

**COMMON AGRICULTURAL POLICY AND MANAGEMENT OF  
THE PRE-ACCESSION ASSISTANCE FOR RURAL  
DEVELOPMENT OF THE REPUBLIC OF MACEDONIA**

**Kostadin Kus-Ivanov, MES  
Head of Sector**

**Agency for Financial Support of the Agriculture  
and the Rural Development**

# National legislation

The agricultural policy of RM is regulated via:

(1)

## **Law on agriculture and rural development**

- is a systemic legal act that generates a legal framework for implementation of the overall reforms in the policy and the institutions in the agro-food industry and the rural areas
- On the basis of this Law, the goals of the agricultural policy of RM are:
  1. stable production of quality and cheaper food
  2. increasing the competition
  3. stable income
  4. sustainable rural area development
  5. optimal use of the natural resources

## **Law on amending the Law for establishing the Agency for Financial Support of the Agriculture and the Rural Development**

- The Law provides the basis for establishment of a body to implement the financial programs from the EU and the RM budget

## National legislation

The agricultural policy of RM is regulated via:

(2)

### **National Strategy for Agriculture and Rural Development 2007-2013**

- The objective of the Strategy is:  
defining a policy for development and increasing the competition of the agriculture and the rural areas and their harmonization with the EU Common Agriculture Policy.

**Program for supporting the establishment of certification and registration systems (HACCP, EUREP GAP, etc.)**

**Introduction of a Codex for good agriculture practice**

# National and EU legislation for implementing the rural development policy

- According the recommendations of the EC comprised in
  1. Council regulation (EC) no. 1085/2006 for establishing an Instrument for pre-accession assistance (IPA)
  2. Commission regulation (EC) no. 718/2007 for implementing Council Regulation (EC) no. 1085/06 for establishing an Instrument for pre-accession assistance (IPA)
  3. Framework agreement between the Government of RM and EU
  4. Sectoral Agreement between the Government of RM and EU
- The adopted documents by the Government of RM such as:
  1. National Strategy for European Integration of RM
  2. European and Accession Partnership
  3. Action Plans
  4. Strategy for harmonizing the Macedonian agro-food sector with the EU Common Agriculture Policy
  5. National development plan
  6. NPAA
  7. MIPD
  8. MIFF
  9. **IPARD Program**

## Council Regulation (EC) no, 1085/2006 for establishing an Instrument for pre-accession assistance

- The Instrument for pre-accession assistance – IPA is a summary of the following instruments:
  1. PHARE
  2. ISPA
  3. SAPARD
  4. CARDS
  5. Instrument for pre-accession assistance for Turkey
- The enactment of this Instrument is directly related to the new financial projection 2007-2013
- This instrument refers to the candidate countries and the potential candidate countries
- The instrument is comprised of five components
- **Due to the above-mentioned reasons, IPA is not a FUND but an INSTRUMENT**

# POLITICAL FRAMEWORK AND PROGRAMMING

## IPA

### Strategic documents for financial accession:

Establishes strategies for the IPA components, based on the priorities defined in the Partnership for Accession and the Regular Progress Reports

### Components

Transition  
and  
Institutional  
building

Cross-border  
cooperation

Regional  
Development

Human Resources  
Development

**Rural  
Development**

Commission regulation (EC) no.718/2007 for implementing  
Council Regulation (EC) no.1085/06 for establishing an  
Instrument for pre-accession assistance (IPA)

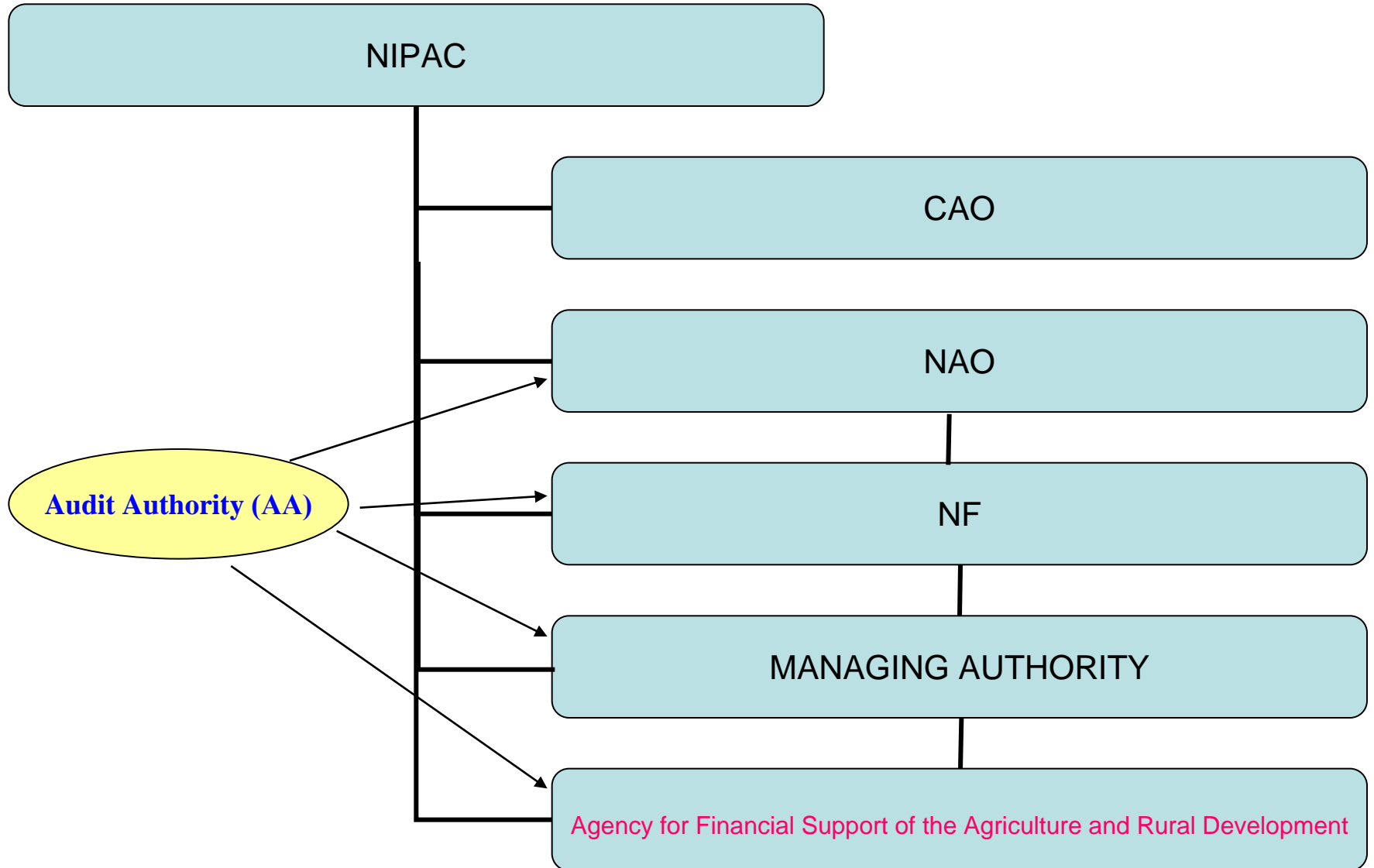
- With the objective to successfully implement the Council Regulation 1085/2006 which establishes the IPA, the Commission has adopted the Regulation 718/2007 which defines the terms and the conditions for implementing the assistance provided to the countries specified in Annex 1 and 2
- Methods for implementing the assistance (article 53 of the Regulation.(EC)1605/2002)
  - divided method of implementation (comp.2)
  - mutual method of implementation (comp.1 + international organizations)
  - centralized implementation (comp.1, 2 + tech. assistance)
  - **decentralized implementation**

# Decentralized implementation system DIS

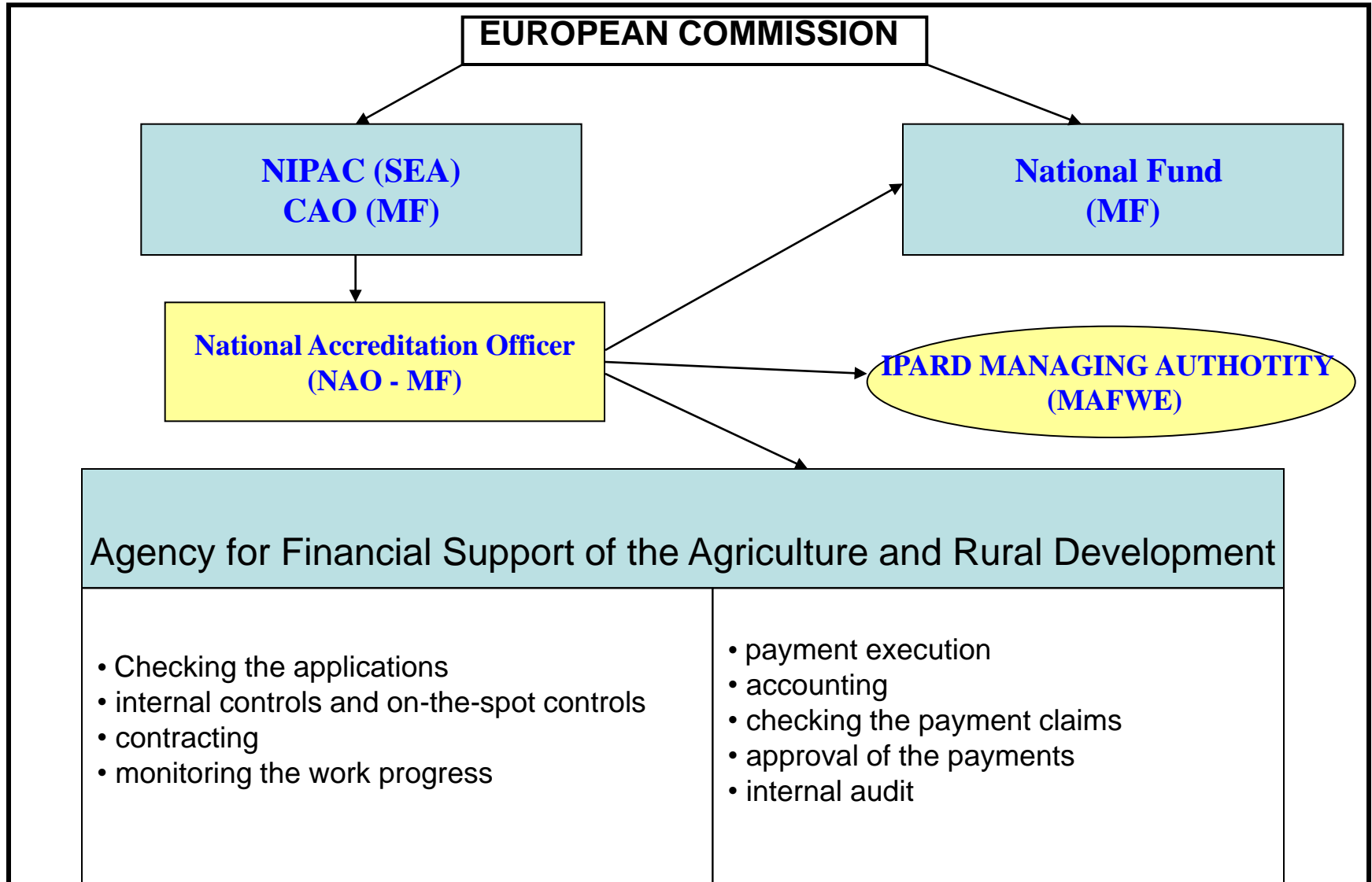
- On the basis article 10 and 11 of the Regulation (EC) no. 718/2007, all 5 components can operate on the basis of the DIS under the following general terms:  
(article 56 of the Regulation (EC) no.1065/2002)
  1. Accurate and clear procedure for organizing the public procurement and calls for application
  2. Efficient management system and internal control
  3. Accounting standards
  4. Independent external and internal audit
  5. Free access and sharing information of public character
  6. Establishment of an operative structure with defined standards and clear internal working procedures



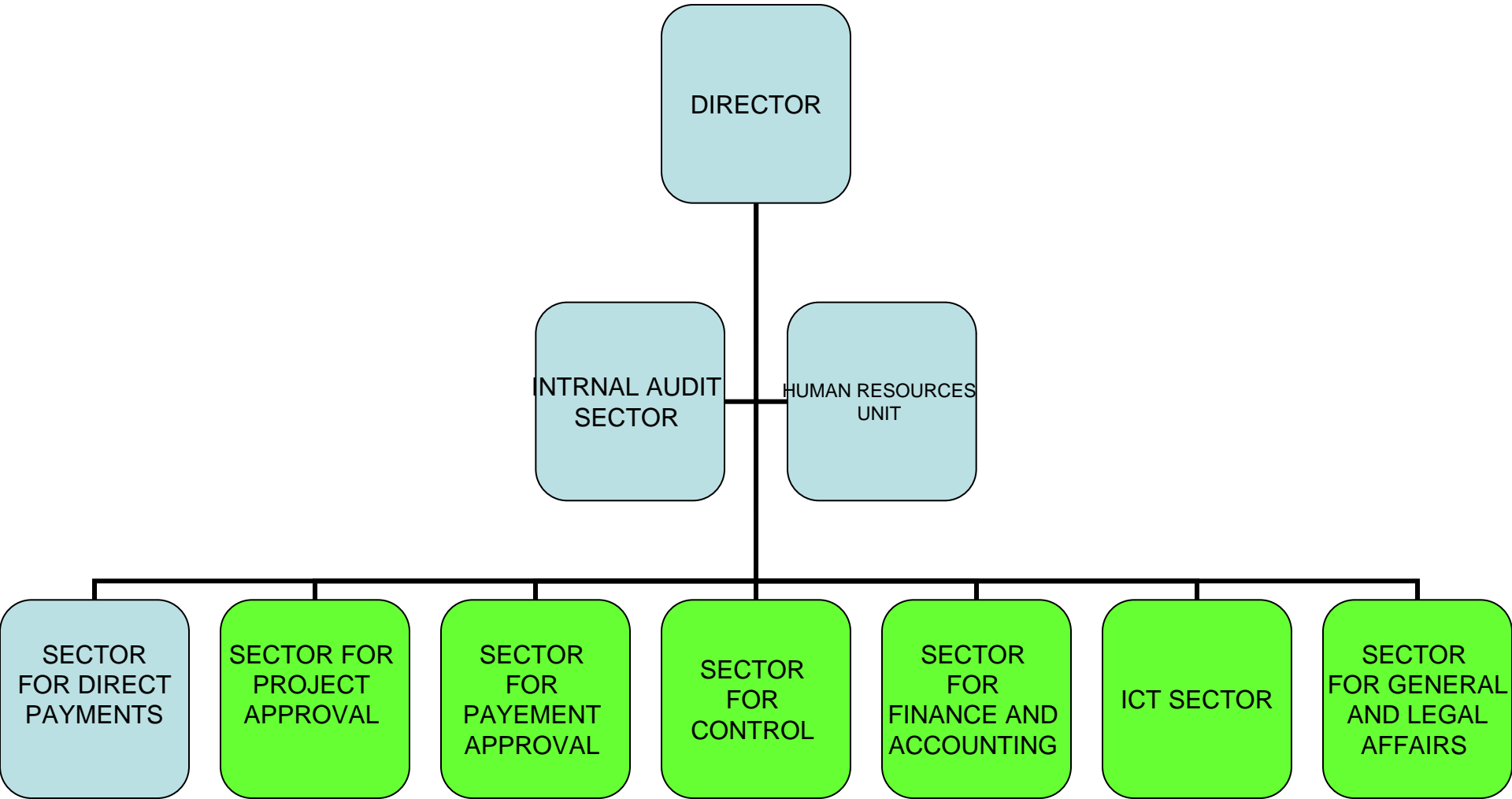
# Decentralized implementation system DIS IPA Operating Structure, component V



A complete decentralization of the implementation assumes accreditation of the Agency and conferral of the right for managing the funds



# AFSARD Internal Organization



# FUNCTIONS OF THE AGENCY

- Receiving applications
- Approval of applications
- Approval of payments
- Execution of payments
- Accounting
- On the spot control (prior contracting, prior payment approval and after payment)

# IPARD Program vs. IPARD Agency

- I. Condition for initiating the Agency accreditation process
- II. IPARD Program – Priority axes and measures for financing
- III. Conditions for financing

# I. Condition for initiating the Agency accreditation process

Accreditation criteria – Annex 1 of Reg. (EC) 718/2007

- Control system
- Identifying control areas
- Planning and risk management
- Activities for monitoring, audit and supervision of the implementation
- Communication

II. IPARD Program – Priority axes article 171 of Reg.(EC)  
718/2007

**Priority axis 1**

**Improving the market efficiency and implementing the  
EU standards**

Measures under axis 1

101 Investments in agriculture holdings

102 Investments for establishing production groups

103 Investments in processing and marketing of agriculture  
and fishery products

II. IPARD Program – Priority axes article 171 of Reg.(EC)  
718/2007

**Priority axis 2**

**Preparatory activities for implementation of  
agriculture and environmental measures and  
local- rural development**

Measures from axis 2

201 Activities for improving the environment

202 Preparation and implementation of strategies  
for local-rural development



II. IPARD Program – Priority axes article 171 of Reg.(EC)  
718/2007

**Priority axis 3**  
**Rural economy development**

**Measures from axis 3**

**301 Improvement and development of the rural infrastructure**

**302 Diversification and development of rural economic activities**

**303 Vocational Training**

**501 Technical assistance**

### III. Conditions for financing

101 Investments in agriculture holdings

103 Investments in processing and marketing of agriculture and fishery products

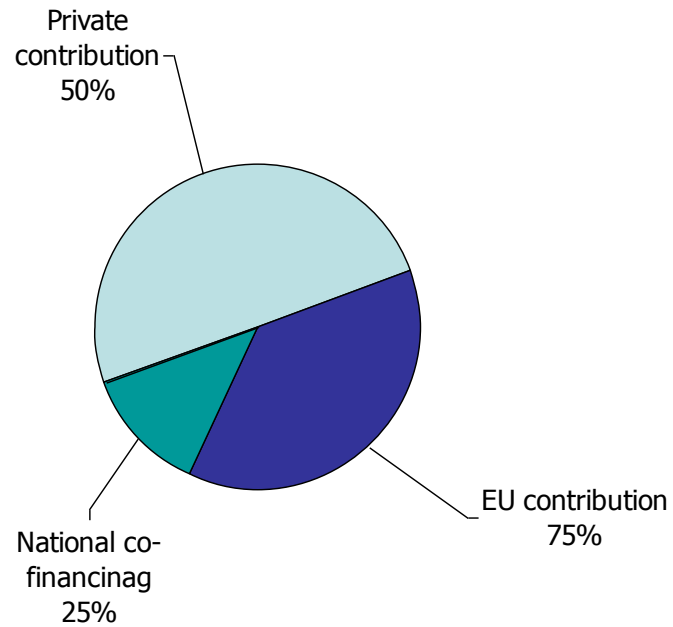
302 Diversification and development of rural economic activities

501 Technical assistance

<b>Component</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Total</b>
<b>V – Rural development</b>	2,1	6,7	10,2	12,5	14	16,9	62,4

# III. Conditions for financing

## CO-FINANCING PRINCIPLE



### III. Conditions for financing

Measure 101 Investments in agriculture holdings

min. 5.000 euro – max. 200.000 euro

from 200.000 euro – max. 400.000 up to community standards

Measure 103 Investments in processing and marketing of agriculture and fishery products

min. 15.000 euro – max. 400.000 euro

from 400.000 euro – max. 800.000 euro

Measure 302 Diversification and development of rural economic activities

min. 5.000 euros – max. 200.000 euros

Measure 4. Technical Assistance

### III. Conditions for financing

#### Non-eligible expenditures:

- Taxes (including VAT)
- Custom duties and import duties
- Purchase, renting and lease of land or real estate regardless of ownership transfer
- Penalties and financial penalties
- Operative costs
- Second hand machinery and equipment
- Banking commissions, guaranties and similar expenditures
- Exchange rate losses as well as other costs
- Obtaining licenses and patents
- Purchasing animals and perennial plants
- Costs for maintaining the fixed assets
- Costs for services, procurement and civil works exceeding 10.000 euros for which minimum 3 bids have not been delivered

### III. Conditions for financing

#### Eligible expenditures

- Construction or reconstruction of buildings
- Purchase or lease-purchase of machinery, new equipment including computer software
- General costs (related to the above-mentioned costs in reference to the engaged engineers, architects and other consultants for development of feasibility studies, obtaining patent and licenses right) not exceeding 12% of the total eligible costs
- Preparation and development of a business plan for investments up to a ceiling of 3 mill. Euros, 3% of the total eligible costs of the investment
- Preparation and development of a business plan for investments not less than 1 mill. euros and not exceeding 3 mill. Euros, 4% of the total eligible expenditures of the investment
- Preparation and development of a business plan for investments less than 1 mill. euros i.e. 5% of the total eligible costs of the investment

### III. Conditions for financing

- All investments/projects must be sustainable for a period of five years after the last made payment
- The investments must not be modified within a period of five years after the last made payment
- The investments must not change ownership i.e. be alienated
- In case of a natural disaster, the above mentioned conditions are subject to derogation if such is proved by the candidate country

### III. Conditions for financing

- Basic rule: 50% of the total eligible costs are financed
- Remaining rules:
  - 55% financing of expenditures for investments by young farmers
  - 60% financing of expenditures for investments in mountainous areas
  - 65% financing of expenditures for investments by young farmers in mountainous areas
  - 100% financing of expenditures for non-profit investments in infrastructure
  - 100% financing of expenditures for technical assistance



# Conferral of management

- 5<sup>th</sup> of March 2009 – National Accreditation
- 07-18 September 2009 – Audit Mission by DG Agri
- 18<sup>th</sup> of December 2009 - Conferral of Management granted to the operating structure
- 23<sup>rd</sup> of December 2009 – First call for application

# Results from the first call

- 27 contracts signed in the following amounts:

Measure 101 – Investments in agriculture holdings with the purpose of their restructuring and upgrade to Community standards

– 15 applications with total co-financing amount of 47.059.431,60 MKD (763.914,61 €)

Measure 103 – Investments for processing and marketing of agriculture products with the purpose of their restructuring and upgrade for reaching the Community standards

-11 applications with total co-financing amount of 72.728.214,15 MKD (1.180.595 €) , and

Measure 302 – Diversification and development of rural economic activities

– 1 application in the amount of 1.637.522,52 MKD (26.581 €) or

The total amount of funds to be contracted is 121.425.168,27 MKD – 1.971.635 €

THANK YOU  
FOR THE ATTENTION !!!