

ANNEX C1

STANDARD TWINNING PROJECT FICHE

1. Basic Information

- 1.1 Program: IPA
1.2 Twinning Number: SR 07 IB AG 01
1.3 Title: Strengthening the capacities of the Republic of Serbia for the absorption of EU Rural Development funds in pre-accession period
1.4 Sector: Agriculture - Paying Agency for Rural Development and Agrarian Payments (PA) and Managing Authority (MA)
1.5 Beneficiary country: Republic of Serbia - Ministry of Agriculture, Forestry and Water Management (MAFWM)

2. Objectives

2.1 Overall Objective(s):

To support the sustainable adaptation/harmonization of the MAFWM to the *acquis communautaires* related to the Common Agricultural Policy (CAP) in order to prepare the Republic of Serbia for the accession to the EU.

2.2 Project purpose:

To strengthen the institutional capacities of competent bodies within the Serbian MAFWM in order to implement the Rural Development component of the Instrument for Pre-Accession (IPARD) [Council Regulation (EC) No 1085/2006 and (EC) No 718/2007].

This project will contribute to the:

- *Setting-up of the Paying Agency (PA) and the Managing Authority (MA) within the MAFWM, in line with EU requirements;*
- *Improvement of the IT system;*
- *Elaboration and implementation of a training plan focusing on the CAP, IPA, IPARD, etc.;*
- *The harmonization of by-laws with EU regulations.*

2.3 Contribution to National Development Plan/Cooperation Agreement/Association Agreement/Action Plan:

The **Poverty Reduction Strategy (PRS)**, **EU Accession Strategy** and the **Agriculture Strategy**, all identify the need for development and diversification of the rural economy.

The higher incidence of poverty is caused by resource-poor farming structures (especially in central and south-Serbia), a lack of alternative off-farm or on-farm non-agricultural gainful activities and the rural population's limited access to social (health-care, schooling, etc.) and recreational services. These limited income earning and consumption opportunities in turn exacerbate the out-migration of the younger and more educated who leave behind them the elderly and less educated who have lower levels of employment mobility.

To break this vicious circle, the authors of the PRS Program proposed the preparation of a national rural development plan focused upon supporting investment in rural areas, assisting rural communities to take advantage of local comparative advantage, and raising non-agricultural employment. It was noted that social and environmental issues as well as economic ones would need to be taken into account and that there would need to be a joined-up response of the Government, the active involvement of decentralised authorities, and the engagement of social and economic partners and civil society.

The **2006-2012 Action Plan** for the implementation of the **National Strategy of Economic Development of Serbia** identifies the need to establish a programme for Rural Development to be funded from national funds and donor contributions as well as the need to establish the required payment systems.

In March 2008, a **National Rural Development Program for 2008-2013** was drafted and is expected to be adopted by the Parliament in 2009.

The **Strategy for Balanced Regional Development**, adopted by the government in January 2007, is also important because it is the first document that attempts to tackle the issues specific to the development of the regions. The Strategy broadly encompasses the development priorities and interventions aimed at building overall development capacity, reducing disparities and building the potential of poorer parts of the country to compete. It also sets out a coherent unified policy and legal framework for regional development as well as a strategy for building the institutional framework.

The **European Partnership** with Serbia (including Kosovo) of 18 February 2008 (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.

Multi-annual Indicative Planning Document (MIPD):

The main agricultural and rural development sector policies during this period are:

- 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 carry out rural census, improve statistics in the sector and establish land cadastre and farmers register;
- Strengthened capacity to define agricultural and rural development strategies.

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.”

3. Description

3.1 Background and justification:

Serbian agriculture description

Rural areas in Serbia account for 85% (OECD definition) of the country’s territory with more than half of the total population (55%) living in them. Rural areas include most of the natural resources (agricultural land, forests, waters) with rich ecosystems and biodiversity, human resources and economic activities, as well as important natural, cultural, and historical heritage.

Till the beginning of 1990s rural areas in Serbia, were characterized by a strong out-migratory trend due to the swift growth and development of the other sectors of the

economy. From 1990 to 2000, population movements in rural areas were quite diverse: rural areas continued losing population, but there was, also, an inverse movement of population into the rural areas as well, mainly by internally displaced persons (IDPs) and the urban unemployed. In total, during the period 1991-2002, population in rural areas of Serbia declined by 3.6% compared to an overall 1% decline in the country's total population.

Economic structure of rural areas of Serbia depends largely on the primary sector and the exploitation of natural resources. About 1/3 of the active population in rural areas is employed in agriculture. The high importance of agriculture in the national economy and the low diversification of economic activities in rural areas of Serbia result in the lack of alternative employment and income opportunities. The rural workforce is engaged also in the food processing industry, wholesale and retail trade, building construction and transport. Besides agriculture, the private sector is only recognized in the trade sector. Serbia's performance with respect to diversification is comparable to that of the surrounding countries, since it is under the influence of almost identical factors: unfavourable position of the agrarian sector and rural areas in developmental policies and set courses, low asset accumulation capabilities of rural households, unfavourable capital market and uncertain investment environment, limited market for the placement of products and services by rural areas, inadequately educated human resources, with low level of private entrepreneurship potential.

Agriculture is the predominant activity in most rural areas, characterized by small farm units, low productivity and low farm incomes. A large number of farms are subsistence farms with very small surplus production to market. The findings of the Census of 2002 confirm that most labour force engaged in agriculture in Serbia falls within the category of the labour force producing for their own needs - subsistence production (75%), while only 20% of those involved in farming produce for the market. The proportion of women in 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. Young rural population in the labour market in Serbia 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 one. Its share in GDP is about 11% (about 18%, if including food industry too), employs about 23% of total employees, i.e. 17 % of active population, and its share in exports is about 20%.

In the brief transition period, and the preceding decade, Serbia's agriculture has suffered a heavy negative influence. Socio-economic conditions in which it developed over the period deepened the problem of its low accumulative capacities

and the period of isolation severed technical and technological development which ultimately brought about drop of its competitiveness and the loss of market share.

Serbia's agriculture, after the plight it was facing in the past fifteen years, and the difficulties caused by attempts to adjust to market economy, now is facing a new, great challenge imposed by integration with the European Union. This process will entail numerous changes such as change in production structure, farms, resource management, production control system, market access, environment protection and rural development policies. These changes, however, should not be just an outcome of integration process, but also a result of established economic practices that should pervade all spheres of agricultural sector.

Needs/Problems assessment for this project

In the area of agriculture and rural development, the Republic of Serbia is only partly aligned with the EU's *acquis*.

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

The Annual Report 2008 points out that some progresses were made in the area of agriculture. 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 three regulations defining the distribution and use of subsidies in 2008 have been adopted.

Nevertheless, the strategic plan for rural development and the multi-annual rural development program 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.

On the other hand, the new Law on Agriculture and Rural Development (approved by the Parliament in May 2009), which gives the basis for the establishment of a national agency for rural payments, is an important element to emphasize for the project implementation and sustainability.

The main needs/problems to be considered within this project are:

- The non-existence of the Paying Agency based on EU standards.
- The non-existence of the Managing Authority based on EU standards.
- The incomplete harmonization of laws/by-laws/procedures manuals/etc. with the *acquis communautaires*.
- The structures responsible for Rural Development within the MAFWM severely understaffed.
- The limited knowledge of EU aligned procedures.

National accreditation for component V of IPA (IPARD)

In accordance with the IPA Implementing Regulations, national accreditation should be applied. Correspondingly, in accordance to article 21 of the IPA Implementing Regulation the Government of Serbia shall designate the additional following bodies and authorities:

- National IPA Coordinator (NIPAC),
- National Authorising Officer (NAO),
- National Fund (NF),
- Competent Accrediting Officer (CAO),
- Operating structure by IPA component or programme,
- Audit authority.

According to the Government decision role of NIPAC is delegated to Deputy Prime Minister for European Integration, role of CAO to Minister of Finance and role of NAO to State Secretary in charge for budget preparation.

The country shall establish through formal arrangements:

- An appropriate system for the exchange of information, including the power to require information and a right of access to documents and staff on the spot if necessary,
- The standards to be met,
- The procedures to be followed.

The structures shall have a well-defined administrative organisation and system of internal controls with full internal rules of procedure, clear institutional and personal responsibilities, regarding the following areas:

- Internal control environment,
- Planning and risk management,
- Control activities,
- Information and communication,
- Monitoring activities.

The structures shall fulfil their functions, procedures and responsibilities including all necessary arrangements adopted to protect the financial interests, in respect of transactions to be financed by the Programme, namely:

- The execution of payments,
- The safeguarding of the treasury,
- The security of computer systems,
- The maintenance of accounting records,
- The division of duties and the adequacy of internal and external controls,
- Guarantees to be obtained,
- Amounts to be collected,
- The selection of projects, tendering, contracting; and
- The respect of procurement rules.

3.2 Linked activities (other international and national initiatives):

European Union has funded a technical assistance project "*Support to Rural Development Programming and Payments System (2006 - 2008)*", managed by the European Agency for Reconstruction. 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 general budgetary procedures and agricultural Paying Agencies. For the second component a working group for elaboration of project preparation was established. This project introduced staff of the Ministry of Agriculture, Forestry and Management (MAFWM) with preparation, implementation, monitoring and evaluation of rural development programs and plans, procedures and tools to support these actions. 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. Procedures and tools for the implementation, proposal of financial management and control of agricultural subsidies and rural development support schemes and other payments to beneficiaries, were elaborated in line with actual EU regulations and available structure of the MAFWM. 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 base for the establishment of the Agrarian Paying Agency. Results of this project influenced the request for the project financed from the WB and GEF which has 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 (GEF) grant and a 0.46 million EUR contribution by local communities, which should provide through the project of "*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 has started with 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, municipalities, covered by the network. The main purpose of the network in 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 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”*.

3.3 Results:

Result 1. Paying Agency (PA) established in line with EU requirements

- 1.1. PA prepared and organized to authorize, execute, account and certify National and IPARD payments in line with EU requirements.
- 1.2. Legal documents and necessary regulations related to PA functions prepared and submitted to the Government for adoption.
- 1.3. PA prepared and organized to manage the National payments and accredited or in the process of accreditation for the management of IPARD.
- 1.4. PA IT system operational and functional for a proper management and use of applications and data bases.

Result 2. Managing Authority (MA) established in line with EU requirements

- 2.1. MA and related structures of the MAFWM prepared and organized to implement IPARD in line with EU requirements.

- 2.2. Legal documents and necessary regulations related to MA functions prepared and submitted to the Government for adoption.
- 2.3. MA accredited or in the process of accreditation for the management of IPARD.
- 2.4. National Rural Development Program revised, adopted and ready to be submitted to the EC.

Result 3. Training Plan elaborated and implemented for the PA and MA

- 3.1. PA Training Plan prepared and implemented (including trainings for IT staff).
- 3.2. MA Training Plan prepared and implemented.

3.4 Activities:

For the Result 1, the following activities should be performed:

- 1.1. To prepare and organize the PA for the authorization, execution, accounting and certification of National and IPARD payments in line with EU requirements.
- 1.2. To prepare legal documents and necessary regulations related to PA functions and submit them to the Government for adoption.
- 1.3. To prepare and organize the PA for the management of National payments and for IPARD accreditation.
- 1.4. To ensure an efficient IT system within the PA.

For the Result 2, the following activities should be performed:

- 2.1. To prepare and organize the MA and related structures of the MAFWM for the implementation of IPARD in line with EU requirements.
- 2.2. To prepare legal documents and necessary regulations related to MA functions and submit them to the Government for adoption.
- 2.3. To prepare the MA for IPARD accreditation.
- 2.4. To revise, adopt and prepare the National Rural Development Program for the submission to the EC.

For the Result 3, the following activities should be performed:

- 3.1. To prepare and implement the PA Training Plan.
- 3.2. To prepare and implement the MA Training Plan.

3.5 Means/ Input from the MS Partner Administration:

3.5.1 Profile and tasks of the Project Leader

MS Project Leader:

The Project Leader will manage the project team of selected member state(s) and co-ordinate the implementation of activities. The project leader will establish and

maintain links between experts from member state and beneficiary state. He/she will ensure the timely and effective implementation of the project and achievement of results, through proposed activities. He will also be responsible for modifications of Work plan in accordance with identification of needs in the life time of the Project and in this way ensure, that experts input and distribution of their working days will be used in the most efficient and effective way.

The Project Leader will have the following profile:

- University degree.
- Senior civil servant.
- Experiences in management and control and good organizational skills: managing or assisting in management in at least 2 projects.
- Minimum of 7 years of professional experience in the field of agriculture and rural development as public servant or in mandated body in MS is requested.
- Experiences to work in international and multicultural environment (involvement in at least 2 EU funded projects is required).
- Familiar with the relevant EU regulations and decisions.
- Fluency in English language.
- Knowledge of Serbian language is not obligatory and can be considered as advantage.

BC Project Leader:

The BS Project Leader will manage a project team at the Serbian side and will assure that the decision makers at the Ministry level will be informed properly on the implementation of the project. He will ensure close co-operation and overall steering and coordination of the project. He will be also responsible for drafting reports and other documents, related to project management at the Serbian side and will chair Steering Committee meetings.

3.5.2 Profile and tasks of the RTA

RTA must have a broad knowledge in the area of CAP, IPA and IPARD, which will enable him/her to organize interdisciplinary team for successful implementation of the project. He/she should be an employee of the governmental competent authority (Ministry or Agency) in Member State responsible for management of CAP. He/she should accordingly have a broad knowledge of EU requirements with respect to the implementation of EAGF in the relevant programming period and EAFRD funds with particular emphasis on procedural aspects.

Minimum qualifications required:

- At least seven (7) years working in the field of Rural Development in public administration of selected Member state or mandated body.
- University degree (BSc.) with references to agriculture, rural development, forestry and economy. Higher education (MSc. or PhD with references to rural development is preferred).
- Working experience in Paying Agency or Managing Authority.

- Excellent knowledge of English.
- Skills: good communication and coordination skills.

3.5.3 Profile and tasks of the short-term experts

Detailed profiles and tasks of short-term experts will be provided in Twinning Work Plan. The indicative requirements are following:

Short and Medium Term Experts:

Minimum qualifications required:

- Minimum of 3 years professional experience in institutional restructuring/strengthening, legislative implications, human resource development in institutions and IT system with regard to implementation of rural development plan and SAPARD/IPARD Agency.
- University degree or equivalent professional experience in relevant areas.
- Training experience.
- Experience on manual and guide preparation.
- Experience in preparation, monitoring and evaluation of projects.
- Excellent written and oral knowledge of English.
- Proven contractual relation with public administration or mandated body;
- Capacity to integrate into a large expert team.
- Willingness to work in a different cultural environment.

The concrete assignments will be subject to the preparation of the twinning Contract and the recommendations of the twinning partner(s).

4. Institutional Framework

According to the Law of Ministries, the Ministry of Agriculture, Forestry and Water Management is responsible for development of strategies, policies and measures in the field of agriculture, forestry and water management.

Within the Ministry, there are three sectors that 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 Ministry of Finance (Treasury Department) is involved in implementation of agrarian payments, as it is responsible for the final approval of finances and release funds to beneficiaries.

5. Budget

	Programme Support		Total Programme (=I+IB)	National Co-financing*	IFI*	TOTAL
	Investment Support (I)	Institution Building (IB)				
Twinning Covenant	-	-	2,00	-	-	2,00
Contract for equipment supply	-	-	-	-	-	
Total (MEUR)	-	-	-	-	-	2,00

6. Implementation Arrangements

6.1 Implementing Agency:

Delegation of the European Commission to the Republic of Serbia

Contact person: Mr. Pierre-Henri Helleputte, Project Manager
 Address: Vladimira Popovica 40, 11 070 Belgrade
 Tel: +381 11 3083 200
 Fax: +381 11 3083 201
 E-mail: pierre-henri.helleputte@ec.europa.eu

6.2 Main counterpart in the BC:

Ministry of Agriculture, Forestry and Water Management,

Contact person: Mr. Dejan Serdar
 Department for Project Management
 Address: Nemanjina 22-26, 11000 Belgrade
 Tel: +381-11-3616-574
 Fax: +381-11-363-1543
 E-mail: dejan.serdar@minpolj.sr.gov.yu

RTA counterpart: Mr. Aleksandar Bogunovic
 Head of Department for Rural Development
 Address: Nemanjina 22-26, 11000 Belgrade
 Tel: +381-11-3348-033
 Fax: +381-11-2634941
 E-mail: a.bogunovic@minpolj.sr.gov.yu

BC Project Leader: Mr. Milan Stegic

Assistant Minister for the Sector for Agrarian Operations
and Finance
Address: Nemanjina 22-26, 11000 Belgrade
Tel: +381- 11-363-1543
Fax: +381-11-363-1543
E-mail: milan.stegic@minpolj.sr.gov.yu

A Project Steering Committee (PSC) will be established and the project is to be implemented under the direct control and supervision of this Steering Committee (PSC). The PSC will be responsible for the overall quality of project implementation and provide strategic direction. The Committee 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 Committee will meet on quarterly basis.

Members of the PSC will be representatives of the key project stakeholders: Ministry of Agriculture, Forestry and Water Management; Ministry of finance, Treasury; Ministry of Economy and Regional Development and European Integration Office. EC Delegation will be invited as an observer. The EC Delegation should provide guidance on procurement and project evaluation respectively. The PSC will be chaired by the BC Project Leader.

6.3 Contracts:

There will be one (1) **Twinning contract**.

7. Implementation Schedule (indicative)

7.1 Launching of the call for proposals:	June 2009
7.2 Start of project activities estimated:	1 st quarter 2010
7.3 Project completion:	1 st quarter 2012
7.4 Duration of the implementation period:	24 months

8. Sustainability

The project will result in an established Paying Agency and Management Authority, which will manage payments for rural development harmonization to EU standards. This system will be use for IPARD funds and prepare for the future EAGF/EAFRD, through the set up of financial and management structures.

The IT system put in place will be maintained by the Ministry of Agriculture, Forestry and Water Management and the trained staff will use, maintain and update the system and explain it to new employees during and after the project.

9. Crosscutting issues

9.1 Equal Opportunity:

Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. All contractors shall be requested to provide monitoring data recording the participation of men and women in terms of expert inputs (in days) and of trainees benefiting under the project (in days) as an integral component of all project progress reports. Equal participation of man and woman during the implementation of the project will be assured.

9.2 Environment:

This project will not have any negative effects on the environment. For this project is not obligatory to perform environmental impact assessment. This project should provide positive effects on agro-environment in general, through new rural development programming and national agrarian support measures. This will contribute to environment protection and preservation of natural resources through increased number of applications, increased number of disbursed funds and increased public awareness through promotional activities of the MAFWM.

10. Conditionality and sequencing

- Adoption of Serbia's new **Rural Development Strategy** for the period **2009-2013**, (September, 2009*);
- The **Law on Advisory Service** in the area of agriculture and rural development, in accordance with EC Regulation 1782/2003 and 1783/2003 and their subsequent amendments (October, 2009*);
- Strategy for regulation and enhancement of the work of advisory services in agriculture (September, 2009*);
- Creation of a **Directorate for Agrarian Payments**, to perform all duties in agricultural payments, in cooperation with the Ministry of Finance - Treasury Department, with which cooperation is already on-going.

***Time-limits** in the brackets are given according to the Ministry's Program for 2009. The establishment of Structures/Bodies/Directorate for Agrarian Payments that would manage, authorize, execute and account, has its basis in the new Law on Agriculture and Rural Development, approved in May 2009 by the Parliament.

In June 2009, eight international consultants will finish their work on the creation of horizontal documentation/procedures and manuals for the establishment of the Directorate for Agrarian Payments (new systematization of working places, IT system, technical check, on-the-spot control, financing, internal audit/control, etc.)

The building for the Directorate for Agrarian Payments is located in Šabac and it will be technically finished/prepared before September 2009. At that time the new staff will be employed according to the adopted systematization of working places. The New Law on Agriculture and Rural Development stipulates that the decided number of staff/officials and equipment (defined by minister of MAFWM) will be transferred from the Ministry of Finance - Treasury Department to the Directorate. Staff/officials

from the Sector for Agrarian Operations of the MAFWM will be transferred to the Directorate and the staff from the Rural Development Sector will be transferred to the Managing Authority according to EU requirements. Provision of sufficient staff will be increased gradually in the following years.

MAFWM should provide to the Twinning partner adequate staff and other resources for effective work. The senior management at MAFWM must be fully involved in the development and implementation of the policies and institutional change required to deliver the project results. MAFWM must be therefore dedicated to strengthening its capacities for implementing coordinated relevant legislature, and shall provide assistance to all institutions and authorities in charge of realization of the twinning components and in strengthening their capacities.

Annex I - Current regulations relevant to the project

The Republic of Serbia has since May 2009 a new Law on Agriculture and Rural Development (approved by the Parliament). This law is the main legislative framework regulating rural development in Serbia.

Other relevant laws and by-laws:

- 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 II - Logical Framework Matrix

LOGICAL FRAMEWORK PLANNING MATRIX FOR TWINNING FICHE	Strengthening the capacities of Republic of Serbia for the absorption of EU Rural Development funds in pre-accession period		
	Contracting period expires 5 years after the signature of the Financing Agreement	Disbursement period expires 6 years after the signature of the Financing Agreement	
	Total budget: 2,000,000€	IPA budget: 2,000,000€	
Overall objective	Objectively Verifiable Indicators	Sources of Verification	
To support the sustainable adaptation/harmonization of the MAFWM to the <i>acquis communautaires</i> related to the Common Agricultural Policy (CAP) in order to prepare the Republic of Serbia for the accession to the EU.	<ul style="list-style-type: none"> ▪ Number of Serbian laws, by-laws and regulations drafted and/or adopted in line with EU requirements. 	<ul style="list-style-type: none"> ▪ EC Progress Reports. ▪ Official Gazette of Republic of Serbia. 	
Project purpose	Objectively Verifiable Indicators	Sources of Verification	Assumptions
To strengthen the institutional capacities of competent bodies within the Serbian MAFWM in order to implement the Rural Development component of the Instrument for Pre-Accession (IPARD) [Council Regulation (EC) No 1085/2006 and (EC) No 718/2007].	<ul style="list-style-type: none"> ▪ Number of Serbian laws, by-laws, regulations and procedures drafted and/or adopted in line with EU requirements ▪ PA and MA established and accredited or in the process of accreditation. 	<ul style="list-style-type: none"> ▪ Twinning Final Report. ▪ EC Progress Reports. ▪ Official Gazette of Republic of Serbia. ▪ Official Accreditation Documentation. 	<ul style="list-style-type: none"> ▪ The Serbian public administration and institutions demonstrate a political will for change. ▪ Serbian Government allocates and approves sufficient budget for the increase of staff in the MA & PA. ▪ Political and financial stability of the Republic of Serbia. ▪ EC and national co-financing funds made available.
Results	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Result 1. Paying Agency (PA) established in line with EU requirements	For Result 1	<ul style="list-style-type: none"> ▪ Interim & Final Twinning Reports ▪ Minutes of the Steering Committee meetings. ▪ Minutes from consultation meetings. ▪ Official Accreditation Documentation. ▪ Official Gazette of Republic of Serbia. ▪ EC Progress Reports. ▪ Official Accreditation Documentation ▪ Manuals, handbooks, procedures, plans, etc. prepared with the framework of the Twinning. ▪ Monitoring and Evaluation 	<ul style="list-style-type: none"> ▪ The Serbian public administration and institutions demonstrate a political will for change. ▪ Serbian Government allocates and approves sufficient budget for the increase of staff in the MA & PA. ▪ Political and financial stability of the Republic of Serbia. ▪ EC and national co-financing funds made available.
<ol style="list-style-type: none"> 1.1. PA prepared and organized to authorize, execute, account and certify National and IPARD payments in line with EU requirements. 1.2. Legal documents and necessary regulations related to PA functions prepared and submitted to the Government for adoption. 1.3. PA prepared and organized to manage the National payments and accredited or in the process of accreditation for the management of IPARD. 1.4. PA IT system operational and functional for a proper management and use of applications and data bases. 	<ul style="list-style-type: none"> ▪ Number of rulebooks, handbooks, manuals, etc. prepared. ▪ Number of by-laws and regulations concerning PA drafted and/or adopted in line with EU requirements. ▪ PA accredited or in the process of accreditation. ▪ Number of payments executed for national and IPARD like measures ▪ Number of procedures and manuals for IT management developed. 		
Result 2. Managing Authority (MA) established in line with EU requirements	For Result 2		
<ol style="list-style-type: none"> 2.1. MA and related structures of the MAFWM prepared and organized to implement IPARD in line with EU requirements. 	<ul style="list-style-type: none"> ▪ Number of rulebooks, handbooks, manuals, etc. prepared. ▪ Number of by-laws and regulations 		

<p>2.2. Legal documents and necessary regulations related to MA functions prepared and submitted to the Government for adoption.</p> <p>2.3. MA accredited or in the process of accreditation for the management of IPARD.</p> <p>2.4. National Rural Development Program revised, adopted and submitted to the EC.</p> <p>Result 3. Training Plan elaborated and implemented for the PA and MA</p> <p>3.1. PA Training Plan prepared and implemented (including trainings for IT staff).</p> <p>3.2. MA Training Plan prepared and implemented.</p>	<p>concerning MA drafted and/or adopted in line with EU requirements.</p> <ul style="list-style-type: none"> ▪ MA accredited or in the process of accreditation. ▪ Government decision for adoption of the National Program for Rural Development. <p>For Result 3</p> <ul style="list-style-type: none"> ▪ Number of employees and/or from PA, MA and competent MAFWM bodies trained. ▪ Number of trainings and study visits performed. ▪ Number of information & training material prepared and distributed to employees (leaflets, brochures, guidelines, etc.). 	<p>reports.</p> <ul style="list-style-type: none"> ▪ Study tours and field visits reports. 	
Activities	Means	Specification of costs	Assumptions
<p>For the Result 1, the following activities should be performed:</p> <p>1.1. To prepare and organize the PA for the authorization, execution, accounting and certification of National and IPARD payments in line with EU requirements.</p> <p>1.2. To prepare legal documents and necessary regulations related to PA functions and submit them to the Government for adoption.</p> <p>1.3. To prepare and organize the PA for the management of National payments and for IPARD accreditation.</p> <p>1.4. To ensure an efficient IT system within the PA.</p> <p>For the Result 2, the following activities should be performed:</p> <p>2.1. To prepare and organize the MA and related structures of the MAFWM for the implementation of IPARD in line with EU requirements.</p> <p>2.2. To prepare legal documents and necessary regulations related to MA functions and submit them to the Government for adoption.</p> <p>2.3. To prepare the MA for IPARD accreditation.</p> <p>2.4. To revise, adopt and submit the National Rural Development Program to the EC.</p> <p>For the Result 3, the following activities should be performed:</p> <p>3.1. To prepare and implement the PA Training Plan.</p> <p>3.2. To prepare and implement the MA Training Plan.</p>	<p>Twinning: RTA, short term experts, training (seminars and workshops) and study visits to Member and candidate state(s).</p> <p>Learning by doing</p> <p>Hand books, manuals, documents, brochures</p>		<ul style="list-style-type: none"> ▪ Designation, through a Governmental decision, of the following bodies: <ul style="list-style-type: none"> a) PA for IPARD. b) MA for IPARD. c) Audit Authority, responsible of auditing PA accounts. ▪ Provision by the national authorities of sufficient staff and financial resources in the national budget for the bodies designated in accordance with point.