated all necessary measures to improve the quality, hygiene, environmental and animal welfare standards in the production and processing sectors, as well as to stipulate effective economic development and social cohesion to achieve a sustainable rural development process, particularly being deficient of instruments to support investments for achieving mentioned goals as a result of limited

funding availabilities in the period of sustaining Macro-economic stabilisation and control of Budget spending.

#### **3.1.4. Strategic planning process of the IPARD Programme**

The pre-accession assistance strategy for the whole implementation period of 2007-2013 of the rural development component is provided within the frame of National Agriculture and Rural Development Plan (IPARD Programme) and in coherence with the national strategic objectives for EU Integration.

Thus, the IPARD Programme is aimed at contributing to achieve the overall national development goals as well as the specific objectives for the agricultural and rural sector which are outlined below; in synergy with other national and international multi- and bi-lateral programmes and actions; and compliant to the structural and procedural frameworks set up for the purpose of preparation for EU accession.

The IPARD Programme constitutes a strategy which aims at tackling specific shortcomings in the agriculture development and rural areas, which were identified in the analysis of strengths, weaknesses, opportunities and threats (SWOT) of the agricultural and rural sector in the country (detailed in Part I-Chapter 1.7.) with consecutive concerted solutions to priority problems.

##### **3.1.4.1. Summary of SWOT**

The following section attempts to present a focused summary of the links between the situation analysis and the SWOT: the advantages and disadvantages, the threats and possibilities of agriculture, food processing and rural areas and should lead towards better clarity of the choice of IPARD scheme for each of the priority sector concerned providing benefits to the rural population as a whole.

This analysis has twofold purposes. Firstly, to present the strengths and weaknesses, more specifically for agriculture sectors and the rural areas. Secondly, the opportunities and threats which relate to external conditions and which constitute factors that have to be taken into consideration when defining the appropriate strategies.

The SWOT has an organic relation with the analysis provided in NARDS since both strategic documents complement each other towards achieving the same objectives as a common root for both analyses. More detailed analysis on some aspects of the agricultural economy that are not directly related to the measures of the IPARD Programme is available in the NARDS.

A detailed status survey in Part I explores the situation, the advantages and disadvantages, as well as the possibilities and threats of rural areas agriculture, and food processing industry. Based on the findings, the most important areas that demand urgent intervention, determining this way the directions of rural development, are summarised as follows:



- » The dis-balanced population density, economic development and the social capital feeds the process of out migration in the rural areas thus affecting the perspectives of development of rural areas;
- » Agriculture is a predominant activity of the rural population who is being heavily dependant on agriculture income as a result of primary production.
- » The age composition of the population in agriculture is extremely unfavourable: the proportion of young generations (below 40) is very low as regards employees and private farmers.
- » Agriculture holdings lag behind in capital investments for modernisation and implementation of environmental protection, hygiene, product quality, food safety and animal welfare; Insufficient regulation of the sector hinders furthermore the interest for investments in the sector;
- » The occupational skills and competence of small-scale private farmers are inadequate: their complex business administration skills (business administration, operation, finances, and marketing) as well as EU-related knowledge (standards, support conditions) are particularly deficient; besides, the system of such services (including extension services) is also underdeveloped.
- » Small and medium-sized enterprises are lack of capital and additional operational assets, which hinders the implementation of developments and operations in compliance with EU requirements in the fields of environmental protection, hygiene, product quality, food safety and animal welfare.
- » The underdeveloped manure and wastewater management in animal husbandry, as well as absence of integrated crop management systems in plant production is continuously endangering the quality of surface and subsurface water.

The status survey of agriculture and rural areas revealed a number of advantageous features:

- » Advantageous geographical location (near the European markets, crossroads of transport routes and main European transport corridors);
- » Domestic consumers are loyal towards the domestic agri-food production and express loyalty and significant preferences towards domestic brands;
- » Natural preconditions for growing traditional crops and corresponding regional distinction of agriculture production regions providing base for specialisation and quality increase;
- » Low cost labour acquired with traditional skills for agriculture production;
- » Growing trend of establishment of micro and small enterprises for agri-food processing and production in the rural areas, relying on most of the raw materials from the local producers and developing specialised products thereof;

- » Increasing awareness for the benefits and development potential out of horizontal integration among producers for procurement and sales either in production or food processing and marketing.
- » Rich biodiversity of natural habitats and flora and fauna; Abundance of high quality natural environment (lakes, mountains, protected areas), attractions (landscapes, traditional villages, hunting, fishing, SPA resorts, etc) and of rich historical/cultural heritage;
- » Growing demand of rural tourism promoting diverse culture and tradition of rural settlements and preserved old-life style throughout the rural areas;

With the help of the IPARD capital-grant scheme, these features can be utilised to a greater extent during the implementation period. Weaknesses and unfavourable conditions can be mitigated through accompanying compensations increasing the ratio of environmental conscious food processing operations and further possibilities of modernised on-farm production and additional investments.

All these factors may improve the conditions of competitive, EU-compatible and environment-friendly production and the chances of increasing the ratio of marketable special products of the country that comply with the EU standards and higher quality requirements and represent higher added value. The chances of market possibilities of safe and environmentally sound agricultural products and the growing demand from the whole society for healthy and sound amenity values, the rural areas can be improved without the expansion of the volume of production.

Opportunities will be provided to diversify agriculture activities through exploring the natural potential of the country, the tradition and cultural heritage, while the majority of agricultural jobs may be maintained. The rich bio-diversity in rural environment can be preserved, while conditions of living and subsistence in rural areas can be improved.

In drawing up both the detailed SWOT analysis (Part I-Chapter 1.7.) and the above summary table, an attempt has been made to ensure that the findings contained in previous chapters have been taken into account. This has helped to ensure that consistency is achieved in the subsequent identification of the priorities of the programme. The SWOT analysis constitutes the basis for taking decision on the appropriate strategy and priorities, which is taken into account the IPARD Programme.

### **3.1.5. General Objectives and Priorities of the IPARD Programme**

The general objectives of the IPARD Programme derive from the principles of IPA in the candidate countries in the pre-accession period laid down in Council Regulation (EC) 1085/2006, article 12 that specifies the rules concerns to rural development component:

*“1. The Rural Development Component shall support countries listed in Annex I in policy development as well as preparation for the implementation and management of the Community's common agricultural policy. It shall in particular*

*contribute to the sustainable adaptation of the agricultural sector and rural areas and to the candidate countries' preparation for the implementation of the Acquis communautaire concerning the Common Agricultural Policy and related policies.*

*2. In particular It may contribute towards the financing of the type of actions provided for under Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD<sup>113</sup>)."*

Although the basic source for setting down the priorities of EU assistance is the enlargement package, coherence of the MIPD with the above-mentioned national and sectoral priorities has been ensured through consultations with the national authorities. The priorities set out in the MIPD's component V will serve as a basis for the annual programming of EU pre-accession funds for rural development in years 2007, 2008 and 2009. The component has the specific triple long-term objectives of preparing the agro-food sector to meet the requirements of the EU Acquis (concerning the Common Agricultural Policy and related policy areas such as food safety, veterinary and phytosanitary matters), helping the beneficiary country to get ready for effective implementation of programmes under the European Agricultural Fund for Rural Development (EAFRD) upon accession and contributing to the sustainable development of rural areas. In particular, the envisaged activities aim at progressively restructuring and upgrading the agricultural production and processing sector to Community standards and to improving employment and income opportunities in rural areas.

Building on past and ongoing financial assistance and drawing on the European Partnership's recommendations, the MIPD identifies priorities are to be implemented from the very beginning of programme implementation for making the overall strategy operational. Taking also into account the results of the analysis of development disparities, strengths and weaknesses, corresponding national policy action and the shortcuts in the implementation of the above-described National Strategy for Agricultural and Rural Development, the identified development priority areas of the IPARD Programme are as follows:

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

Under priority axis 1 the potential key issues to be addressed are investments in agricultural production to restructure and upgrade the sector to Community standards and to increase competitiveness. The ultimate goal of the pre-accession assistance under component V to prepare the agricultural sector for the EU accession and therefore the upgrading of the farms and the food establishments to meet the EU environmental, hygiene, food safety and animal welfare standards is of high importance.

– **Priority Axis 3: Development of rural economy**

Under priority axis 3 the potential key issues to be addressed in country are investments to develop and to diversify economic activities in rural areas, which

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<sup>113</sup>

OJ L 277, 21.10.2005, p. 1.

will help rural population to build up economic activities (on- and off-farm) creating additional income sources and employment opportunities in rural areas.

The two priorities focus on the economic development of specific sub sectors on the whole territory of the country or in the rural areas targeted for the purpose of implementation of the Programme. Specific details are defined in the framework of the Programme.

The implementation of the Priority Axis 2: 'to launch preparatory actions for implementation of agri-environmental measures and the 'LEADER-approach' in order to contribute to the sustainable development and to the development of public-private partnerships in rural areas', considering the complexity involved in preparation of such measures and the required mechanisms for implementation, shall be considered in the forthcoming financial period 2010-2013.

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

***"Improve the competitiveness of agricultural holdings and food industry bringing them into compliance with Community standards, while ensuring sustainable environmental and socio-economic development of rural areas through increased economic activities and employment opportunities."***

### **3.1.6. Specific Objectives of the IPARD Programme**

Having a limited volume of funds within the financial period 2007-2009, the specific objectives of the IPARD Programme will partly cover the difficulties illustrated in the SWOT analysis of the agricultural sector and the rural areas focusing to those measures which have a high expectable impact on the rural economy and living conditions and which meet an urgent need for intervention.

In support to the structural adjustment of the country's agricultural sector, the emphasis will be placed in particular on increased production competitiveness and higher quality of products. **The IPARD measures focus at improving the competitiveness of economically viable agricultural holdings and food industry in selected sub-sectors through investment policies to improve technological and market infrastructure aimed at increased added value of agricultural products and achieved compliance with EU quality, health, food safety, animal welfare and environmental standards.**

To achieve the priorities of pre-accession assistance, the priorities in the agro-food sector and considering the situation in the agricultural sector as detailed in this document the **measures to be implemented under the priority Axis 1** shall be as follows: "Investments in agricultural holdings to restructure and to upgrade to Community standards" and "Investments in processing and marketing agriculture products to restructure and to upgrade to Community standards".

Equally, the IPARD assistance should contribute to **improved quality of life of the rural population, increased income and creation of new employment opportunities** through the development and diversification of on-farm and/or off-

farm activities to counterbalance disparities between regions and compared to urban areas.

In general, a lack of diversity in economic infrastructure is a common characteristic of the country's rural areas being one of main factors of lagging behind in economic development. Besides the diversification of on-farm activities, in particular those that will contribute to the added value of basic farm production providing for supplementary or alternative income on farm households, there is also a need for the development of alternative off-farm economic activities. Considering the high unemployment level in the country it is suggested that the measure **"Diversification and development of rural economic activities" will be implemented in order to achieve the goals of the priority axis 3.** Due to limited availability of corresponding funds, this measure will be subject to geographical targeting.

Above defined specific objective per priority area that will be made operational through corresponding measures will be implemented as the main instruments of the IPARD Programme 2007-2013. All are presented in the following table.

**Table III - 1 Specific objectives per selected priorities**

Priority (Axis)	Specific Objective	Corresponding Measures
Axis 1 Improving market efficiency and implementation of Community standards	Improving the technological and market infrastructure of commercial agricultural holdings and food processing industry aimed at increased added value of agro-food products and achieved compliance with EU quality, health, food safety and environmental standards	<ul style="list-style-type: none"> <li>• Investments in agricultural holdings to restructure and to upgrade to Community standards</li> <li>• Investments in processing and marketing agriculture products to restructure and to upgrade to Community standards</li> </ul>
Axis 3 Development of rural economy	Improved quality of life of the rural population, increased income and creation of new employment opportunities	<ul style="list-style-type: none"> <li>• Diversification and development of rural economic activities</li> </ul>
Technical assistance		

The specific conditions of the IPARD 2007-2009 Plan are set out in the technical fiches for each measure in the Part III, Chapter 3, of this document.

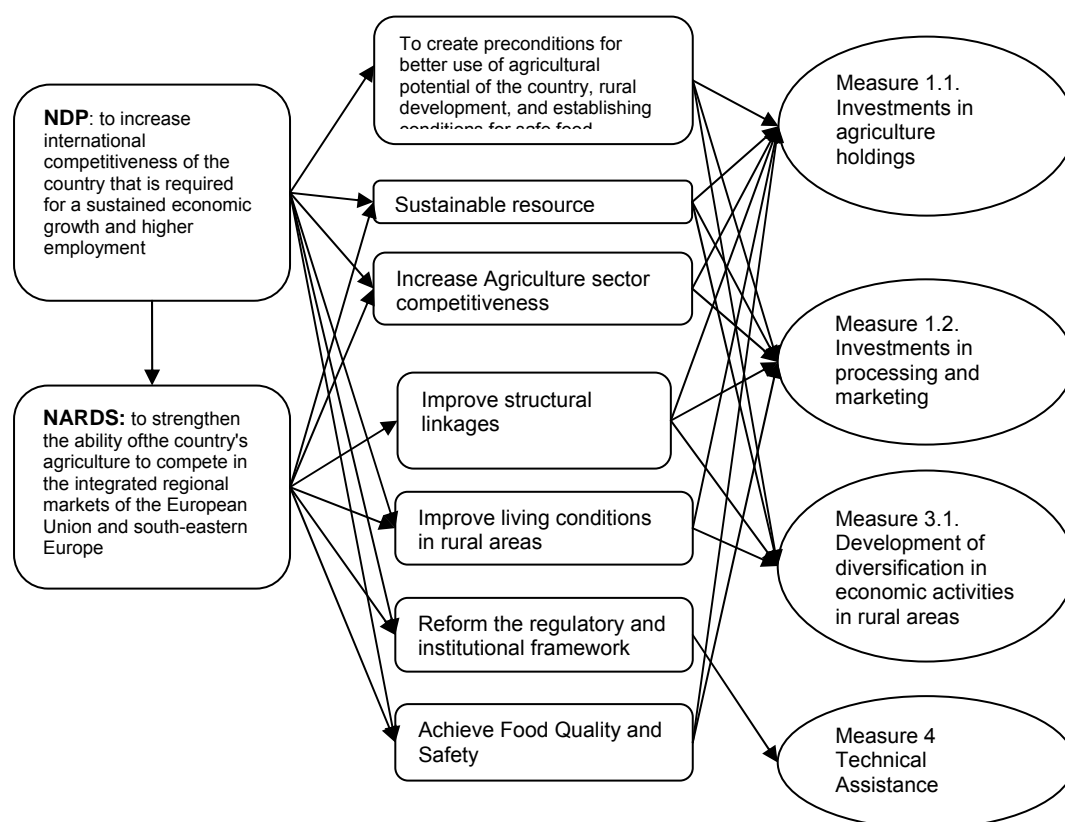
In the national agricultural support policy framework, the concepts of Additionality and Complementarity to IPARD measures will be applied. While the direct payment scheme targets small-scale holdings in order to increase their productivity and efficiency levels thus supporting the process of transfer from self-sustainable farms into economically viable farms, the IPARD programme

increases the possibility of access to financial means to invest in the costly modernisation of economically viable agricultural holdings and processing industry in order to comply with EU minimum standards.

In the area of support to sustainable rural development, the country has already acquired substantial experience with the implementation of pilot national rural development programmes in 2006 and 2007. The methodological approach that will apply in selection of future national rural development measures will be avoiding of inclusion of as same as IPARD programme measures but piloting ones which shall be launched at a later stage. In addition, given the need to improve the rural infrastructures in the country, it should be considered whether the infrastructures could be supported under the national schemes or support programmes of IFIs before carry out them through IPARD programming period 2009-2013.

Besides, national support will also focus on supporting research and development activities, improvement of the marketing mix, preparation and certification of introduction of food quality and safety standards and development of human resources.

For better understanding of the links between the overall objectives of the government programmes and specific roles of the IPARD measures envisaged for the planning period 2007-2009, the objective tree chart is presented below.

**Figure III - 3 Hierarchy of Agriculture and Rural Development Objective****General Objectives****Specific Objectives****Measures****3.2. DESCRIPTION OF THE ELIGIBLE MEASURES****3.2.1. Investments in agricultural holdings to restructure and to upgrade to Community standards**

Applying article 174 (2)(a) from the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 the measure has as a general objective the support tangible or intangible investments in agricultural holdings to upgrade them to Community standards and to improve their overall performance.

Support to this type of investments gains special importance in relation to mid-term and long-term development of competitive agricultural holding as outlined the in the National Agriculture and Rural Development Strategy (henceforth the NARDS). This specific measure will be implemented in the orchard and vineyards farming, early and open-field vegetable production, dairy breeding (dairy cattle, sheep and goats) and pig and poultry fattening.

The rationale for applying the measure is due to the gradual and inefficient structural adjustments of the agriculture sector in the period of transition followed by closing the traditional markets of the country's agriculture products, insufficient market regulation and low level of state support, which contributed to most of the fixed assets available in the country's agricultural sector being depreciated over the last 15 years. In addition, considerable changes have taken place in the structure of agriculture – numerous relatively small agricultural holdings with low competition and diversified and inefficient on-farm production have been established. Labour intensive agriculture, which is one of the highest in the region, worsens the situation.

The country's accession to the European Union confronts the agricultural holdings to more demanding economic, social, and ecological environment. The small-sized holdings and inefficient agriculture will face the competition on the common market and compliance to the *Acquis communautaire* in the area of animal welfare, veterinary, sanitary and phyto-sanitary requirements and environmental standards as requirement. To adjust the farmers to these conditions a strong effort of the policies towards the increase of the competitiveness is necessary in a transition period bearing in mind the slow pace of structural adjustments of the agriculture sector. The competitiveness of agriculture must be achieved by restructuring and modernisation of agricultural holdings. The modernisation in the sense of technological updating, larger market orientation, and the observation of the requirements of the *Acquis communautaire* in the area of the protection of animals, food safety and environmental issues followed by strengthening of the standards in the process of approximation of the national legislation.

Yet, the rapid harmonisation of legislation with EU imposes strict requirements that could not be reached without significant farm improvements in terms of technological modernisation and restructuring, with special attention being given to veterinary, phytosanitary, animal welfare, hygiene and environmental requirements.

The Investment in agriculture holdings is a capital grant scheme, which will contribute to the improvement of the ineffective and non-competitive structure of agricultural holdings. The measure shall be implemented with priority for activating the agricultural potential at the same time with the valorisation of local resource in view of making efficient the practised exploitation to insure the agricultural income.

This measure will be put in practice taking into account operational objective to promotion of investments in animal and plant sectors at farm level, in order to restructure the perennials (vineyards and orchards), improve the farm buildings and to clothe it with new machinery and equipment.

For perennial crops (vineyards and orchards), it is expected to improve the age structure and the variety structure to high quality, which is one of the aims of this measure. In addition, the improvement of vegetable production, in particular early vegetable production, through the means of greenhouses reconstruction and



modernisation is foreseen. Irrigation improvements, envisaged under this measure, will result in a reduction in production costs per unit in the priority sectors, due to stable yields, as well as efficient use of water, which is not the case with the current deteriorated on-farm irrigation systems (mainly furrow irrigation through open channels). Agricultural holdings from the plant production sector face an insufficient endowment of agriculture machinery in particular specialised machinery and equipment for cultivation and crop protection, with a high degree of physical and economic depreciation, so the measure will address this problem adequately.

The support to livestock breeding for milk and meat production aims at improving of animal welfare for breeding and hygienic conditions that will result in the improvement of products' quality mainly in milk production. The support targets the dairy farms, which provide around 40% of the milk output on a national level and will not result in an increased milk output at national level at the end of the program. The improvement of the quality of the milk produced by the small-sized dairy farms will be addressed through supporting and prioritising group projects or projects submitted by agriculture cooperative as well as through investments in setting up and modernisation of regional milk collection centres envisaged in measure 2, since the small-sized dairy farms take significant share in the total milk output in the country. The micro farms, owning 1 to 3 cows, are considered as semi-subsistence farming and it is expected that their number will gradually shrink and eventually disappear due to their ineffectiveness and poor quality of milk not complying with the national requirements.

The main beneficiaries targeted with this respect are economically viable farmers (natural persons) or private agricultural enterprises responsible for carrying-out and financing the investments in the agriculture holding in a legal form of individual agriculture producers, agriculture co-operatives, trade companies established by association of agriculture producers and agriculture commercial companies; and within a range of specific requirements for the eligible size (ha or number of animals) of the holding per each of the concerned priority sector and in compliance with specific criteria to be respected with the proposed investments/projects in a form of business plan. The minimal conditions of viability for each sector of production are fixed in the measure, as regards the minimal and maximal agriculture area or the minimal and maximal number of animals bred, as regards the minimal technical conditions of breeding and feeding, and using of manure, as regards the minimal conditions in order to respect the national legislation of environment. The concerned investments must be compliant with the Community standards applicable for the concerned intervention area (priority sector) or bring the agriculture holding as a whole in accordance with the Community standards.

In addition, bearing in mind the small size structure of the farms in the country and the problems appear with on-farm fragmentation this measure attempts to improve this structural weakness by putting the emphasis on projects submitted by group individual producers who do not achieve the prescribed criteria individually taking any legal form according to the Law on Trade Company (OG

28/04, 84/05, 25/07) or Law on Cooperatives (OG 54/02 and 84/05), as well as encouraging the operation of agriculture cooperatives or trade companies established by association of agriculture producers as a suitable organization form for achieving efficiency of agriculture production and a mean for implementation of higher quality standards for the primary products.

Bearing in mind that Agriculture Census has not been performed since 1969, there is an evident problem to appropriately set the specific requirements for the eligible beneficiaries to be supported by this measure. The existing Law on Agriculture activity (OG 11/02) defines the individual agriculture producer as a natural person who is performing agriculture activity on agriculture land of which he/she either has the right on ownership or has obtained the right of possession or use from the actual owner on legal basis (concession, rent, usufruct or other form). However, this Law does not provide suitable definition for individual farmer and agriculture family holding, neither provides a distinction between semi-subsistence or economically viable farming on small-scale or large-scale.

The same problem applies for defining currently existing viable individual farmer, agricultural family holding and agriculture co-operative/commercial Company dealing in agriculture subject to absence of an integrated Farm Registry. The definitions attempt outlined in this Programme may be subject to amendments before 'conferral of management' as a result of the initial reports the Agriculture Census, which will be available in December 2007 and the subsequent establishment of integrated Farm Register due by the end of first half of 2008.

The measure covers the whole territory of the country.

### **3.2.2. Investments in processing and marketing of agricultural products to restructure and to upgrade to Community standards**

Applying article 171 (2)(c) from the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 the measure has, as a general objective, the support to tangible or intangible investments in processing and marketing of agricultural products, covered by Annex I to the Treaty. Such assistance shall be primarily aimed at assisting enterprises in upgrading to Community standards and to improve their overall performance. This specific measure will be implemented in the dairy sector, slaughtering and fruit and vegetable processing sectors, including wine production.

The measure has as a general objective the support for investments, destined to the improvement and rationalisation of processing and marketing of agricultural production in order to accomplish progressively the accordance with the Community standards, contributing thus to the increasing of competitiveness and added value for these products, being in the same time a sector with a big potential in creating new jobs.

The agro-food processing sector is of great importance to the country's economy. This is due to the volume of production, its share in the employment as well as the dependence of the agricultural sector on the food processing industry. There is a strict correlation between agro-food processing and the pace of farm

modernisation. The processing plants have a “pulling effect” on their suppliers (agriculture holdings) for quality improvement of raw materials. Therefore, they considerably stimulate modernisation of farms.

The processing plants are increasingly interested in large uniform deliveries of raw materials, which meet the required quality standards. This condition may be fulfilled only in the case of deliveries provided by large specialised farms or smaller farms associated in agriculture cooperatives or producer groups. The establishment of competitive and viable processing and marketing structures is one of the key priorities of the structural adjustment of the sector. The improvement of marketing structures is a decisive precondition for the successful development of the country's agriculture.

Consequently, the operational objectives are focused towards improving the conditions for agricultural products processing and marketing in order to enhance their competitiveness on both domestic and foreign markets. To achieve competitiveness and processing efficiency, the EU requirements must be met. The food industry has to be rendered more effective and flexible to meet the changing market requirements and consumers' demands, this can be done by increasing the production of value added products and thus providing primary agricultural producers with benefits. At the same time, implementation of necessary environmental standards linked to the processing plants operations are targeted under this measure.

The need for this measure relates was outlined in the National Agriculture and Rural Development Strategy. The purpose of the measure is to provide a sound basis for financing projects co-financed by the European Union. This specific measure will be implemented in the dairy, slaughtering and fruit and vegetable processing sectors, as well as wine production.

The investments attempt to address the encountered weaknesses in the concerned priority sectors:

The **wine sector** in the country comprises 50 registered wineries (five of which registered in 2007), located in the main wine producing areas (wine regions). During the last few years, the number of new private wineries (mainly small and medium-sized plants) has considerably grown, even though the overall vineyard surface shows a continuous decrease. The installed capacity of the country's wine cellars amounts to 1,615 million hl in 2007 and therefore their processing capacity is almost twice the annual wine production. Among the 45 registered wineries, 39 have between 50 to 50,000 hl capacity, 3 have between 50,000 and 150,000 hl capacity and 3 wineries have between 150,000 and 500,000 hl capacity. Currently, additional 5 wineries are in the process of registering in the MAFWE Register of wineries according to the Law on Wine OG 69/04.

In 2003, total capacity was over 2 million hl with only 28 registered companies (compared with 45 in 2007) demonstrating that the evolution of the country's wine industry is moving toward a larger number of smaller entities. However, some of the small wineries have an urgent need for own internal laboratories, well equipped for quality and food safety purpose analyses.

In order to better compete in national and international markets, in addition to adapting to EU standards, the country's wineries should adopt ISO standards and HACCP requirements, the latter, according to the new law on Food Safety, being an obligation for all wineries by 2009. At the moment, only 11 wineries have implemented HACCP standards and three are in the process of implementation. Adoption of these new standards, through the cost of implementation, has a financial impact that could be difficult to bear for the small and medium size companies.

The country's wine sector is placed at the low-value end of the wine market. Wine export is predominantly (92%) done in bulk. Some of the country's wineries have been able to maintain long-term bulk-wine relationships with export markets (notably in Germany), but these low-value products generate low margins.

Due to high purchasing prices of modern equipment for filtration, fermentation, cold stabilisation and bottling, these equipments are not common in small wineries. Providing assistance in purchasing reliable and modern equipment of this kind would result in an increase of quality of the country's wine and a reduction of wine bulk exports in favour of bottled wines for both domestic and export markets. Encouraging wineries into developing production of wine in bottle (versus bulk wine), necessitates the provision of assistance in purchasing filtration, bottling and cold stabilisation equipment, which are a priority to increase quality of the country's wine.

In the wine sector, there are many enterprises meeting the EU requirements. Therefore, investments are to be made mostly in product development and waste and wastewater treatment. This specific measure is meant to restructure food-processing industry in the sectors mentioned above, simultaneously avoiding increase of capacities available. Assistance will be targeted to micro, small and medium-sized enterprises.

The **fruit and vegetable processing sector** consists of around 50 processing establishments. In general, around 90% of the overall activity is vegetable processing, while roughly around 10% is fruit processing. In relation to the type of processing, the largest portion of the processors are involved in canning (preservation), a small number of them have drying and freezing capacities, while the rest of them have combined production lines.

The industry over the period 2003 – 2006 shows a continuous increase in production, mainly due to the increased demand for the country's processed goods by foreign buyers, and domestic market growth resulting from strong penetration of the retail chains and changes in the lifestyle of the population (buying processed products rather than preparing them at home). In 2004, the industry output was 4.7 thousand tons higher than in 2003 or + 22.4%, while in 2005 the production was 2.5 thousand tons higher than in 2004 or + 9.7%. According to the estimates from the survey the production output in 2006 will reach a record high, outrunning the volume from 2005 by 15.4 thousand tons or + 54.6%.

The vast majority of the F&V processing companies are classified as small-sized companies (88% in 2005 and 90% in 2006). Only 5 companies in 2005 and 4 in 2006 have more than 50 employees, out of which only 3 have more than 100 employees. There are no large-scale enterprises in the F&V processing industry.

The general characteristic of the F&V processing industry is a low level of utilization of installed production capacity. The average utilization in 2005 amounted to approximately 27% and approximately 36% in 2006 showing high dependence of the raw material supply which is highly seasonal. Consequently, the lack of planning of both-production of raw materials and processing is putting the emphasis of weak horizontal and vertical integration within the fruit and vegetable market chain. Investments in collection points and in the corresponding equipment for quality assurance, traceability and storage are needed to address the major weakness in this sector.

Since the overall installed capacity for processing of F&V is around 122,000 t of final output and being underutilised, investments aiming at increase of the capacities will not be supported. Also as a result of the conditions in which many fruit and vegetable processors meet the EU requirements, investments are to be made mostly in product development and quality control and traceability systems as well as the waste and wastewater treatment.

**The dairy processing plants** are considered as small or medium size processing plants with average of 50% usage of the installed processing capacities. Only one dairy processing company is registered for export to EU. The annual production at processing plants for 2003 is: UHT and fluid milk (60.000 t), yogurt and sour cream (15.500 t), cheese (3.400 t), butter and other products (1.000 t). The annual production at individual farmers for 2003 is: milk (56.300 t), cheese (10.700 t), butter and other products (1.600 t). Domestic production is covering 76% from the market needs and 24% are from import. The main problems constraining the development of dairy sector are the optimisation of the capacities, the update of the processing facilities; and the necessity to develop new technologies and new products. Investments aimed at modernisation and increasing of the milk powder and butter production capacities will not be supported.

**Table III - 2 Structure of the dairy enterprises**

Type of establishment	Number of licensed establishments	Export establishment	EU export license
Establishment for milk processing and dairy products	70	6	1

Source: MAFWE, Veterinary Directorate

Dairy industry is in range from sophisticated modern facilities to small artisanal operations producing traditional dairy products for the local community. The size of this processing units is quit variable from number of medium sized enterprises to majority of small and micro scale units with very limited resources for effective

technological input. Therefore it is necessary to provide incentives for effective expansion of these small units in terms of absorption of modern production technology.

Regarding to the implementation of HACCP systems for hygienic and quality management, many of the dairy companies are situated with the problem of information and documentation flow and quality assurance. For implementation of the HACCP many technical measures and hygienic preconditions must be achieved. According to the Law of Food Safety and Products and Materials in Contact with Food (OG 54/2002, and amendments OG 84/2007) and secondary legislation Book of rules for sanitary and hygiene requirements for food production (OG 32/2006) all dairy establishments should implement Good Manufacturing Practice (GMP) standards and HACCP system until end of 2008. It should highlight the need for considerable and urgent improvements in the dairy industry, in terms of facilities, infrastructure and procedures.

However, improving milk hygiene conditions throughout the food chain is more than necessary. Investments in construction and reconstruction of collection centre and the complementary equipment for raw milk to improve the raw milk quality and hygiene is very much linked to the quality of the dairy products in particular to their shelf-life.

**In meat sector** currently 143 establishments operate for production and storing of products of animal origin, for which the Veterinary Directorate has issued veterinary-sanitary license. Out of these 130 are active in meat and milk sector. The Veterinary Directorate keeps a register of establishments for production of products of animal origin as well as of export establishments in the country. Export establishments, which produce products of animal origin, shall possess export control number, whereas the establishments, which place their products on the domestic market, do not possess permission number.

**Table III - 3 Structure of the meat enterprises**

Type of establishment	Number of licensed establishments	Export establishment	EU export license
Slaughter houses for red meat	21	7	7 lamb slaughter lines
Poultry slaughter houses	2	1	
Game meat	-	-	
Establishments for meat processing and meat products	37	11	
<b>Total</b>	<b>60</b>	<b>19</b>	<b>7</b>

Source: MAFWE, Veterinary Directorate

The establishments for animal slaughter, processing and storage of products of animal origin, according the Veterinary Directorate Register for meat establishments, are divided into the following categories:

- Establishments for animal slaughter;
- Establishments for meat cutting;
- Establishments for processing and cutting of game meat;
- Establishments for meat processing and preparation of products of animal origin;
- Establishments for cooling, freezing and storage of products of animal origin.

With regard to construction, technical equipment, capacity, methods of operation and organization of veterinary inspection, they are classified as follows:

- Establishments with larger production capacity - industrial establishments;
- Establishments with smaller production capacity - crafting establishments;
- Establishments (rooms) in households for milk processing and preparation of dairy products, processing of honey and collection, sorting and packaging of eggs.

The above establishments have to fulfil the general conditions that are common for all establishments, and are related to location, yards, roads, water supply and drainage of waste water, materials used in facility construction, equipment, ventilation, lights, premises for equipment sanitation, premises for general needs of personnel and veterinary inspection, and hygiene of the employees. The special conditions depend on the type and scale of production.

The Veterinary Directorate is in charge of performing control of activities and application of the laws concerning foodstuff of animal origin. The obligation to register the establishments for animal slaughtering, treatment, processing, production, collection, storing, refrigerating, freezing and trade of products and raw material of animal origin is laid down in the Law on Veterinary Health (OG No 28/98) Chapter 3 – veterinary-sanitary prevention in trade and production. In accordance with the above Law, poultry and fish stocking for reproduction, production of eggs for reproduction, animal slaughtering, collection and production of products and raw materials of animal origin and intended for export is allowed only in establishments for export, for which the Minister of Agriculture, Forestry and Water Economy, based on a proposal from an expert committee appointed thereby, confirms the compliance with the requirements required under this Law, or the requirements issued by certain countries. The VD maintains a register of establishments for production of products of animal origin, as well as a register of the export establishments in the country.

Currently, there are seven slaughterhouses meeting the EU standards for the slaughtering lines for lamb and are registered for export to the EU. As there is over-capacity in slaughtering and the sector has low productivity, investments aimed at increasing slaughtering efficiency will be supported in particular the slaughtering lines of pig, cattle and poultry. Lack of slaughtering capacity only

noticed in the poultry sector will overcome through new investments in slaughtering houses for poultry to sustain the expected growth of this potential sector. The meat processing industry although characterised by a big number of enterprises with low capacities already have modern technologies. An evident problem that almost all of the meat processing plants face is non-compliance with the environmental standards for waste and wastewater treatment according to the EU requirements. Such investments are envisaged within this measure.

There is neither an animal waste collection system at national level or on communal level nor rendering capacity exists in the country. The support to rendering capacities is envisaged within this financial period (2007-2009) being subject to Feasibility study preparation under the Technical Assistance Measure. The results of the study will provoke inclusion of investment in this sector under IPARD as well as the type of support and the eligible criteria and beneficiary definitions.

The gradual adoption of the EU related standards will lead to sectoral restructuring and gradual transfer of capacity from plants unable to adjust to increasing sanitary and veterinary requirements in the pre-accession period, to upgraded recognised plants. However, an increase in capacity at the sectoral level is not anticipated but special attention is to be given to attaining compliance with the EU requirements, achieved by developing new technologies and solid and liquid waste handling issues.

The main beneficiaries targeted with this respect are small and medium enterprises in the area of fruit and vegetable processing and marketing, dairy industry, slaughtering line for pig, cattle and poultry, and wine production. In particular case of investments in collection centres (for raw milk or for fruit and vegetable), aid can be granted to agriculture cooperatives in order to improve the concentration of the supply as well as to improve the quality of raw materials at the same time supporting the organisational structure of the production and market chain (horizontal and vertical level). To better target the investments to achieve efficiency, the definition of eligible beneficiaries is supported with the level of required installed capacities (or in case of new investment-the capacity to be achieved by the investment) per each of the concerned priority sector and in compliance with specific criteria to be respected with the proposed investments/projects in a form of business plan. The minimal conditions of viability for each sector of production are fixed in the measure, as regards the minimal and maximal installed capacities for processing or the minimal and maximal number of animals slaughtered, as regards to the existing capacities within the concerned priority sectors. The structure of the sectors is obtained from the Veterinary Directorate Register of milk and meat establishments, MAFWE Register for wine enterprises and Chamber of Commerce register of fruit and vegetable processing enterprises. The concerned investments must be compliant with the Community standards applicable for the concerned intervention area (investment) or bring the enterprise as a whole in accordance with the Community standards in particular with the environmental standards.

The measure covers the whole territory of the country.



### **3.2.3. Diversification and development of rural economic activities**

Applying article 171 (4)(b) from the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 the measure has, as a general objective, the support to tangible or intangible investments in development of the rural economic activities. Such assistance shall be primarily aimed at for the creation and development of micro and small enterprises, crafts and rural tourism, with a view to promoting entrepreneurship and developing the economic fabric.

Rural communities are living and working environments that provide livelihoods and which can make a significant contribution to the economy of the country, as a whole. However, many are disadvantaged simply because of their remoteness from the main population centres. Their viability is being threatened by the demise of essential local services, healthcare provision and recreational amenities. Where agriculture activity is dominant in the local economy, average wage levels can be relatively low and employment may be seasonal. Out-migration of younger people is leaving behind an imbalance in the population structure.

The problems facing rural communities in the country are recognised in the NARDS and are incorporated as a priority to reinforce the need to build a strong, sustainable and modern rural economy across all parts of the country.

The measure aims to capitalise on some of the country's strengths in the rural areas; namely the existence of high value natural and man-made landscapes and the resourcefulness of its rural communities. They can provide a springboard for economic regeneration and a solid foundation for maximising the potential of the areas' cultural and social way of life, and for the better integration of rural areas in the national economy. The measure aims to harness, enhance and nurture the wealth of community skills, knowledge and ideas available in every rural community through the development of projects and strategies that address local needs. These will focus on creating a sustainable future for rural communities by encouraging diversification of the economic base, reducing the impact of peripherality on the local economy, improving access to basic services, developing higher value tourist activities while encouraging a positive approach to the environment.

For the purpose of implementation of the measure concerning the development of the rural economic activities two types of support schemes are envisaged:

- 1) Support to micro enterprises in the rural areas which covers on-farm diversification of agriculture activities through investments in processing units for traditional niche products and support to craftsmanship;
- 2) Support to rural tourism activities which encompasses group of investments for on-farm tourism on targeted territory particularly linked to the wine tourism and on-farm tourism investments in the villages, which are advantaged to be near Natural Protected Zones, Cultural/Archaeological sites and are listed as

settlements in municipalities with rural centers, hilly and mountainous, border, economically under-developed areas and specific regions listed in Annex No.19.

Micro enterprises operating in the rural areas and promoting rural entrepreneurship is found to be suitable form for utilizing the best available resources in the rural areas (see Part I-Chapter 1.3.1.). Therefore, the measure supports investment for micro enterprises for establishment, expansion or modernization of businesses processing specialty/niche food products using on-farm resources (such as honey products, fruit jam and preserved fruit, traditional vegetable products-pepper powder, “ajvar”, “pindzur”, preserved vegetables; fruit-berries processing and medical/oil herbs and spices, mushroom cultivation and processing, etc.) for local markets (construction and renovation of processing facilities and purchase of installations); and for revitalization of traditional handicrafts.

Another activity which contributes towards diversification of the rural economy whilst providing economic value to the natural and cultural heritage and job opportunities is the rural tourism. Rural tourism sector is found suitable for providing sustainable income for rural women and attractive sector for the young rural population. The main obstacle for rural tourism is the lack of investment means; therefore, the providers of the service fail to offer their customers with safe and hygienic service of required quality. The accreditation requirements set in the country are relatively high and apply more to commercial hoteliers rather than rural accommodation in traditional manner. One of the reasons is that the tourism sector lies in the responsibilities of the Ministry of Economy for which economic benefits often overcome the social features of the rural communities and their way of life compatible with the surrounding nature.

Since this measure targets various fields of rural economic activities the definition of targeted beneficiaries applies accordingly with respect to the national definitions in different legislative acts concerned. The main beneficiaries for the rural tourism purposes are existing micro-enterprises for wine production vineyard farms located in the “Wine Road” area established among the municipalities Negotino, Kavadarci, Demir Kapija and Rosoman in the Tikvesh wine region (see Part I-Chapter 1.3.4.); rural entrepreneurs who aim to restore old buildings of cultural interest in hilly-mountainous areas defined as economically under-developed regions and are located near the Natural Protected Zones and Cultural/Archaeological sites; fish pond private concessionaires and forest concessionaires for better utilisation of the economic value of the natural resources, located in the Natural Protected Areas; individual farmers who have registered micro-enterprise for food processing; agriculture producers and rural entrepreneurs skilled in agriculture machinery repair and traditional handicrafts will be supported as well as agriculture cooperatives in order to improve the concentration of the supply of mushrooms and medical and oil herbs and spices.

To better target the investments to achieve efficiency, the definition of eligible beneficiaries is supported with the level of required farm size in the case of establishment of processing and the capacity of the accommodation for rural

tourism purposes as well as the minimum quality of accommodation to be achieved with the investment. The project per priority sector must be in compliance with specific criteria to be respected with the investment.

It is worthwhile to emphasise that the chosen priority sectors target improvement of the existing potential of the country and better utilisation of the natural and human endowments in the rural areas aiming at the same time to sustain what is left from the tradition and cultural heritage and to boost further interest in what was so far neglected and should not be forgotten (with reference to Part I Chapter 1.7).

On the other side, since this measure provides totally new approach related to the in-so-far national policy approach for development of rural economic activities, the most of the support is targeted on NUTS 5 level to pilot the effectiveness of the proposed measure at the same time bearing in mind the funds limitation.

The measure covers the rural areas in the country as defined by the Government. The detailed description of the Measure 302 is in part IV Technical fiche per measures.

#### **3.2.4. Technical Assistance for IPARD Programme Implementation**

Applying article 182 of the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 this measure consists only technical assistance for activities related to the preparation, monitoring, evaluation, information and control activities which are necessary for the implementation of the Programme.

In particular the measure relates to technical assistance, studies, information and publicity campaigns, monitoring and evaluation, needed for improving the IPARD programme implementation and is consequently a key element for the overall Programme roll-out and implementation especially in conditions where institutional capacity for formulation, monitoring and implementation of policies is still needs to be significantly improved.

In particular, for the purposes of this Programme, the following activities are envisaged to be subject to technical assistance within the following financial period (2007-2009):

##### *1. Monitoring of the Programme implementation and support of the activities necessary to discharge the responsibilities of the Monitoring Committee*

The progress, efficiency and effectiveness of the programme in relation to its objectives shall be measured by means of indicators relating to the baseline situation as well as to the financial execution, outputs, results and impact of the IPARD programme. Therefore, the Sectoral Monitoring Committee will be established to satisfy itself as to the effectiveness and quality of the implementation of all expenditure under the IPARD Programme and to make

recommendations in this regard to the Managing Authority, the MAFWE Department for Rural Development and the Ministry of Finance<sup>114</sup>.

The sub-measure should support setting up of the Sectoral Monitoring Committee and its monitoring activities, specifically including: studies and surveys of the Programme implementation contracted and realised via expert assistance, interpretation and translation, contracting of companies or external experts and/or fixed-term employment of personnel for the performance of monitoring, payment of costs associated with the Sectoral Monitoring Committee operation and activities, i.e. editing, per diem and travelling, and other costs of meetings, etc. Fees for the Sectoral Monitoring Committee members and ordinary administrative expenses associated with the Programme management and civil servants normally hired are excluded.

## *2. Interim evaluation of the programme*

The activity is aimed to provide basis to take corrective actions in due time whiles performing mid-term evaluation as to check results attained, identify critical points and opportunities emerged in the interim as well as to improve the Programme management and optimise its results through perform sector studies and evaluations centred on areas of special interest, or specific implementation procedures, in order to define and activate technical or procedural intervention.

The sub-measure shall incorporate actions of contracting of experts or companies for technical studies and evaluations or procedural evaluations so as to improve the final results.

## *3. Information and publicity campaigns*

The sub-measure should basically ensure equal dissemination of information on the IPARD programme among of potential beneficiaries, the civil servants, advisory services of central/local public institutions involved in the Programme implementation and the general public as well as building awareness about IPARD implementing procedures.

The sub-measure shall incorporate actions of:

- preparation and publication of the informational materials (such as brochures, leaflets, newsletters);
- organization of general public awareness campaign (throughout officials workshops, conferences and information seminars);
- promotion of information exchange and collaboration initiatives between potential beneficiaries, journalists and central/local government (through surveys and technical assistance in the identification of areas and situations with similar interests and common workshops to analyse and disseminate individual experiences)

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<sup>114</sup>

The establishment and the role of the Sectoral Monitoring Committee is in detail elaborated in PART III Chapter 7.2

- training of trainers (advisory services-both private and public, to support the beneficiaries in the application process);

4. *Study and research activities in preparation of measures in the programme, including future measure*

As to ensure effectiveness in implementation of the measures in the programme, activities related to the preparation of measures, including those measures whose application is foreseen at a later stage, are envisaged.

The sub-measure consists of conducting studies and research activities in support of:

a) Measures to be considered in the current financial period 2007-2009 in principle including, but is not limited to:

- preparation of feasibility study for rendering plant including technical documentation, design and Bill of Quantity),
- study of the potentials for rural tourism development in selected areas, research on the integrated development of selected areas, by means of natural, historic, cultural and handicraft resources, typical agricultural products, sports and/or recreational activities to be performed,
- research on the training requirements of potential beneficiaries, in the various sectors envisaged and preparation of specific training programmes/curricula and training modules;

b) Future measures planned for the next financial/programming period of 2009-2013 such as, but not limited to:

- Feasibility Study on establishment of Common Market Organisation (CMO) for fruit and vegetable with particular emphasis on setting-up of producer groups and introduction of improvement of the market chain for fresh fruit and vegetable;
- Study on the rural tourism potential
- Study on the current situation of the Rural Infrastructure;
- Preparation of National Agriculture Training Strategy for the implementation of the operations envisaged improvement of occupational skills and competence of persons engaged in agriculture sector;
- Preparation of National Agri-environment Plan and future measures;
- Introduction of Leader approach and local action groups.

5. *Establishment and operation of a national rural network*

As stipulated in Article 183 of the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006, the beneficiary countries and organisations established in the beneficiary countries and administrations of beneficiary countries active in the field of rural development shall have access to the European Network for Rural

Development<sup>115</sup>. In order to establish and operate of a national rural network capable to coordinate activities of preparation and implementation of local rural development strategies, a technical and organizational support is foreseen. This can also cover expenditure associated with the future establishment of a national rural development network in line with the EU rules for Member States as well as the expenditure linked to participation in the European Network for Rural Development established by Article 67 of Council Regulation (CE) No 1698/2006.

#### 6. *Other support provided*

The support under this measure will also include:

- translation and interpretation at the request of the Commission;
- visits and seminars;
- ex-ante evaluation for future measures.

The beneficiary of activities under the measure for Technical Assistance is the designated Operating Structure in the role of MAFWE, Department for Rural Development (Managing Authority), established in accordance to the requirements set in Article 21 (1) (f) to perform the activities as in Article 28 of the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006.

### **3.3. FINANCIAL PLAN, AID LEVEL AND EU CONTRIBUTION**

In compliance with Article 173 of the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006, the share of public funds in individual measures varies.

For the purpose of this Programme and within the frame of the proposed measures the following aid intensities are considered:

- (a) For investments within the Priority axis 1, Investment in agriculture holdings, the share of public funds in principal shall not exceed 50% of the eligible investments providing that the beneficiary private co-funding is also 50%. The share of the EU funds in the public funds is 75% and the contribution of the country is 25%.

In particular, cases the following aid intensity applies for Measure 101 Investments in agriculture holdings:

- 55 % for investments in agricultural holdings made by
- young farmers (between 18 and 40 years of age);
- 60 % for investments in agricultural holdings in mountain areas\*;
- 65 % for investments in agricultural holdings in mountain areas made by young farmers;

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<sup>115</sup> established by Article 67 of Council Regulation (CE) No 1698/2005

In order to benefit in full the aid intensities, MAFWE is in preparation of a Government Decision adopting the List of Mountainous Areas in the country with reference to the areas as in the first subparagraph of Article 50(2) of Council Regulation (EC) No 1698/2005<sup>116</sup>.

- (b) For investments within the Priority axis 1, Investment in processing and marketing of agriculture products, the share of public funds is 50% of the eligible investments providing that the beneficiary private co-funding is also 50%. The share of the EU funds in the public funds is 75% and the contribution of the country is 25%.
- (c) For investments within the Priority axis 3, for the measure “Diversification and development of rural economic activities” the public aid is 50% of the eligible investments providing that equal rate of 50% of the approved investment is co-funded by the beneficiary. Public funds comprise the share of the EU funds of 75% and the share of the National co-funding of the country of 25%.
- (d) Implementation of the measure „Technical assistance“ is financed with 100% of the eligible expenditures out of which 80% are covered by the EU funds following 20% contribution of the National funds of the country. The ceiling of EU contribution will be raised up to 100% financing in the case where those activities are taken at the initiative of the Commission;

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<sup>116</sup>

OJ L 277, 21.10.2005, p. 1.

## 3.3.1. IPARD Financial Plan 2007- 2011

Table III - 4 Maximum EU Contribution for IPARD funds 2007-2011<sup>117</sup>, in EUR

IPA Component	2007	2008	2009	2010	2011	total
Rural Development	2.100.000	6.700.000	10.200.000	12.500.000	14,000,000	45,500,000

Table III - 5 Financial Plan per Priority axes 2007- 2011, in EUR

Priority Axis	Total public aid	EU contribution rate	EU Contribution
-1	-2	(3=4/2), %	-4
Priority Axis 1 - Improving market efficiency and implementing Community Standards	46,013,333	75%	34,510,000
Priority Axis 2 - Preparatory actions for the implementation of agri-environmental measures and Leader	1,825,000	80%	1,460,000
Priority Axis 3 - Development of the rural economy	10,346,667	75%	7,760,000
Measure 505: Technical assistance	2,212,500	80%	1,770,000
<b>TOTAL</b>	<b>60,397,500</b>		<b>45,500,000</b>

<sup>117</sup> Multi-Annual Indicative Financial Framework (MIFF) proposed by the Commission in accordance with article 5 of the IPA Regulation (EC) 1085/2006.



## 3.3.2. Indicative breakdown by measure 2007-2011

Table III - 6 Indicative financial plan of IPARD Programme per measure 2007-2011, in EUR

Priority Axis/Measure	Total public aid	Private contribution	Total expenditures
-1	-2	-3	(4=2+3)
<b>Priority Axis 1 - Improving market efficiency and implementing Community Standards(1)</b>	<b>46,013,333</b>	<b>44,080,001</b>	<b>90,093,335</b>
Measure 101: Investments in agricultural holdings	24,920,000	24,920,000	49,840,001
Measure 102: Support for producer groups	1,933,333	0	1,933,333
Measure 103: Investments in the processing and marketing of agriculture and fishery products	19,160,000	19,160,001	38,320,001
<b>Priority Axis 2 - Preparatory actions for the implementation of agri-environmental measures and Leader(2)</b>	<b>1,825,000</b>	<b>0</b>	<b>1,825,000</b>
Measure 201 Preparation for implementation of actions relating to environment and the countryside	1,100,000	0	1,100,000
Measure 202: Preparation and implementation of local rural development strategies	725,000	0	725,000
<b>Priority Axis 3 - Development of the rural economy(1)</b>	<b>10,346,667</b>	<b>8,026,667</b>	<b>18,373,334</b>
Measure 301: Improvement and development of rural infrastructure	1,733,333	0	1,733,333
Measure 302: Diversification and development of rural economic activities	8,026,667	8,026,667	16,053,334
Measure 303: Improvement of training	586,667	0	586,667
<b>Measure 505: Technical assistance(3)</b>	<b>2,212,500</b>	<b>0</b>	<b>2,212,500</b>
<b>Total</b>	<b>60,397,500</b>	<b>52,106,668</b>	<b>112,504,169</b>

(1): the Community contribution for this priority is 75% of the total public expenditure

(2): the Community contribution for this priority is 80% of the total public expenditure

(3): for Technical Assistance, the Community contribution to financing shall, as a general rule, be 80% of the total public expenditure.

## 3.3.3. Indicative allocation of EU contribution by measure 2007-2011

Table III - 7 Indicative allocation of EU Contribution by Measure 2007-2011, in EUR

	EU Contribution					
	2007	2008	2009	2010	2011	2007-2011
Priority Axes and Measures	EUR	EUR	EUR	EUR	EUR	EUR
Priority Axis 1 - Improving market efficiency and implementing Community Standards(1)	1,638,000	5,226,000	7,956,000	9,050,000	10,640,000	34,510,000
Measure 101 Investments in agricultural holdings	903,000	2,881,000	4,386,000	4,500,000	6,020,000	18,690,000
Measure 102: Support for producer groups	0	0	0	750,000	700,000	1,450,000
Measure 103: Investments in the processing and marketing of agriculture and fishery products	735,000	2,345,000	3,570,000	3,800,000	3,920,000	14,370,000
Priority Axis 2 - Preparatory actions for the implementation of agri-environmental measures and Leader(2)	0	0	0	900,000	560,000	1,460,000
Measure 201 Preparation for implementation of actions relating to environment and the countryside	0	0	0	600,000	280,000	880,000
Measure 202: Preparation and implementation of local rural development strategies	0	0	0	300,000	280,000	580,000
Priority Axis 3 - Development of the rural economy(1)	378,000	1,206,000	1,836,000	2,100,000	2,240,000	7,760,000
Measure 301: Improvement and development of rural infrastructure	0	0	0	600,000	700,000	1,300,000
Measure 302: Diversification and development of rural economic activities	378,000	1,206,000	1,836,000	1,200,000	1,400,000	6,020,000
Measure 303: Improvement of training	0	0	0	300,000	140,000	440,000
Measure 505: Technical assistance(3)	84,000	268,000	408,000	450,000	560,000	1,770,000
TOTAL	2,100,000	6,700,000	10,200,000	12,500,000	14,000,000	45,500,000

(1): the Community contribution for this priority is 75% of the total public expenditure

(2): the Community contribution for this priority is 80% of the total public expenditure

(3): for Technical Assistance, the Community contribution to financing shall, as a general rule, be 80% of the total public expenditure.

**Table III - 8 Percentage allocation of EU contribution by measure 2011-2013 (for monitoring purpose only)**

	EU Contribution			
	2007-2010	2011	2012	2013
Priority Axes and Measures	%	%	%	%
<b>Priority Axis 1 - Improving market efficiency and implementing Community Standards(1)</b>	<b>75%</b>	<b>76%</b>	<b>74%</b>	<b>69%</b>
Measure 101 Investments in agricultural holdings	40%	43%	40%	38%
Measure 102: Support for producer groups	2%	5%	8%	9%
Measure 103: Investments in the processing and marketing of agriculture and fishery products	33%	28%	26%	22%
<b>Priority Axis 2 - Preparatory actions for the implementation of agri-environmental measures and Leader(2)</b>	<b>3%</b>	<b>4%</b>	<b>5%</b>	<b>7%</b>
Measure 201 Preparation for implementation of actions relating to environment and the countryside	2%	2%	4%	5%
Measure 202: Preparation and implementation of local rural development strategies	1%	2%	2%	3%
<b>Priority Axis 3 - Development of the rural economy(1)</b>	<b>18%</b>	<b>16%</b>	<b>17%</b>	<b>20%</b>
Measure 301: Improvement and development of rural infrastructure	2%	5%	6%	9%
Measure 302: Diversification and development of rural economic activities	15%	10%	9%	9%
Measure 303: Improvement of training	1%	1%	2%	2%
<b>Measure 505: Technical assistance(3)</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The indicative financial plan for annual distribution of the IPARD Funds for each measure and group of investments per priority sectors are outlined in the Technical fiche per each measure.

### **3.4. COMPLEMENTARITY WITH OTHER COMMUNITY POLICIES**

#### **3.4.1. Rules of competition**

Competition rules in the country are laid down in the Law on Competition (OG 4/05, 70/06 and 22/07) the purpose of which is to safeguard free competition in the extraction of natural resources, manufacture of goods, provision of services, sale and purchase of products and services, and to prevent and eliminate the restriction of competition in other economic activities based on the interests of free enterprise. The Law also applies if the action or omission directed at restricting competition takes place outside the territory of the country but restricts competition in the territory of the country.

The Law applies to: Companies, joint companies, linked companies and state administration, legal entities which founders or owners of shares or stocks are the Republic of Macedonia, municipalities, municipalities in City of Skopje and city of Skopje.

The Law prohibits contracts, other transaction and agreements of concerted practice, which have as their object or effect the restriction, prevention, limitation or distortion of competition. The Law contains a definition of dominant position in market, abuse of dominant position and response of abuse of dominant position. An undertaking dominating market is an undertaking which accounts for at least 40 percent of the turnovers in the market. The Law also defines the institution for protection of the competition, which is Commission for protection of competition, independent state institution with status of legal entity.

For implementation of IPARD, the competition rules will be respected according to the Article 6 of the Sectoral Agreement.

#### **3.4.2. Award of contracts**

The Law on public procurement (OG. 19/04) is regulating the way and procedure of public procurement, way of choosing the best offer and contracting. There are several ways of conducting public procurement: open public call for bids, closed call for bids, negotiated procedure, call for project design, closed call for consulting services. The award of contract for public procurement of goods and services concerning the IPARD Technical Assistance Measure must comply with Article 23 of the Framework Agreement and Article 33 of the Sectoral Agreement on rules of procurement and the relevant provisions as covered by the Commission decision to confer management.

In case of award of contracts in the process of dissemination public funds to beneficiaries (direct aid or capital grant scheme) in relation to the implementation of the National Support Scheme, the procedure differs depending on the scheme and legal basis. Each of the Annual Programme for support is supported by implementing Decision signed by the Minister as internal Act. For the purpose of the IPARD implementation, contracts will be awarded according to the Section XY from the Multi-annual Financial Agreement.

### 3.4.3. Protection of the environment

Environmental assessment is an integral part of the business plan and an Environmental Impact Assessment will be implemented where applicable according to national legislation.

The Law on Environment (OG 53/05, 81/05, 24/07) lays down the basic principles and procedures for environmental management and pollution control referred to in other sectoral laws. The Law regulates the environmental impact assessment (hereinafter referred to as: EIA), and in the course of 2005 and 2006 the relevant bylaws<sup>118</sup> concerning this matter were adopted, thus enabling full regulation of the procedure for implementation of the EIA.

**Procedure for EIA:** The information on the intention to design a project shall be submitted by the investor, while Ministry of Environment and Physical Planning (MoEPP) identifies the need of EIA (screening) with decision for EIA. The scope of the EIA is defined by MoEPP (MoEPP may also authorize a person from the list of experts for defining of the scope of EIA). The study on the assessment of the impact of a given facility to the environment is prepared by a person from the list of experts, the Report for the appropriateness of the Study is prepared by MoEPP or by a person authorized by it from the list of experts, and its serves as a basis for a Decision, used for approval or for rejection of the request for the implementation of the project. The public participates in all the stages of the procedure for EIA (it is published on the web page of MoEPP, in a daily newspaper published throughout the country, on local radios and TV stations).

In addition to this, the Law on Environment implements the requirements under the Convention on Environmental Impact Assessment in a Trans-boundary Context - Espoo Convention (OG 44/99) that prescribes the procedures for environmental impact assessment in a trans-boundary context. The body responsible for the implementation of the overall EIA procedure is the Ministry of Environment and Physical Planning, including the segment of public participation in decision-making.

### 3.4.4. Equal opportunities

The IPARD Programme implementation will not tolerate any discrimination towards potential beneficiaries based on religion, ethnicity, sex or physical disability. Equal gender opportunities will be fully respected in the composition of the Sectoral Monitoring Committee and Technical Committees for projects assessment and elsewhere, where necessary.

The equality principle has been taken into consideration in the preparation of the IPARD Plan according to provisions deriving from the Constitution where fundamental liberties and rights cannot be discriminated on the basis of gender, race, colour of skin, language, religion, national or social background, material or social status.

According to this provision of equality, Law on equal opportunities for women and men (OG 66/06) is enacted, where the main objective is promotion of

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<sup>118</sup> OG 74/2005 and 33/2006.

equal opportunities for women and men in political, economical, social, educational and other areas of public life.

In addition, the Ministry for Labour and Social policy prepared National plan for Action for Equal opportunities of women and men for the period of 2007-2012, with directions and measures for achievement of the goals in the areas of employment, social security and health protection, education, family relation and representation of women and men in public life.

As a follow up, a Project "Implementation of the Law on equal opportunities for women and men and establishing mechanism for gender equality on local basis", funded by the Government of Kingdom of Norway has been implemented. The main activities of the Project is training and education of the public administration relating to the aforementioned Law. Ministry for labour and social policy started to realize the Project activities in December 2006 covering all involved entities in implementation of the Law. Project objectives are to provide better realization of the obligations and commitments deriving from the Law and bringing in the gender concept in the policy formulation, programmes and project on national and local level.

#### **3.4.5. Complementarity with other IPA Components**

The development of the rural economy is closely linked to the connection to the urban centres and the availability of transport infrastructure. The quality of life in rural areas also depends on the provision and quality of public services, health and education, public infrastructure as water supply networks with access to clean water and sewerage systems. This implies a strong correlation between the measures foreseen under the Component V and Component III and IV.

The complementarity between Component V and Component I is needed especially in terms of capacity building of the public institutions, especially to the Managing Authority. The CAP like measures requires robust systems for implementation of the measures-both in terms of institution building and administration capacity upgrade.

The education structure and occupational skills of agriculture producers is a basic factor to support the development of the agriculture sector. The provision of training to farmers, transfer of know-how from the research centres to the farmers is of limited quality. The extension services through the National Extension Agency are financed by public expenditure, which performs advisory service to the farmers but in limited scope of quality. This will be partly addressed by component IV and under the national scheme.

In respect of above mentioned strong coherence and coordination between the measures that will be supported under first, third, fourth and fifth IPA components will be needed.

The IPARD Agency through its administrative, control and monitoring system will ensure that actions to be financed are in line with defined criteria and are

in line with the strategy. Also, the IPARD Agency will ensure that no "double" financing through different measures available takes place.

### **3.5. IMPLEMENTATION ARRANGEMENTS**

#### **3.5.1. Designation of the Operating Structures for IPARD Programme**

In the country, the following authorities and the responsible bodies are designated for management and implementation of the IPARD Programme:

##### **3.5.1.1. National Fund (NF)**

The NF is a body located in the Ministry of Finance and has central budgetary competence and act as central treasury entity. The NF is in charge of tasks of financial management of assistance under IPA, under the responsibility of the NAO.

The NF in particular is in charge of organising the bank accounts, requesting funds from the Commission, authorising the transfer of funds from the Commission to the operating structures or to the final beneficiaries and the financial reporting to the Commission.

##### **3.5.1.2. Competent Accrediting Officer (CAO)**

The Minister of Finance is appointed as CAO by the Government Decision on appointment of CAO – No. 19-1900/2 from 07.04.2008 (OG 50/2008).

In accordance to Article 10 of the IPARD Sectoral Agreement, the CAO is responsible for issuing, monitoring and suspending or withdrawing the accreditation of the national authorising officer (NAO) both:

- as the head of the national fund bearing overall responsibility for the financial management of EU funds in the country and being responsible for the legality and regularity of the underlying transactions;
- with regard to the NAO's capacity to fulfil the responsibilities for the effective functioning of management and control systems under IPA.

The accreditation of the NAO is also covering the national fund (NF).

The CAO shall notify the Commission of the accreditation of the NAO and shall inform the Commission of any changes regarding the accreditation of the NAO. This includes the provision of all relevant supporting information required by the Commission.

Prior to accrediting the NAO, the CAO shall satisfy himself that the applicable requirements set out in Article 11 of the IPA Implementing Rules are fulfilled. This includes the verification of the compliance of the management and control system set up by the country for effective controls in at least the areas set out in the Annex to the IPA Implementing Regulation (accreditation criteria). This annex provides for the following overall requirements:

- Control environment (establishment and management of the organisation and the staff) comprising ethics and integrity policies, irregularity management and reporting, staff planning, recruitment, training and appraisal including sensitive post management, sensitive functions and conflicts of interest, establishment of legal bases for bodies and individuals, formal establishment of accountability, responsibility, delegated responsibility and any necessary related authority for all tasks and positions throughout the organisation);
- Planning and risk management comprising risk identification, assessment and management, objective setting and allocation of resources against objectives, planning of the implementation process;
- Control activities (implementation of interventions) comprising verification procedures, procedures for supervision by accountable management of tasks delegated to subordinates, including annual statements of assurance from subordinate actors, rules for each type of procurement and calls for proposals, procedures including checklists for each step of procurement and calls for proposals, rules and procedures on publicity, payment procedures, procedures for monitoring the delivery of co-financing, budgetary procedures to ensure the availability of funds, procedures for continuity of operations, accounting procedures, reconciliation procedures, reporting of exceptions, amongst others exceptions to normal procedures approved at appropriate level, unapproved exceptions and control failures whenever identified, security procedures, archiving procedures, segregation of duties and reporting of internal control weaknesses;
- Monitoring activities (supervision of interventions), comprising internal audit with handling of audit reports and recommendations, evaluations;
- Communication (ensuring all actors receive information necessary to fulfil their role) comprising the regular coordination meetings between different bodies to exchange information on all aspects of planning and implementation and the regular reporting at all appropriate levels on efficiency and effectiveness of internal control.

#### 3.5.1.3. Operating Structures

The operating structure is a body or a collection of bodies within the administration of the country. The operating structure is responsible for managing and implementing the IPARD programme or programmes concerned in accordance with the principle of sound financial management.

As in accordance with Article 6 of IPA FwA and Article 12 of the Sectoral Agreement, the beneficiary country shall designate Operating Structure to deal with the management and implementation of assistance under the IPA Regulation. The Operating Structure consists of the following separate bodies:

- the Managing Authority, within the MAFWE,
- the IPARD Agency, within the Agency for financial support of Agriculture and Rural Development (AFSARD).



#### 3.5.1.4. Managing Authority

Pursuant to the Government Decision from 18.11.2005 (OG 05/06), the Ministry of Agriculture, Forestry and Water Economy (MAFWE) is responsible for coordination of the rural development policies. For the purpose of preparation and implementing this Programme, MAFWE has established Managing Authority for IPARD (IPARD MA) in accordance with the provisions of Government Decree on determining the mutual relations of the bodies and structures of full decentralised management of the fifth component of the Instrument for Pre-Accession Assistance of the European Union (IPA)(OG 144/2008), with main responsibilities for implementing the management functions related to monitoring, evaluation and reporting of the implementation of IPARD programme, coordination of the work of the IPARD Monitoring Committee as well as publicity as part of the implementation functions.

The main functions and responsibilities of the Managing Authority are outlined in Article 13 of the Sectoral Agreement and focus on the Monitoring, Evaluation, Reporting, Coordination and Publicity of the IPARD Programme.

The Managing Authority shall carry out of the following tasks:

- a. drafting of the IPARD Programme;
- b. ensuring that operations are approved and funded in accordance with the criteria and mechanisms applicable to the IPARD Programme, and that they comply with the relevant Community and national rules;
- c. IPARD Programme monitoring and assisting the work of the IPARD Monitoring Committee as defined in Article 61, notably by providing the documents necessary for monitoring the quality of implementation of the IPARD Programme;
- d. drawing up the sectoral annual and final implementation reports as defined in Article 68 and, following consultation with the IPARD Agency, and after their examination by the IPARD Monitoring Committee, submitting to the Commission, the National IPA Co-ordinator (NIPAC) and the NAO;
- e. setting up, maintaining and updating the reporting and information system to gather financial and statistical information on progress of the IPARD Programme, (if the setting up of such a system is not undertaken by the IPARD Agency), and shall forward this data to the IPARD Monitoring Committee, in accordance with arrangements agreed between the country and the Commission, using where possible computerised systems permitting the exchange of data with the Commission

The Managing Authority shall propose adjustments of the IPARD Programme to the Commission and to the NIPAC after consultation with the IPARD Agency, and following agreement by the IPARD Monitoring Committee. The Managing Authority is responsible for ensuring that the relevant authorities

are informed of the need to make appropriate administrative changes when such changes are required following a Decision by the Commission to amend the IPARD Programme.

The Managing Authority shall each year draw up an action plan for the operations envisaged under the Technical Assistance measure, which shall be submitted to the IPARD Monitoring Committee for agreement.

The Managing Authority shall each year consult and inform the Commission, having taken advice from the IPARD Monitoring Committee, of the initiatives taken and those to be taken, with regard to informing the general public about the role played by the Community in the IPARD Programme and its results.

The Managing Authority shall ensure that IPARD Programme evaluations are conducted and conform to the common monitoring and evaluation framework and for submitting evaluations undertaken to the relevant national authorities and the Commission.

When a part of its tasks is delegated to another body, the Managing Authority shall retain full responsibility for the efficiency and correctness of management and implementation of those tasks.

#### 3.5.1.5. Agency for financial support in Agriculture and Rural Development (IPARD Agency)

The Agency for Financial Support in Agriculture and Rural Development is established as an independent body of the state administration with a status of legal entity located in Skopje<sup>119</sup>. The Agency shall perform activities within its authorities on the basis of the principles of legality, competency, professionalism, responsibility, efficiency and transparency.

Agency for Financial Support in Agriculture and Rural Development provide:

- Implementation of the agricultural policy and support to rural development;
- Utilization of the EU pre-accession funds in compliance with the criteria provided for in bilateral agreement between the country and the European Union;
- Implementation of the Common Agricultural Policy of the European Union in the country;
- Implementation of the Common Fisheries Policy of the European Union in the country;
- Implementation of the government assistance measures within the agriculture and
- Implementation of other measures determined by the Government.

For the purpose of utilization of the IPARD funds, the Agency shall receive an accreditation from the National Authorizing Officer and the European Commission. The manner and procedure on receiving accreditation from the National Authorizing Coordinator shall be closely regulated by the

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<sup>119</sup> Law for establishing Agency for Financial Support in Agriculture and Rural Development, OG 72/2007 ; 5/2009

Government, and the manner and procedure on receiving accreditation from the European Commission shall be governed by bilateral agreements between the country and the European Union.

The IPARD Agency shall carry out, inter alia the following implementing and paying tasks:

- a. arranging for tendering procedures, grant award procedures, the ensuing contracting, and making payments to, and recovery from, the final beneficiary
- b. ensuring that the NAO, the National Fund and the Managing Authority receive all information necessary for them to perform their tasks;
- c. selecting and checking operations in accordance with the criteria and mechanisms applicable to the IPARD Programmes, and complying with the relevant Community and national rules;
- d. carrying out checks to ensure that the expenditure declared has actually been incurred in accordance with applicable rules, the products or services have been delivered in accordance with the approval decision, and the payment requests by the final beneficiary are correct. These checks shall cover financial, administrative, technical and physical aspects of operations, as appropriate;
- e. making calls for applications and publicising terms and conditions for eligibility;
- f. checking of applications for approval of projects against terms and eligibility conditions, and compliance with the Agreements including, where appropriate, public procurement provisions;;
- g. laying down contractual obligations in writing between the IPARD Agency and the final beneficiaries including information on possible sanctions in the event of non-compliance with those obligations and, where necessary, the issue of approval to commence work;
- h. execution of on-the-spot checks to establish eligibility both prior to and following project approval;
- i. follow-up actions to ensure progress of projects being implemented;
- j. reporting of progress of measures being implemented against indicators;
- k. ensuring that the final beneficiary is made aware of the Community contribution to the project;

The Agency is managed by a Director, appointed and dismissed by the Government. The appointment of the Director is be made on the basis of his/her expertise and competence. The mandate of the Director is four years.

According the Law the application for financial support and appropriate documentation shall be submitted to the Agency. The form and the contents of the application and the necessary documentation, as well as the manner and the procedure for submission of the application shall be prescribed by the Director of the Agency.

### **3.5.2. Management, Monitoring and Evaluation**

#### **3.5.2.1. Monitoring and Monitoring Indicators**

The Managing Authority (MAFWE) and the Monitoring Committee for the rural development component (IPARD Monitoring Committee) are responsible to monitor the effectiveness and the quality of the implementation of the IPARD Programme. They shall report to the IPA Monitoring Committee and to the Commission on progress of the measures implementation.

The progress, efficiency and effectiveness of the IPARD Programme in relation to its objectives shall be measured by means of indicators relating to the baseline situation (see Annex 14) as well as to the financial execution, outputs, results and impact of the programme.

Monitoring will be carried out by reference to relevant physical, environmental and financial indicators. These indicators, concerning the inputs, the outputs and the results of the IPARD Programme, will relate to the specific character of the assistance concerned, its objectives and the socio-economic, structural and environmental situation.

The IPARD Programme shall specify a limited number of additional indicators specific to that Programme.

#### **3.5.2.2. IPARD Monitoring Committee**

In accordance with Article 36 of the IPA Framework Agreement, the IPARD Monitoring Committee shall be set up by within six months after the entry into force of the IPA Implementing Regulation, after consultation with the Commission and the partners.

The overall role of the IPARD Monitoring Committee is to satisfy itself as to the effectiveness and quality of the implementation of all expenditure under the IPARD Programme. It will be open to the IPARD Monitoring Committee to consider the progress and impact of co-financed expenditure and to make recommendations in this regard to the Managing Authority, the relevant Implementing Body (IPARD Agency) and the Ministry of Finance (NAO, NF).

Thus, monitoring of the Programme will be carried out by MAFWE acting as the Managing Authority, supported by the Department for Rural Development, acting as Programme Management Unit, under the supervision of the IPARD Monitoring Committee.

The IPARD Monitoring Committee will be chaired by the National IPARD Coordinator or his nominee representing him/her during absence or leave. Membership of the Committee comprises a wide representation of interested parties.

The European Commission and a range of departmental interests shall participate in an advisory capacity. Representatives of the international donor community and IFI's will be invited in a role of observers for informative purposes and for the purpose of sustaining the overall effort where appropriate with funds.

The Director of the IPARD Agency and the NAO (or their delegated representatives) are represented with voting rights in the IPARD Monitoring Committee. Other government and non-government institutions will take part of the meetings with regards of the proposed Agenda or proposal and consent of the members of the IPARD Monitoring Committee.

The Managing Authority will be responsible for the preparation of all documentation relating to monitoring, reporting etc, and organising meetings of the IPARD Monitoring Committee, proposing agendas and keeping summary records of meetings.

Under Article 59 and 192 of the IPA IR , the Sectoral Monitoring Committee shall satisfy itself as to the effectiveness and quality of the implementation of EU co-financed expenditure. This will include, as appropriate

- determining its rules of procedure and agree them with the Managing Authority;
- approving the IPARD Programme including the physical and financial indicators to be used to monitor the assistance provided to projects;
- approving the criteria for selecting the projects to be funded ;
- Reviewing progress towards achieving the specific objectives of the programme by means of indicators relating to the baseline situation as well as to the financial execution, outputs, results and impact of the programmes
- Examining the results of implementation, particularly the achievement of the targets set for the different measures;
- approving annual and final implementation reports on the Programme before they are sent to the Commission;
- Considering and approving any proposal to amend the content of the Commission decision on the contribution of the funds
- proposing to the Managing Authority adjustments to the IPARD Programme or Programme Complement in order to help attain the Programme objectives, or to improve the management of the Programme, including financial management.
- Approval of amendments arising from a proposal to the Managing Authority on its own initiative
- Deciding the re-allocation of co-funded expenditure between measures within the IPARD Programme.

The IPARD Monitoring Committee will decide the re-allocation of EU co-funded expenditure between Measures within the IPARD Programme while the IPA Monitoring Committee will make such decisions across IPA components. Where the Sectoral Monitoring Committee makes a decision to re-allocate EU Funds from one Measure to another, the corresponding matching national expenditure will, in principle, also be re-allocated. Any amendment to the contribution of the Funds and transfers among priorities

within the IPARD component will be decided by the Commission, in agreement with the Ministry of Finance.

### 3.5.2.3. Evaluation of the IPARD Programme

Evaluations shall aim to improve the quality, effectiveness and consistency of the assistance from Community funds and the strategy and implementation of the IPARD Programme.

The IPARD Programme will be subject to ex-ante and to an on-going evaluation system, which shall take the form of ex-post and, where appropriated, interim evaluations carried out by independent evaluators under the responsibility of the country.

1. Ex-ante evaluation shall form part of drawing up the IPARD Programme and aim to optimise the allocation of budgetary resources and improve programming quality. It shall identify and appraise medium and long-term needs, the goals to be achieved, the results expected, the quantified targets particularly in terms of impact in relation to the baseline situation, the Community value-added, the extent to which the priorities defined have been taken into account, the lessons learned and the quality of the procedures for implementation, monitoring, evaluation and financial management.
2. The system of On-going evaluation for the IPARD Programme will be established and organized on the initiative of the Managing Authority in cooperation with the Commission on a multi-annual basis and shall cover the entire programming period. The ongoing evaluation will serve the MA and the IPARD Monitoring Committee to examine the progress of the IPARD Programme in relation to its goals by means of result and, where appropriate, impact indicators; improve the quality of IPARD Programme and their implementation; examine proposals for substantive changes to the Programme; and prepare for interim and ex post evaluation.
3. The interim evaluation shall propose measures to improve the quality of the IPARD Programme and its implementation. It shall also assess the quality of monitoring and implementation and the experience gained in setting up the system for implementation of the IPARD Programme.
4. During the last year of validity of the commitment established in the most recent Financing Agreement, the on-going evaluation shall take the form of a separate ex-post evaluation. It shall be completed and submitted to the Commission not later than the end of that year. On the basis of the evaluation results already available as well as evaluation questions relevant to the IPARD Programme, the ex-post evaluation shall cover the utilisation of resources and the effectiveness and efficiency of the IPARD Programme, its impact and its consistency with the ex-ante evaluation. It shall cover factors contributing to the success or failure of implementation, the achievements of the IPARD Programme and results, including their sustainability. It shall draw

conclusions relevant to the IPARD Programme and to the enlargement process.

The evaluations shall assess the implementation of the IPARD Programme towards the achievement of objectives set out in Article 12 of the IPA Framework Regulation. In particular the effectiveness of the measures of the IPARD Programme shall be assessed on the basis of their overall impact on:

- a) contributing to the preparation of the country for the implementation of the Acquis communautaire concerning the Common Agricultural Policy and related policies;
- b) contributing to the sustainable adaptation of the agricultural sector and rural areas
- c) the objectives in the IPARD Programme.

The evaluations will concern examination of the degree of utilisation of resources, the effectiveness and efficiency of the programming, its socioeconomic impact and its impact on the defined priorities. They shall cover the goals of the IPARD Programme and aim to draw lessons concerning rural development policy. They shall identify the factors which contributed to the success or failure of the implementation of the IPARD Programme, including the sustainability of actions and identifications of best practices

Evaluations shall respond to a common evaluation framework defined by the Commission in consultation with the relevant authorities and shall, as a general rule, be accompanied by achievement related criteria and indicators. In addition, evaluations may be required to answer specific questions related to the objectives of the IPARD Programme.

Evaluation reports shall explain the methodologies applied, and include an assessment of the quality of the data and the findings.

The quality and implications of evaluations shall be assessed by the Managing Authority, the IPARD Monitoring Committee and the Commission.

### **3.5.3. Social inclusion/partnership**

With respect to the Article 59 Partnership outlined in the Sectoral Agreement for IPARD the assistance under the IPARD Programme shall be implemented through close consultations (hereinafter referred to as “partnership”) between the Commission and the country and with the authorities and bodies designated by the country under national rules and practices, including:

- (a) the competent regional, local authorities and other public authorities;
- (b) the economic and social partners;
- (c) any other appropriate body representing civil society, non-governmental organisations, including environmental organisations, and bodies responsible for promoting equality between men and women.

The partnership shall be involved in the preparation, implementation, monitoring and evaluation of the IPARD Programme and involve all appropriate partners at the various programming stages, due regard being had to the time limit set for each step.

The process of preparation of the IPARD programme 2007-2013 for the Republic of Macedonia was carried out under the competence of the Managing authority of IPARD programme, the Ministry of Agriculture, Forestry and Water Economy and was technically assisted by the project of Structural and Legal Reforms of the MAFWE<sup>120</sup>.

The process of drafting of the programme has been founded on setting of a scheme of wide stakeholder partnership relations among the participative levels of experts, administration, interested parties and potential beneficiaries.

On 2<sup>nd</sup> of March 2007, upon the decision No. 02-3370/1 by the MAFWE Deputy Minister as a National IPARD coordinator, the IPARD Programming structure consist of five technical working groups, organized on sub-sectoral approach, and one horizontal group was appointed. The groups were composed of representatives from Rural Development Department of MAFWE and a team of 35 experts from the country's scientific and research institutions, local experts as well as representatives of agro-food business sector. This **baseline IPARD programming setting** have constructed the first draft of the IPARD technical measures and sub-measures and specified priorities in accordance with the objectives of IPARD derived from IPARD regulation, MIPD, the government decision on selection of the priority sub-sectors and results from the sub-sector analysis. The process within the sub-sectoral technical working have been organized in a form of brainstorming sessions groups were developed solutions were tested with the availability of indicators to support and justify the sub measures proposal. Subsequently, the purified solutions have been endorsed on regular meetings of Horizontal Working Group and the issues of common character for all measures, such as allocation of funds, definition of final beneficiaries and supporting documents, general requirements and ranking criteria etc., have been adjusted and harmonized.

The **second, administrative level** included representatives/heads of all MAFWE organizational units members of *MAFWE collegium*; relevant ministries and institutions responsible in implementation of various rural development policies organized in *Inter-institutional Body for Rural Development* chaired by MAFWE; and *deputy prime ministers* in the Government for EU integration, Economic affairs and Education and agriculture. This level was supposed to assure that coordination and additionality between proposed IPARD measures prepared by the first-line structure, and other national policies for agricultural and rural development is being provided, and stronger links of mutual compliance with the existing national policies was established.

And finally, **the third level of IPARD programming structure** comprises of the major rural and agricultural economy and social partners organized in *Agro-Food Council* relevant for Axis 1 IPARD measures. The body consist of representatives of farmers (organized in three largest farmers' organizations<sup>121</sup>), food industry (assembled in two existing Chambers of

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<sup>120</sup> financed by EU and managed EAR

<sup>121</sup> Farm Federation, Union of agricultural producers and Association of tobacco producers.



Commerce), and main educational<sup>122</sup> and research institutions<sup>123</sup> in agriculture sector. Beside it, the Ministry animated *organization of a group of relevant NGOs, interest groups and professional associations* organized at national and local level and associated to Measure 302 - Diversification of economic activities in rural areas (national craft associations, rural tourism actors, ecological and local-self government representatives) taking in consideration their opinion in developing of sub-measures.

All developed versions of the IPARD programme prepared in accordance with the timetable agreed with EC (as presented in the timetable bellow), have been widely distributed to the second and third level of the partnership structure. Their comments were taken into consideration, discussed back in the technical working groups and introduced in each subsequent version of the programme.

While developing sub-measures structure, in addition to the individual contacts provided between the experts and coordinators from the technical working groups and the stakeholders' representatives from selected sub-sectors, the following public consultations took place to sustain and stimulate qualitative process of social inclusion and partnership with all interested parties in the process of programming the IPARD funds:

- **19<sup>th</sup> of April:** The initial draft of Part III - IPARD measures was presented to MAFWE collegium for introducing the concept of IPARD programme 2007-2009 to the heads of departments and directorates by presenting the priority axes, measures and the sub-measures supported under the programme by the selected sub-sectors;
- **23<sup>rd</sup> of April;** The initial draft of Part III-IPARD measures was publicly presented to the members of Agro-Food Council, and to other relevant governmental bodies, NGOs and interest groups linked to the Measure 3 to familiarize them with the character of the programme, measures and sub-measures included, as well as to understand their comments and major concerns on the initial concept proposal of the IPARD programme;
- **9<sup>th</sup> of July;** Latest version of the IPARD programme with implemented recommended changes from the consultations with EU in Brussels was presented to the members of the MAFWE collegium with purpose to give a brief overview of the most updated version and to consider all comments in favour of improving it;
- **11<sup>th</sup> of July;** Roundtable discussion with the stakeholders (Agro-food Council, Inter-institutional body for rural development and interest groups linked to Measure 302) was held in the Government to provide programming team with suggestions on the IPARD programme before sending the unofficial final version of the IPARD programme to the EC;

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Faculty of agricultural science and food-Skopje and Faculty of bio-technology-Bitola

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Institute for livestock, Institute for agriculture, Institute for tobacco and Institute for southern and Mediterranean crops.

**Time table of phases in preparation of the IPARD programme 2007-2009**

- On 16<sup>th</sup> of April, the outline of the **first draft of IPARD measures** elaborated throughout following elements: rational, description of measure, priority sectors (sub-measures), eligible expenditures, eligibility and priority criteria, final beneficiaries, required documents and indicative budget was prepared and sent to EC,
- Based on the comments and recommendations provided on the initial working draft of the technical templates of IPARD measures, **the first version of the IPARD plan has been completed** with background information on situation of agricultural and rural areas (Part I) and national governance context (Part II) and passed on to the EC on 4<sup>th</sup> of May.
- Considering the comments and recommendations provided during the mission of DG-Agri held in the period from 14<sup>th</sup> to 16<sup>th</sup> of May 2007 in Skopje, **the second draft of the IPARD programme was developed and sent to the EC on 7<sup>th</sup> of June**. The version became basis for forthcoming discussions between the country's IPARD programming team and EC representatives in Brussels from 19<sup>th</sup> to 22<sup>nd</sup> of June.
- The **unofficial final version of the IPARD programme** was completed and distributed to EC on 16<sup>th</sup> of July.
- **IPARD programme was approved by the government** of the The Republic of Macedonia on the government session that took place on 25<sup>th</sup> of July.
- **Final official version of the programme** sent to EC on 3<sup>rd</sup> of August 2007.
- **Results from the first round of Inter-service consultations within the Commission** were received on the 9<sup>th</sup> of October, 2007. The Answers of the comments were discussed with the EC DG-Agri representatives during their Advisory Mission in Skopje held from 24<sup>th</sup> to 26<sup>th</sup> of October, 2007.
- The draft IPARD Programme amended according to the results from the Inter-service consultations (where appropriate) was sent unofficially to DG-Agri on the 6<sup>th</sup> of November, 2007.
- Second round of Inter-service consultations within EC services is expected to be initiated on the 20<sup>th</sup> of November, 2007.

**As a result of the consultations and inclusion of sectoral partners the following proposals were accepted and incorporated into IPARD programme:**

- Lowering the eligibility criteria for individual producers proposed by the Farm Federation;
- Simplification of the procedures for proving the occupational skills of the individual agriculture producers proposed by the Farm Federation and the members of the Agro-food Cooperation Council;
- Inclusion of storage facilities for fodder crops proposed by Association of milk and meat producers;
- Wider scope of implementation of Measure 101 on the whole territory of the country following the principal of peri-urban features of agriculture production related to the proximity to markets and infrastructure, proposed by the members of Education and Research Institutions in Agriculture and Farm Federation;

**Proposals which were not included in the Programme:**

- Inclusion of bee keeping, aquaculture, cereal and fodder sub-sector to be supported within Measure 101, proposed by several members of consultation groups. The main justification for not including the suggestions are the limited funds versus the challenges of implementation of Community standards in the major agriculture sub-sectors in the country. The proponents were however encouraged to deliver a detailed

proposal and justification in order to discuss the possible inclusion in the future.

- Inclusion of investments in production technology in the meat processed products sector under Measure 103 proposed by representatives of meat industry. It was explained that the sector of their concern is facing major challenges in terms of implementation of environmental standards, therefore the investments for this sector will focus on those issues primarily. The proponents were however encouraged to deliver a detailed proposal and justification in order to discuss the possible inclusion in the future.
- Amendments in the balance of indicative financial breakdown between measures in Priority axis 1 with increase of the support towards the processing sector proposed by the National Extension Agency. It was explained that due to the findings of the shortcomings in the both sectors of primary agriculture production and the processing industry, the weaknesses concerning implementation of the environmental, food safety and hygiene, animal health and welfare and plant health as well as occupational skills requirements are more encountered in the baseline situation in the primary agriculture production. Therefore, the assistance is indicated to be higher for the Investments in agriculture holdings.

#### **3.5.4. Information and promotion**

Information and publicity are very important factors in the transparency of the workings of the EU, their goal being to raise public awareness and especially the awareness among target sections of the public. The provision of appropriate information to the general public, and particularly the potential beneficiaries of funds, about the possibilities for carrying out programmes within the framework of EU pre-accession aid is envisaged.

All information and publicity measures related to the IPARD Programme implementation shall be implemented in accordance with the requirements laid down in Commission Regulation (EC) No 1974/2006 Annex VI, Commission Regulation (EC) no 718/2007 and the provisions of the Sectoral Agreement for IPARD.

In accordance with the Commission Regulation the objectives of information and publicity measures are as follows:

– to inform potential and final beneficiaries, as well as regional and local authorities and other competent public authorities, farmer's organisations and producer' groups, economic and social partners, non-governmental organisations, especially bodies to promote equality between men and women and bodies working to protect and improve the environment, project operators and promoters, about the IPA Funds, the financial opportunities offered and the application procedures in order to ensure the transparency of the assistance;

This activity will be performed within the overall IPA publicity campaign organised and managed by the NIPAC Office (Secretariat for European Affairs).

– to inform the general public about the role played by the European Union in rural development via the IPARD Programme and other forms of support of economic and social cohesion in the country. This shall describe the tasks of the Funds providing support under the IPARD Programme and their contribution to rural development.

In order to implement these tasks associated with the provision of information and publicity with regards to the IPA Funds for rural development, the Programme Management Unit shall prepare a Communication Action Plan, which shall define the objectives, implementing strategies and the content of the measures concerned along with the social and economic groups targeted and the evaluation criteria to be used for assessing the efficiency of the measures. The Communication Action Plan shall include the aims and the targeted economic and social groups, the content and strategy of the resulting communications and information measures, the criteria to be used to evaluate the measures carried out, its indicative budget, and the administrative departments or bodies responsible for implementation. The Communication Action Plan will be submitted to the IPARD Monitoring Committee on approval.

With a view to transparency, the Managing Authority shall disseminate the most comprehensive information possible on the financing opportunities offered by joint assistance from the Community in the IPARD Programme.

To that end, the Managing Authority shall ensure that the rural development programme is published widely, with details of the financial contributions from the Community funds (IPARD funds), and that it is supplied to all interested applicants.

The Managing Authority shall provide the potential beneficiaries with clear, detailed and updated information on the following:

- (a) the administrative procedures to be followed in order to qualify for financing under the rural development programme;
- (b) description of the procedures for examining applications for financing;
- (c) the eligibility conditions and/or criteria for selecting and evaluating the projects to be financed;
- (d) the names of persons or contacts at national, regional or local level who can explain the way rural development programmes work and the criteria for selecting and evaluating the operations.

The managing authority shall ensure that bodies that can act as relays are involved in the information measures for potential beneficiaries, and in particular:

- (a) local and regional authorities;
- (b) professional organisations;
- (c) economic and social partners;

- (d) non-governmental organisations, especially bodies promoting equality between men and women and bodies working to protect the environment;
- (e) information centres on Europe;
- (f) Commission.

The Managing Authority shall inform potential beneficiaries of the publication provided. All publications (books, leaflets, billboards, newsletters etc.), applications and payment authorisation documents will bear the emblem of the Community.

The MAFWE, in a role of Managing Authority, has so far organised a number of round-table discussions, consultations and lectures at widely-publicised professional events, fairs and meetings where the target public and the general public were given comprehensive information about the possibilities and the importance of IPARD programme pre-accession aid. EU pre-accession aid has also been explained in detail in numerous articles in the daily press and professional journals, and on radio and television programmes.

Potential beneficiaries, professional organisations and the general public will continue to be informed in the future about new developments and the current aspects of financial assistance available within this programme.

The publicity shall entail particular:

- informing potential beneficiaries and professional organisations of the support available;
- informing the general public of the Community' role in relation to the support.
- informing on the potential environmental impact;

The proposals contemplated and the measures adopted to that end will be communicated to the Commission.

All target groups entitled to support (undertakings, professional organisations, etc.) will be notified of the monetary support granted under the Plan and the procedure for application. The procedures for applications (Guidelines for application) will be published in the country's and the languages of the minorities and disseminated free of charge to the interested parties. Public tenders for projects applying for co-financing from the IPARD programme will be published in the Official Gazette.

Information on specific programmes and the conditions for participation therein will be available through organisations of beneficiaries, entrepreneurial centres and local economic development offices in the Municipalities, the branch offices of MAFWE and the National Extension Agency.

The relevant information will be made available to the general public in the following main forms:

- The press: advertisements, press announcements and press conferences;
- The public: seminars, conferences and exhibitions;
- Printed publications describing specific programmes;

Appropriate advertising boards and posters to be displayed at project sites financed by the EU aid programme, permanent boards are displayed near ready publicly used buildings.

The specific procedure for publicity and the budget of each project will be co-ordinated with the Commission. The authority that organises the campaign will communicate the relevant Commission units of the progress of the publicity process.

The potential beneficiaries will be informed about the existence/conditions of the eligibility of the present measure through:

- Legislative Act of the Minister of Agriculture, Forestry and Water Economy, published in the Official Gazette;
- Public announcements;
- Guidelines for applicants per eligible measure;
- Local seminars and workshops.
- Web-published materials and radio and television spots and advertisements