

## **Standard Summary Project Fiche – IPA centralised programmes**

### **Project number 20: Institutional Capacity Building and Support to Agriculture and Rural Development in Serbia**

#### **1. Basic information**

- 1.1 CRIS Number: 2009/021-765**
- 1.2 Title:** Institutional Capacity Building and Support to Agriculture and Rural Development in Serbia
- 1.3 ELARG Statistical code:** 03.11
- 1.4 Location:** Republic of Serbia

#### **Implementing arrangements:**

- 1.5 Contracting Authority:** EU Delegation to the Republic of Serbia
- 1.6 Implementing Agency:** EU Delegation to the Republic of Serbia
- 1.7 Beneficiary (including details of project manager):**

The **Ministry of Agriculture, Forestry and Water Management** (MAFWM) will be the main project Beneficiary. Furthermore, the Sector for Agrarian Operations and Financial Management and Sector for Rural Development within MAFWM will take on the role of national project leader within the project management structure namely:

- ✓ Assistant Minister, Sector for Agrarian Operations and Financial Management
- ✓ Assistant Minister, Sector for Rural Development

The **Project Steering Committee** (SC) will be responsible for the overall quality of project implementation and provision of strategic direction. The SC will ensure that the project outputs and goals are met in a timely fashion, approve work plans and reports, offer guidance and advise on project activities. The SC will meet on quarterly basis.

The SC will include one representative from the Sector for Agrarian Operations and Financial Management and Sector for Rural development and the EC Delegation. The SC will be chaired by the Project Manager.

#### **Financing:**

- 1.8 Overall cost (VAT excluded)<sup>1</sup>: 3.000.000 EUR**
- 1.9 EU contribution: 2.780.000 EUR**

---

<sup>1</sup> The total cost of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated (see Section 7.6)

- 1.10 Final date for contracting:** 2 years after the signature of the Financing Agreement (FA)
- 1.11 Final date for execution of contracts:** 4 years after the signature of the FA
- 1.12 Final date for disbursements:** 5 years after the signature of the FA

## **2. Overall Objective and Project Purpose**

### **2.1 Overall Objective:**

Contribute to a modern, sustainable and efficient agricultural sector and promotion of rural development in Serbia.

### **2.2 Project Purpose:**

Further strengthening of the Managing Authority and Paying Agency to carry out tasks and responsibilities for decentralised management of EU and national funds.

This is the second phase in support of rural development in Serbia following on from the IPA 2007<sup>2</sup>.

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

The **European Partnership** with Serbia (including Kosovo) of 18 February 2006 (2008/213/EC) identifies the strengthening of the Serbian administrative capacity to formulate and implement agricultural and rural development policies as an on-going priority both as short term and medium term priority.

**Stabilisation and Association Agreement (SAA):** Agriculture and the agro-industrial sector cooperation between the parties shall be developed in all priority areas related to the Community acquis in the field of agriculture, as well as veterinary and phytosanitary domains. Cooperation shall notably aim at modernising and restructuring the agriculture and agro-industrial sector, in particular to reach community sanitary requirements, to improve water management and rural development as well as to develop the forestry sector in Serbia and at supporting the gradual approximation of Serbian legislation and practices to the Community rules and standards.

This Project will continue to strengthen capacities of both the Managing Authority and Paying Agency as the structures necessary for utilization of EU pre-accession assistance in the context of rural development.

### **2.4 Link with MIPD**

The main agricultural and rural development sector policies stipulates within the MIPD document for Serbia for the period 2009-2011 are:

---

<sup>2</sup> Capacity building to implement Rural Development policies to EU standards, CRIS number: 2007/19322

- Assistance to the national structures responsible for agriculture and rural development to obtain the necessary capacity to define strategies and programs and to manage and monitor agriculture and rural development programming activities;
- Support for institution and capacity building with the aim to prepare the sector to absorb pre-accession funds;
- Support for the alignment of national legislation with EU *acquis* in the area of agriculture and rural development;
- Support for increasing the economic growth by developing the agricultural sector and increasing its competitiveness;
- Support for the national authorities to analyse priority areas, carry out agricultural census, improve statistics in the sector and establish land cadastre and farmers register as well as support for advisory and extension services and access to credit for farmers;
- Support for the alignment of national legislation with EU standards in the food safety, veterinary and phytosanitary field.

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

The Project will focus on strengthening the monitoring and control function of the future Paying Agency, this will directly contribute to more efficient and effective implementation of measures defined within the of National Rural Development Programme (NRDP). This is a critical part of adopting the EU *acquis*. Serbia needs a fully functioning Paying Agency with effective monitoring and control mechanisms to ensure the agricultural sector and rural areas will benefit from EU support mechanisms. The Project will also provide assistance in the preparation and drafting of the mid-term evaluation and such further improvement of rural development measures as a part of the National RD Programme.

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

N/A.

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

### **National European Integration Program**

*Medium term priorities* (period 2009-2012) of the National Integration Program in the sector of Agriculture and Rural Development states that institutional strengthening will be continued in order to establish all institutions and structures necessary for implementation of CAP and to further reinforce the Payment Directorate.

The *short term priorities* in the National Integration Program related to rural development are: alignment and adoption of The Law on Agriculture and Rural Development in accordance with EC Decree 1698/2005 and 1085/2006, Adoption of Serbia’s new National Strategy and

Plan for Agriculture and Rural Development for the 2008- 2013 period, creation of Directorate for Agricultural Payment Operations, to perform all the duties in agricultural payments, in cooperation with the Ministry of Finance – Treasury Department, with which there already is a certain cooperation going on.

The Law on Advisory service in the area of agriculture and rural development, in accordance with EC Decree 1782/2003 and 1783/2003 and their subsequent amendments.

Strategies for regulation and enhancement of the work of advisory services in agriculture.

The mid-term priority is to align and approximate Serbian agriculture to the EU's Common Agricultural Policy to a great extent.

The National Rural Development Program for 2008-2013 was drafted in March 2008 and it is expected to be adopted in 2009. As mentioned above, this Project will assist in performance of midterm evaluation of the NRDP and provide recommendations for its further implementation.

### 3. Description of project

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

Agriculture is the predominant activity in most rural areas in Serbia and has been characterized by small farm units, low productivity and low farm incomes. The findings of the Census of 2002 confirm that the majority of the labour force engaged in agriculture in Serbia falls within the category of – subsistence production (75%), while only 20% of those involved in farming produce for the market. The proportion of women in the agriculture labour force which is producing for the market is extremely low (26.1%), and that has been registered in other transitional countries as well. The remaining 5% work in jobs requiring manual labour (employees).

Unemployment in rural areas is approx. 21%, reflecting again the problem of lack of employment opportunities. The young Serbian rural population in the labour market has higher unemployment rates and comparatively lower employment opportunities in relation to the total rural population.

Agriculture is one of the key components of Serbia's economic development. Its position in the country's economy is specific, given that, besides the economic importance, it also has an exceptional social and ecological role. The sector's share in GDP is about 11% (about 18%, including the food processing industry), employs about 23% of total employees, i.e. 17 % of active population, and represents 20% of Serbia's export share.

According to the Law of Ministries, the Ministry of Agriculture, Forestry and Water Management (MAFWM) is responsible for the development of strategies, policies and measures in the field of agriculture, forestry and water management. The Ministry has also the competencies related to the implementation of agricultural policy by preparing and implementing both development programmes and directs support schemes.

Within the Ministry, the three following sectors are directly related to rural development:

- **Sector for Statistics and Agrarian policy** – carries out the functions of analysis and development of policies in the agrarian field. It therefore develops and proposes measures directed to development of agriculture (in cooperation with the sector for rural development).
- **Sector for Agrarian Operations and Financial Management** carries out duties related to implementation of policy support measures directed towards agricultural and rural development, by evaluation of applications, monitoring, inspection and payment of subsidies.
- **Sector for Rural Development** is responsible for rural development support programs, measures and related projects. Programming and Monitoring and Evaluation of IPARD like measures are realized in this Sector.

In the area of agriculture and rural development, the Republic of Serbia is only partly aligned with the EU's acquis. Having in mind the strategic goal to prepare Serbian agriculture for EU integration one of the key steps within the integration process is to put in place institutions and structures necessary for implementation of CAP and to further reinforce the Payment Directorate, in accordance to EU standards and regulations.

The previous activities/projects/programs have begun to harmonize Serbia's agricultural policy with the EU's CAP and will enable unhindered trade in agricultural and food products. However, access to and utilization of pre-accession funds will depend on the development and enhancement of Serbian administration, management and control capacities.

The *EC Annual Progress Report for 2008* points out that: "Progress has been made in the area of agriculture and that there have been some improvements to administrative capacity. Improvements in the administrative capacities have been made, allowing Serbia to better manage agricultural policy and continue reforms in the agricultural sector. In the area of rural development the government adopted three regulations defining the distribution and use of subsidies in 2008 in the areas of rural tourism, support to internally displaced persons, and support to the Roma. However, a strategic plan for rural development and a multi-annual rural development programme have not been adopted. An inter-ministerial mechanism for coordination of policies related to rural development has not been established. The rural development sector is in need of qualified staff, and the framework legislation on rural development, which is intended to serve as a basis for the establishment of a national agency for rural payments, has not yet been adopted."

The new Law on Agriculture has been adopted by the Serbian Government and by the Serbian Parliament in May 2009. The new Law on Agriculture and Rural Development is an important basis for the establishment of a national agency for rural payments (Paying Agency). Also, the draft National Rural Development Programme for 2008-2013 was prepared and its adoption is also expected during 2009.

Nevertheless, the MAFWM has already started preparatory activities related to the establishment of an integrated payment system with the appropriate organizational structure, adequate human resources, trained staff and the necessary IT support systems.

According to the Ministry's Action Plan for establishment of necessary structures for implementation of IPARD, the Paying Agency (PA) will be established within the implementation of IPA 2007 "*Capacity building to implement Rural Development policies to*

*EU standards*” Project (Twinning). It is expected that the PA will prepare and organize to authorize, execute, account and certify National and IPARD payments in line with EU requirements till the end of 2011, i.e. the PA will be accredited or in the process of accreditation for the management of IPA-RD. IT system of the PA will be operational and functional for a proper management and use of applications and data bases.

In the process of establishing EDIS structures, the Managing Authority (MA) for IPARD, in line with EU requirements, will also be established by the end of 2010. Legal acts and regulations related to MA functions will be developed and adopted by the Government. In the same period process for accreditation of MA shall be initialised and executed.

Bearing in mind all the above stated and planned activities of the Ministry by 2011 aiming to establish necessary structures for successful utilization of pre-accession funds, this project will represent the logical continuation of the IPA 2007 “*Capacity building to implement Rural Development policies to EU standards*” Project and shall build upon its results. Moreover, both the Managing Authority and Paying Agency will have sufficient and qualified staff by the time this project is implemented. However, their capacities will need continuous strengthening in order to successfully perform their tasks. EU Council Regulation 796/2004, for example, requires annual on-the-spot checks for a minimum of 1% of farmers submitting aid applications. This project is therefore needed to strengthen the monitoring functions (in particular field monitoring capacity) thus helping to ensure the efficient and effective use of funds, and to develop procedures for dealing with non-compliance.

As such, special attention will be given to the further enhancement of monitoring and control functions within the Paying Agency, enabling on the spot controls. Even though earlier projects have provided some equipment, the equipment needed to support on-the-spot controls is also needed. It is estimated that there will be 300 field officers / inspectors, based in 15 branch offices; these officers will be provided with field equipment to allow direct access to the Paying Agency Information System. This project will train staff to perform on-the-spot controls in accordance with EU standards.

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

This project will directly support good administration within the Paying Agency and the Managing Authority. By improving the control mechanisms for utilization of both EU and national funding sources, the project will enable a more systematized overview of the direct payments scheme for farmers. These improved control mechanisms will provide valuable inputs for the further improvement of the Serbian agrarian policy, and serve as a basis for the establishment of direct payments schemes in alignment with EU standards.

At the end of the project the Beneficiary will ensure maintenance and administration of the procured equipment and developed system modules. Selected inspectors from the PA will be the users of the procured equipment and will be trained within the project. The project will develop a system of training and mentoring within the Paying Agency to ensure training of new recruits continues into the future as personnel leave or retire.

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

Result 1: Rural development payment system is more effective and efficient.

Indicators for result 1:

- Number of applications to the rural development schemes
- Reduced number of applications refused due to the technical and administrative incompatibility
- Number and proportion of payments made on time
- Number of trained Managing Authority and Paying Agency staff

Result 2: Capacities of Payment Agency enhanced in order to implement a set of direct payment schemes harmonized with CAP pillar I

Indicators for result 2:

- Procedures and rulebooks for implementation of direct payments aligned with EU
- Number of direct payment schemes developed

Result 3: Improved risk management and on-the-spot checks

Indicators for result 3:

- Number of on-the-spot checks and reduced time for on-the-spot checks
- Number of fraudulent submitted applications uncovered
- System modules and equipments for on-spot-checks installed

### **3.4 Activities:**

Result 1 will be achieved through the performance of the following activities:

- 1.1 Design methodology for mid-term review of National Rural Development plan
- 1.2 Conducting review of rural development measures according to defined criteria (eligibility criteria, monitoring indicators)
- 1.3 Provide recommendations for improvement of NRDP measures
- 1.4 Design and deliver training for MA staff related to implementation of new measures

Result 2 will be achieved through the performance of the following activities:

- 2.1 Conducting comparative analysis of Single Area Payment Scheme System (SAPS) and complementary national direct payments scheme
- 2.2 Introducing partial alignment with SAPS for selected agricultural products
- 2.3 Developing administrative and control procedures for direct payment schemes

2.4 Performing on-the-job training for the application of administrative and control procedures for direct payment schemes

Result 3 will be achieved through the performance of the following activities:

3.1 Developing risk analysis and on-the-spot check modules with IT systems

3.2 Supply of specialised equipment for PA for 'on the spot' controls

3.3 Training provided in using the new system

The TA will assess the technical needs for "on the spot" controls and propose a list of suitable equipment that will be able to be integrated into the information system. This equipment should be able to display information about agricultural holdings in the field and allow inspectors to update SAPS' records for individual holdings<sup>3</sup>.

This project will be implemented through 1 twinning and 1 supply contract.
----------------------------------------------------------------------------

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

The new Law on Agriculture has been adopted by the Serbian Government and by the Serbian Parliament in May 2009. This Law serves as a basis for establishing the Paying Agency in accordance with the Ministry's plan,. At the beginning of the project, the PA will manage pre-accession funds. Also, it is expected that within the same period the process for accreditation of the MA shall be launched and executed.

There is a strong commitment of the Government of Republic of Serbia to meet the challenge of alignment with EU standards and regulations related to rural development as well as to set up and strengthen all necessary structures for the utilization of pre accession fund for implementation of rural measures.

The 1<sup>st</sup> contract is a Twinning, which will cover activities related to achievement of results 1 and 2. This TW will also scope the details for the supply contract. The 2<sup>nd</sup> contract will be for supplies, e.g. computer equipment and GPS devices that will enable more efficient performance for on the spot controls. This task should be completed by the 5<sup>th</sup> quarter of the project cycle and will be followed closely by training in use of the equipment, which is expected to be completed by project end.

### **3.6 Linked activities**

The European Union has funded a technical assistance project "*Support to Rural Development Programming and Payments System (2006 - 2008)*"<sup>4</sup>. The project had two components, one to support the MAFWM by introducing project based support measures aimed for the sustainable rural development and for building appropriate administrative capacity and second, to adopt Serbia's payment procedures for agricultural and rural development subsidies to implement the guiding principles of EU Regulations governing

---

<sup>3</sup> The updated records probably do not need to be printed out in the field, but a printed version does need to be generated in the office and sent to the owner / manager of the holding with a reasonable period of time. Therefore, some sort of rugged handheld computer or "Pision type" device, capable of displaying the details of the holding will be required.

<sup>4</sup> CARDS 2004, which was completed in March 2008



general budgetary procedures and agricultural Paying Agencies. For the second component a working group for elaboration of project preparation was established. This project introduced MAFWM staff to the preparation, implementation, monitoring and evaluation of rural development programs and plans. It also equipped them with the procedures and tools to support these actions.

These procedures and tools for implementation, financial management, control of agricultural subsidies, rural development support schemes and other payments to beneficiaries, were elaborated in line with actual EU regulations and within the available structure of MAFWM. The Project was realized at the time when MAFWM was initiating the preparations for the establishment of the PA. Results of this project influenced the understanding and the importance of further strengthening of the human capacities within the MAFWM and introduced the sound basis for the establishment of the Agrarian Paying Agency. Some of these skills have been developed, and a first Draft National Rural Development Strategy Plan 2008-2013, was prepared by the Ministry and its counterpart organizations in July 2007. Results of this project influenced the request for the project financed from the World Bank and Global Environment Facility (GEF) to assist the Ministry in setting up the PA.

The World Bank and the Republic of Serbia have negotiated a loan of 12.5 Million EUR, with a 3.3 Million EUR Global Environment Facility grant and a 0.46 million EUR contribution by local communities, which will provide via the **project, "Serbian Transitional Agriculture Reform (STAR)"** complementary support for:

- The strengthening of the government's agricultural and rural development support system. This project would provide support for the funding of the staff required to operate the management, payment monitoring and evaluation of agricultural and rural development support from the national budget as well as technical assistance for the establishment of a land parcel information system and an integrated administration and control system. It is intended that GEF support will strengthen the ability of the Ministry of Agriculture to implement and monitor schemes to preserve agri-environmental features. The World Bank loan will provide funds for Ministry of Agriculture grants to implement rural development actions.
- The improvement of farm advisory services. The project would strengthen the Ministry of Agriculture to plan and oversee farm advisory services and provide funds for the improvement of the provision of farm advice.

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

In 2007, the MAFWM began the establishment of a National Network for Rural Development. By the end of 2008, 119 regional offices were operational and in 2009 it is expected to have the whole country covered by the network. The main purpose of the network, in the initial phase, is to promote activities of the MAFWM and provide assistance and advice to farmers related to the application for subsidy support and to accomplish the mapping of the regions. One of the tasks of the Network is to initiate and participate in the development of Local Rural Development Strategies.

The IPA 2007 **Project: "Capacity building to implement Rural Development policies to EU standards"** foresees three actions (namely (i) Twinning support, (ii) procurement of equipment, and (iii) TA). It is expected that this project will start being implemented in 2010, and its main outcomes by the end of 2011 – beginning of 2012 will be establishment of the

Paying Agency and Managing Authority in line with EU requirements as well as performance of a training needs assessment and delivery of basic training to newly recruited staff. The project is also going to support revision of the National IPA-RD Programme, ready to be implemented thereafter.

This IPA 2010 project will complement and build on the IPA 2007 project by delivering a broader range of staff training in specific topics (such as field monitoring, management of field officers and inspectors, and managing non-compliance) as well as development and refinement of administrative and management procedures. None of these activities are foreseen under the STAR project.

### **3.7 Lessons learned**

During the previous years, various efforts were undertaken by relevant national authorities in Serbia to enable a higher absorption of available EU funds. Also, the on-going STAR project as well as coming IPA 2007 project should highly contribute to getting insight of the best practices to facilitate spending of available funds and to a cost-effective achievement of the National Rural Development Programme objectives.

In order to enable a smooth and efficient dispersion of funds available under IPARD and RD programmes, the Managing Authority should undertake all necessary actions aiming at timely and carefully preparing for implementation of individual measures. Special attention should be assigned to setting up of programme's comprehensive monitoring and evaluation systems, a careful targeting and preparation of programme potential beneficiaries and extensive training should be provided to programme administration and institutions involved.

4. Indicative Budget (amounts in E UR)

Support to Agriculture and Rural Development			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION			NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION
ACTIVITIES	IB	INV	EUR	EUR	% (2)	Total EUR	% (2)	Central EUR	Regional / Local EUR	IFIs EUR	EUR	% (2)
	(1)	(1)	(a) = (b) + (c) + (d)	(b)		(c) = (x) + (y) + (z)		(x)	(y)	(z)	(d)	
Activities related to results 1&2												
Contract 1.1 (TW)	X		2,220,000	2,000,000	90%	220,000 <sup>5</sup>	10%	220,000				–
Activities related to result 3												
Contract 1.2 (Supply)		X	780,000	780,000	100%							
<b>TOTAL IB</b>			2,220,000	2,000,000	90%	220,000	10%	220,000				
<b>TOTAL INV</b>			780,000	780,000	100%							
<b>TOTAL PROJECT</b>			<b>3,000,000</b>	<b>2,780,000</b>	<b>93%</b>	<b>220,000</b>	<b>7%</b>	<b>220,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	

<sup>5</sup> This national component will contribute to the development of field IT system and training of staff.

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

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1 (activities related to results 1 – 2)	N+1Q	N+4Q	N+10Q
Contract 1.2 (activities related to result 3)	N+3Q	N+5Q	N+8Q

6. Cross cutting issues (where applicable)

**6.1 Equal Opportunity**

The proposed project will be equal opportunity sensitive and ensure access of women, disabled and elderly, particularly with regard to access to training and increasing opportunities for business expansion, employment and career advancement. The advertising of job vacancies and agriculture support measures will be by fair and open competition.

Gender, disability and old age needs will be considered as an integral part of the programme and especially under the National Rural Development Programme, with regular monitoring to ensure these issues are given due prominence. In particular, under activities related to training will ensure that equal opportunity issues are properly addressed. Equal opportunity will also be taken into account during training needs analysis.

**6.2 Environment**

Although this project does not have any direct impact upon the environment, it lays the foundation for Serbian agriculture to adopt the principles that are part of future agri-environment schemes, cross-compliance and statutory management requirements and GAEC (*Good agricultural and environmental condition*) that will be conditions for payments being made through paying agency. As such it has enormous indirect potential to reduce the negative environmental impacts of agricultural activities and enhancing positive benefits through encouraging adoption of agri-environment schemes.

**6.3 Minorities**

The programme will be sensitive to minority issues and will ensure access for all ethnic groups to resources and services. The needs of minorities will be considered as an integral part of the programme, especially under the National Rural Development Programme. There will be regular monitoring to ensure these issues are given due prominence. In particular, under activities related to training will ensure that minority issues are addressed. Minorities will also be taken into account during training needs analysis and information campaigns.

**ANNEX I: Logical framework matrix in standard format**

LOGFRAME PLANNING MATRIX FOR Project Fiche			
<b>Institutional Capacity Building and Support to Agriculture and Rural Development in Serbia</b>		Contracting period expires 2 years after signature of Financing Agreement	Disbursement period expires 5 years after signature of Financing Agreement
		Total budget : 3 M €	IPA budget: : 2.78 M €
<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	
Contribute to sustainable and efficient agricultural sector and promotion of rural development in Serbia	<p>Number of farmers included in the support measures</p> <p>Number of rural development measures implemented</p> <p>Percentage of funds allocated to agriculture form the national budget</p>	<p>Government reports</p> <p>Republic Statistical Office</p>	
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
Further strengthening of Managing Authority and Paying Agency to carry out tasks and responsibilities for decentralised management of EU and national funds	MA and PA contribute to the achievement of National Rural Development Plan and National Programme for Agriculture	<p>EC progress Report</p> <p>Government Reports</p>	EU integration agenda pursued by the Government of the Republic of Serbia

Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>R1: Rural development payment system is more effective and efficient.</p> <p>R2: Capacities of Payment Agency enhanced in order to implement set of direct payments schemes harmonized with CAP pillar I</p> <p>R3: Improved risk management and on-the-spot checks</p>	<p>Number of applications to rural development schemes</p> <p>Reduced number of applications refused due to the technical and administrative incompatibility</p> <p>Number and proportion of payments made on time</p> <p>Number of trained MA and PA staff</p> <p>Procedures and rulebooks for implementation of direct payments aligned with EU</p> <p>Number of direct payment schemes developed</p> <p>Number of checks and reduced time for on-the-spot checks</p> <p>Number of fraudulent submitted applications uncovered</p> <p>System modules and equipment for on-spot-checks installed</p>	<p>Quarterly reports on progress of projects by Measures</p> <p>Internal documents of the MA and PA</p> <p>EC progress Report</p> <p>Inspector Reports</p> <p>IT system generated reports</p> <p>Operational Acceptance Report</p> <p>Procedural manuals and user guides</p>	<p>Adequate staffing of Payment Agency and Managing Authority</p> <p>Willingness of PA and MA management to apply changes in the system</p>

Activities	Means & Costs	Assumptions
<p>1.1.Design methodology for mid-term review of National Rural Development plan</p> <p>1.2.Conducting review of rural development measures according to defined criteria (eligibility criteria, monitoring indicators)</p> <p>1.3 Provide recommendations for improvement of NRDP measures</p> <p>1.4. Design and deliver training for MA staff related to implementation of new measures</p> <p>2.1. Conducting comparative analysis of Single Area Payment Scheme System and complementary national direct payments scheme</p> <p>2.2. Introducing partial alignment with SAPS for selected agricultural products</p> <p>2.3. Developing administrative and control procedures for direct payment scheme</p> <p>2.4. Performing on-the-job trainings for the application of administrative and control procedures for direct payment scheme</p> <p>3.1. Developing risk analysis and on-the-spot checks modules based on IT technologies</p> <p>3.2 Supply of specialised equipment for PA inspectors</p> <p>3.3 Execute training in the use of the new system</p>	<p>Twinning 2.22 M EUR, of which 2m IPA funding</p> <p>Supply contract 0.78 M EUR for IT system and equipment</p>	<p>National Rural Development Plan adopted and in the process of execution</p> <p>IPARD structures set-up and accredited/or in process of accreditation</p> <p>Decentralised implementation system on the national level established</p>

Pre-conditions: Payment Agency and Managing Authority for IPA V component established prior to the start of the Project

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

<b>CONTRACTED</b>	<b>N+4Q</b>	<b>N+5Q</b>	<b>N+6Q</b>	<b>N+7Q</b>	<b>N+8Q</b>	<b>N+9Q</b>	<b>N+10Q</b>	<b>Total</b>
Contract 1.1. (twinning)	2.000							2.000
Contract 1.2. (supplies)		0.780						0.780
<b>CUMULATED</b>	<b>2.000</b>	<b>2.780</b>	<b>2.780</b>	<b>2.780</b>	<b>2.780</b>	<b>2.780</b>	<b>2.780</b>	<b>2.780</b>
<b>DISBURSED</b>								
Contract 1.1. (twinning)	0.400	0.400		0.400		0.400	0.400	2.000
Contract 1.2. (supplies)		0.468			0.312			0.780
<b>CUMULATED</b>	<b>0.400</b>	<b>1.268</b>	<b>1.268</b>	<b>1.668</b>	<b>1.980</b>	<b>2.380</b>	<b>2.780</b>	<b>2.780</b>



### **ANNEX III – Description of the Institutional Framework**

According to the Law of Ministries, the Ministry of Agriculture, Forestry and Water Management (MAFWM) is responsible for development of strategies, policies and measures in the field of agriculture, forestry and water management. The Ministry has also the competencies related to the implementation of agricultural policy by preparing and implementing both development programmes and directs support schemes.

Within the Ministry, the three following sectors are directly related to rural development:

- **Sector for Statistics and Agrarian policy** - carries out the functions of analysis and development of policies in the agrarian field. It therefore develops and proposes measures directed to development of agriculture (in cooperation with the sector for rural development).
- **Sector for Agrarian Operations and Financial Management** carries out duties related to implementation of policy support measures directed towards agricultural and rural development, by evaluation of applications, monitoring, inspection and payment of subsidies.
- **Sector for Rural Development** is responsible for rural development support programs, measures and related projects. Programming and Monitoring and Evaluation of IPARD like measures are realized in this Sector.

The new Law on Agriculture has been adopted by the Serbian Government and by the Serbian Parliament in May 2009. This Law serves as a basis for the establishment of Paying Agency. However, the Law stipulates establishment of Agrarian Payments Directorate first, as an administrative body forming part of the Ministry and shall carry out the following duties:

- 1) receive requests for the exercise of the right to incentives;
- 2) call a competition and receive applications for getting the incentives;
- 3) perform administrative control and on-the-spot control according to the submitted requests for incentives
- 4) decide on the right to incentives;
- 5) effect payment of the pecuniary amounts based on the granted request to exercise the right to incentives;
- 6) implement the programs of international incentives for the agricultural policy in the Republic;
- 7) establishes and maintain accountancy for filing of contracted obligations and payments;
- 8) implement programmes related to international subventions for agricultural policy in Serbia
- 9) keep the agricultural holdings register;

- 10) keep records on the approved incentives;
- 11) perform independent internal auditing;
- 12) communicate reports and surveys to the minister responsible for agricultural affairs;
- 13) perform other duties in accordance with the present Law.

The Government of Serbia has begun the process of DIS preparation through the **Project “Support to preparation of DIS of EU funds in the Republic of Serbia”**. The main results of this project are the design of a Strategy and Action plan for DIS implementation, along with enabling the appointment of the officials required under the IPA regulations, the positioning of the DIS key players, a capacity building plan (including workload analysis, staff needs analysis, training plan and indicative cost estimates) as well as a package of proposed changes in the relevant national legislation.

Two new IPA projects are also aiming to prepare Serbia for DIS:

- ✓ IPA 2007 project: “*Support to the implementation of the management of EU funds under a Decentralized Implementation System in the Republic of Serbia*” to be implemented from mid of 2009.
- ✓ IPA 2008 project ‘Further support for implementation of DIS’.

## ANNEX IV – Reference to laws, regulations and strategic framework

The Republic of Serbia does not have a legislative framework regulating rural development, so adoption of a new law on agriculture and rural development will regulate this area.

Current Legislative framework:

- The Law on Agricultural Service (Official Gazette of RS 61/91)
- The Law on Organic Production and Organic Products (Official Gazette of RS 62/06)
- By-laws:

List of By-Laws
Decree on allocation and use of incentive funds for building a rural development support system.
Decree on allocation and use of incentive funds for support to rural development through purchasing new agricultural equipment and machines, as well as digging wells for irrigation purposes.
Decree on allocation and use of incentive funds for support to rural development through investing in rural tourism.
Decree on allocation and use of incentive funds for support to implementation of entrusted and other expert and advisory affairs in agriculture.
Decree on allocation and use of incentive funds for improvement of the activities and support to interest-driven association of farming cooperatives.
Decree on allocation and use of incentive funds for support to rural development through a specific support program to socially vulnerable, displaced persons and refugees.
Decree on allocation and use of incentive funds for support to rural development through a specific program of support to development of Roma ethnic community members.
Decree on establishing a program on allocation and use of incentive funds for keeping and sustainable use of plant genetic resources for food and agriculture.
Decree on establishing a program on allocation and use of incentive funds for keeping and sustainable use of genetic resources of domestic animals.
Decree on allocation and use of incentive funds for support to development of organic production.
Rulebook on requirements to be met by a legal entity issuing a certificate or a re-certificate for organic products and on the way of certification (Official Gazette of RS 81/06).

Rulebook on packaging, storing and transport of organic products (Official Gazette of RS 96/06).
Rulebook on the design of label and national mark of organic products (Official Gazette of RS 107/07).
Rulebook on the conditions and way of trade in organic products (Official Gazette of RS 7/08).
Rulebook on the method of keeping records and contents of reports based on which records are kept for organic production (Official Gazette of RS 14/08).
Rulebook on the methods of organic cattle breeding (Official Gazette of FRY 52/02).
Rulebook on methods of organic plant production and on collecting forest fruits and medical herbs as products of organic agricultural production (Official Gazette of FRY 52/02).

## ANNEX V- Details per EU funded contract

Modalities of implementation of project	
Results	Type of Contract
1 Rural development measures more accessible to farmers and implemented more effectively	Twinning
2 Capacities of Payment Agency enhanced in order to implement set of direct payments schemes harmonized with CAP pillar I	
3 Improved risk management and on-the-spot checks (rugged handheld computers with GPS / GIS facilities)	Supply Contract

The profiles of the key and non - key experts for the Service contract must have adequate experience and knowledge in the field of Market surveillance system. The experts team will constitute: 1 team leader, 3 junior expert, 3 short-term senior experts from the each component of the project - field of agriculture and rural development, direct payment schemes as well as for training, capacity building and other expertise.

An indicative equipment list is shown below, please note that it is expected that an existing management information system will be used to host the specialist interface for the field computers.

### IPARD

#### IPARD - Belgrade central office

	Unit	Cost	Total
Workstations	1	1,500 €	1,500 €
Mobile devices (Psion type field computer)	5	1,500 €	7,500 €

---

9,000 €

---

#### IPARD - region stations / office

	Unit	Location	Cost	Total
Workstations	1	2	1,500 €	3,000 €
Mobile devices (Psion type field computer)	2	2	1,500 €	6,000 €

---

9,000 €

---

<b>IPARD - sub-region stations / office</b>	Unit	Location	Cost	Total	
Workstations	1	34	1,500 €	51,000 €	
Mobile devices (Psion type field computer)	2	34	1,500 €	102,000 €	
					<u>153,000 €</u>
Software licences		37	150 €	5,550 €	<u>5,550 €</u>
	person / hrs	Locations	Rate	Total	
Adapting software for integrating mobile devices	30	37	500 €	555,000 €	<u>555,000 €</u>
				<b>Total</b>	<b><u>731,550 €</u></b>
<b>Average location cost</b>					<b>19,772 €</b>

**TA for rural development in Serbia**

	Start date	End date	2006				2007				2008				2009				2010				2011				2012				2013				2014			
			1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
			Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q
Support to Rural Development Programming & Payments System 2006-2008 (CARDS 2004)	Feb-06	Apr-08	■																																			
Serbian Transitional Agricultural Reform (WB & GEF - STAR, 20 Meuro, including pilot schemes in for example the milk sector)	Sep-08	Nov-11									■																											
Capacity building to implement rural development policies to EU standards (IPA 2007 – Phase I, twinning & TA)	Jan-10	Jan-02													■																							
Institutional Capacity Building & Support to Agriculture & Rural Development in Serbia – Phase II (IPA 2009)	Jan-12	Jan-14																					■															