1. Basic Information
1.1. CRIS number: 2002/000-580-04-03  
Twinning number: PL/IB/2002/AG/03
1.2. Title: Preparation of AMA as paying agency
1.3. Sector: Agriculture
1.4. Location: Poland

2. Objectives:
2.1. Overall objective: Accreditation of AMA as EU paying agency
2.1 Immediate objectives:
- AMA meeting the requirements of Regulation 1663/95 concerning accreditation as the paying agency,
- Implementation of CAP mechanisms in AMA’s Headquarters and its Regional Branches,
- Implementation of an information system for CAP beneficiaries on particular schemes and instruments,

2.3 Accession Partnership and NPAA Priorities
The need for the project arises from the priority indicated in Accession Partnership defined as the necessity to “upgrade the capacity of agricultural administration and complete preparations for the enforcement and practical application of the management mechanisms of the Common Agricultural Policy, in particular (…) the Paying Agency”.
NPAA: under priority 7.8 task 1, it is foreseen to prepare Agricultural Market Agency for implementation and financial services of CAP mechanisms (except for direct payments and accompanying measures). The Action Plan calls for the supplementary assistance in the field of “finalization of the AMA preparation for the implementation of the management procedures for all common market organizations”.

3.1 Background and justification
Poland’s integration with the European Union and the achievement of a full membership constitute the highest priority goal for the Polish foreign and economic policy. Agriculture is among sectors where the adjustments will be the most necessary and they should bring about considerable profits.

According to the Law of 16 of February 2001, Agricultural Market Agency was designated as a future paying agency responsible for administration of Common Agricultural Policy mechanisms, except for direct payments and accompanying measures channelled directly to agricultural producers. In accordance to the above-mentioned law, before Poland’s accession the European Union, the Minister responsible for public finances will be obliged to carry out activities in order to confirm the readiness of Agricultural Market Agency and Agency for Restructuring and Modernisation of Agriculture for fulfilment of the paying agencies’ functions. It applies in particular to the fulfilment of adjustment activities in relation to agricultural markets and development of rural areas. As a future EU paying agency, AMA will be responsible for efficient application of CAP mechanisms, excluding direct payments and accompanying measures.

AMA is obliged to play the role of an intervention and paying agency in the meaning of the EU regulations, particularly Commission Regulation (EC) 1663/95. Currently, AMA is working on preparation of CAP mechanisms’ administration in compliance with acquis communautaire, especially with rules of accreditation. Implementing documents for particular CAP mechanisms, including rules, procedures, desk instructions, checklists and leaflets are being elaborated.

At the moment of Poland’s accession all necessary measures allowing the appropriate functioning of CAP mechanisms and instruments must be guaranteed. According to the EC recommendations, particular emphasis was put in the year 2000 on acceleration of legislation

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1 There are multiple market beneficiaries of the future CAP mechanisms in Poland, including agricultural associations, representatives of sectoral professional organisations active in all regulated markets, local authorities and special administration bodies (e.g. School supervisors) involved in market intervention, professional organisations of the food processing sector etc. Market beneficiaries do not comprise farmers.

2 Law of 16 of February 2001 on modification of law on Sanitary Inspection, law on establishment of Agricultural Market Agency, law on establishment of Agency for Restructuring and Modernisation of Agriculture, Customs Code Law, law on fighting animal contagious diseases, examination of slaughter animals and meat and law on Veterinary Inspection and law on administration of external trade in goods and on special trade.
adjustment. Thus, till the beginning of 2001 the following laws were adopted: Law on regulation of milk
and milk products market; Law on organization of fruit and vegetables market, hops market, tobacco
market and dried fodder market; Law on regulation of potato starch market and Law on regulation of
sugar market. The Agricultural Market Agency has been preparing for the application of new intervention
instruments arising from the adoption of the above legislation which adjusts certain markets. These
instruments are as follows: registration of dried fodder producers, limitation of dried fodder production,
limitation of raw tobacco production and partial implementation of duties arising from the law on sugar
market regulation.

The above mentioned laws regulate the respective markets according to the rules as much
similar to those provided for in the EU legislation as it is possible in the pre-accession period. However,
full compliance still needs to be ensured for the application of CAP mechanisms on the day of
accession. This objective will partly be achieved under two Phare projects currently carried out in AMA,
i.e. Phare '99 project entitled ‘Preparation for the implementation of CAP’ and Phare 2000 project entitled
‘CAP Common Market Organisations’. Under these projects, some documentation3 necessary for the
implementation of most CAP mechanisms has already been elaborated and the remaining documents
will gradually be elaborated till the end of the first quarter 2003. The relevant software created by AMA
(point 3.2 below) would be more reliable and trustworthy if the testing and debugging were performed
under the UE Member States expertise.

Elaboration of implementing documentation, as well as adoption of the adequate management
structure in AMA, including among others increase in the number of AMA’s Regional Branches from
present 7 to 16 (decided in the Prime Minister’s Regulation of March 25, 2002 – Official Journal No 31
item 287) as from the beginning of 2003 and recruiting additional AMA staff, will form the basis for the
implementation of CAP mechanisms. Due to the widened scope of AMA’s tasks, the employment in AMA
will be increased by ca. 200 persons in 2002 and ca. 400 persons in 2003. The target level of
employment in AMA for 2004 will amount to 1000 – 1200 persons. Consequently, the adequate
preparation of the additional personnel, both in the AMA’s Headquarters and in its Regional Branches, is
necessary for the effective implementation of CAP instruments, financial services and control in line with
the acquis.

Thus, it is necessary to complete the gaps already identified or those that will be identified both
by AMA in its internal documents and by PAAs employed under Phare’99 and Phare 2000 projects in
their reports. These gaps mainly concern the following fields:
- verification of the AMA’s functions as the paying agency, such as the preparation of mechanisms for
  implementation, monitoring and reporting to the European Commission,
- strengthening AMA’s informative role vis-à-vis market beneficiaries through elaboration of rules for
  forwarding current and reliable information in order to enable AMA the fulfilment of its public service
  role, especially regarding CAP mechanisms (excluding milk quota system),
- training AMA employees in using information system created for fully harmonised mechanisms (in
  relation to the most significant CAP mechanisms for AMA except for milk quotas),
- delegation of some functions that, due to the diversity and complexity of mechanisms, cannot be
  performed by AMA, e.g. sampling and laboratory analyses, to the external institutions in line with point
  4 of the Annex to Commission Regulation (EC) No 1663/95 as well as specification of conditions for
  their delegation,
- evaluation of the actions undertaken so far both in the framework of former Phare assistance and
  based on AMA’s own resources and define necessary corrective measures.

Moreover, in January 2002, the Agricultural Market Agency’s management accepted an internal
document entitled AMA IT Strategy where key steps to be undertaken to implement IT systems for
supporting administration of CAP mechanisms were identified. Fulfilment of activities provided for in the
Strategy has already commenced with elaboration of tender specification for development of software
automating basic mechanisms to be administered by AMA. Currently, AMA has started activities under
second step of IT Strategy, through launching work on tender specification for development of software
supporting finances and accounting systems. In order to ensure smooth and efficient performance of the
above tasks, it is needed to provide hardware with application systems for operational units in AMA’s
Headquarters and its Regional Branches.

3 Including instructions, models, sets of written rules and procedures, desk instructions and application forms
Above mentioned fields were identified during the implementation of the projects: Phare’99 and Phare 2000. Taking into account that these projects are still being carried out, additional fields will be identified during their realisation. Thus, these problems could be resolved in the framework of Phare 2002 project.

3.2 Linked activities
So far the Agricultural Market Agency has participated in 3 main Phare projects: PL9904.06, PL0006.08 and PL01.04.07.

1. The Phare’99 project “Preparation for implementation of the Common Agricultural Policy” was launched in August 2000 and included the twinning covenant PL99/IB/AG/01. One of its beneficiaries is the Agricultural Market Agency. As far as AMA is concerned, the objective of this covenant is to prepare the Agriculture Market Agency to administrate selected CAP mechanisms (excluding direct payments and CAP accompanying measures).

So far, most of the documentation crucial for preparation of the implementation of CAP mechanisms (covered by this project) has been elaborated. Completion of this project, the first in the field of preparation for implementation of CAP in AMA, is expected in July 2002.

In the investment component of Phare’99, AMA procured computer hardware necessary for proper carrying out the tasks related to both Phare’99 and the successive AMA Phare projects and installed it so as to allow the new AMA employees start their duties at the end of 2001.

2. In August 2001 the Agency started to implement the twinning covenant PL2000/IB/AG/08-B in the framework of the Phare 2000 project. Activities undertaken in the framework of that project continue and supplement the actions undertaken in the Phare’99 project. They aim at the preparation of Agricultural Market Agency for implementation of several CAP instruments and market mechanisms not covered by Phare’99 project. The Phare 2000 project will create the background for the implementation of most CAP instruments and mechanisms to be administered by AMA.

Under the investment part of Phare 2000 project, it is foreseen to build software for selected CAP mechanisms, mainly the modules for the external trade, intervention on cereals, milk and meat markets, as well as a database for market beneficiaries’ registration. The project will be completed in May 2003. Simultaneously, software for some of the remaining mechanisms will be created using Agency’s own resources and it will be financed out of the national budget. Software for finances and accounting as well as the system supporting private storage aid schemes will be the priority. Due to the adoption of the Law on regulation of milk and milk products market, AMA will build a computer system supporting milk production quota mechanism using its own IT personnel.

Moreover, there is work in progress connected with building in AMA the quality management system in relation to ISO 9000:2000 standards. This will facilitate the creation of AMA documentation structure in compliance with accreditation requirements as well as ISO standards related to management and documentation. Additionally, the training for AMA staff is being organised in the field of building and administration of the management and documentation systems.

3. Under the Phare 2001 project, which will start by the end of 2002, 2100 selected representatives of market participants and 1050 staff of public administration will be trained in functioning of CAP instruments and mechanisms. In the framework of this project, lectures, seminars and workshops will be organised and directed both to beneficiaries of these mechanisms and public administration entities (including AMA) involved in the administration of these mechanisms. However, this training programme will not cover all the needs for training of AMA’s operational personnel in the scope of management and operation of particular CAP mechanisms implemented on adequate platforms of computer systems.

4. The Agricultural Market Agency prepared draft of standard summary project fiche for Phare 2002 project “Implementation of milk quota system in Poland”. It is focused on implementation of AMA management structure in relation to milk quota system both in the Headquarters and in AMA Regional Branches with help of created and tested computer system. It also aims at preparation of purchasing entities for functioning within the system and of advisory institutions for fulfillment of their role in assisting milk suppliers in meeting milk quota system requirements.

3.3 Results
- Positive decision issued by the competent authority (Ministry of Finances) on AMA’s readiness for accreditation as EU paying agency in line with Commission Regulation No 1663/95,
- Selected entities that will perform delegated functions for AMA,
• Computer system validated in respect to its compliance with Commission Regulation (EC) 1663/95,
• Operational employees trained in the field of functioning of the information systems created for the management of CAP schemes,
• System for informing market beneficiaries about CAP mechanisms administered by AMA elaborated.

3.4 Activities
The project will consist of both the twinning and investment components.

Twinning component
A twinning covenant is planned for the Agricultural Market Agency.

One long-term expert (pre-accession advisor – PAA) for the period of 12 months and several short-term EU experts will be recruited.

The PAA will be responsible for overall co-ordination of short-term expert visits, study tours, training and transfer of recommendations and suggested verification and remedial actions in relation to activities conducted by AMA. Furthermore, the main tasks of PAA will consist of the assistance to AMA in its preparation for accreditation, mainly by identifying weak points in or uncompleted activities and recommending actions for their correction. PAA will identify the fields which will still need strengthening and will help AMA in selecting institutions for the sake of realisation of its delegated functions. The PAA will also co-ordinate work of short-term experts on providing assistance to AMA’s employees in the field of interpretation of the relevant EU Regulations and Directives that will be published immediately before and after accession. PAA, with the help of short-term experts, will recognise the remaining gaps and assist in nominating an expert to draw up the final list of computer equipment and application software and to help in specifying their parameters. If such broad-spectrum PAA were unavailable, some of its tasks could be assigned to the short-term experts.

PAA should have long-lasting experience in working in an Intervention Agency, should have thorough knowledge on the accreditation criteria and accreditation procedure as well as the knowledge on organisational and functional structures of Intervention Agencies in at least two different EU Member States. PAA should also have expertise in the functioning of the system of CAP mechanisms.

10 - 12 short-term experts will be employed to:
• identify the requirements in the field of informing market beneficiaries on possibilities of taking advantage of CAP schemes and mechanisms,
• help to identify institutions that can deliver services to AMA in the field of delegated functions and verified their readiness to perform such functions in line with EU legislation,
• identify parameters of computer equipment and application to be purchased by AMA,
• assist AMA in creating recruitment methodology for selection of trainers and training participants,
• assist in providing training for AMA’s employees both in the Headquarters and in AMA RBs, especially the new ones, in the scope of operation of CAP schemes with the use of developed software;
• provide assistance to AMA’s employees in the field of interpretation of the relevant EU Regulations and Directives that will be published immediately before and after accession.

Investment
In order to properly implement the CAP mechanisms (procedures, software applications etc.) prepared under Phare’99 and Phare 2000, it is necessary to provide adequate technical infrastructure for their practical implementation. For this purpose, it is needed to provide hardware with application systems for operational units in AMA’s Headquarters and its Regional Branches. The equipment is also necessary for collection, processing and sending data to the European Commission.
Tentative list of equipment subject to verification of the short-term experts and the PAA.

<table>
<thead>
<tr>
<th>Type of hardware</th>
<th>Estimated cost (in €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster server, servers with operating system and technical infrastructure – procurement of equipment for implementing Phare 2000 results, for AMA Headquarters and 9 new Regional Branches (one server in Headquarters and in each new RB)</td>
<td>900 000</td>
</tr>
<tr>
<td>Application software (server + licences) – procurement of among others ca. 600 licences for database as an investment for the implementation of results of previous Phare projects, for AMA Headquarters and 9 new Regional Branches</td>
<td>600 000</td>
</tr>
<tr>
<td>Total estimated cost</td>
<td>1 500 000</td>
</tr>
</tbody>
</table>

Details relating to the number and technical specification of hardware and number of necessary licences will be specified by the EU short-term experts and accepted by the PAA in the course of the project. Performance of the investment component will give possibility for Agency to complete with the purchases of computer equipment (and licences) necessary for CAP mechanisms administration implemented by Agency under Phare projects.

4. Institutional framework
The overall supervision of the project is exercised by the Ministry of Agriculture and Rural Development.
4.1 Project beneficiary:
Agricultural Market Agency (AMA)
In order correctly to prepare for the fulfilment of its future role, the Agricultural Market Agency shall be adjusted to requirements to be met by EU paying agencies by means of the implementation of CAP mechanisms, strengthening monitoring and reporting function and preparation of the personnel for operating new mechanisms based on reliable information systems.

As a result of this project, CAP mechanisms administered by AMA will be implemented both on central and regional levels and the Agency will be prepared for receiving accreditation. The computer equipment, that will be bought for the AMA’s Headquarter and its Regional Branches under the investment part of this project, will be owned by AMA.

5. Detailed Budget

<table>
<thead>
<tr>
<th>PHARE financing</th>
<th>Investment Euro</th>
<th>Institution Building Euro</th>
<th>Total PHARE (I+IB) Euro</th>
<th>National co-financing Euro</th>
<th>Internation al Financial Institutions IFI Euro</th>
<th>TOTAL Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning, including training for AMA’s employees</td>
<td>-</td>
<td>800 000</td>
<td>800 000</td>
<td>60 000</td>
<td>-</td>
<td>860 000</td>
</tr>
<tr>
<td>Procurement of hardware and application systems</td>
<td>1 500 000</td>
<td>-</td>
<td>1 500 000</td>
<td>500 000</td>
<td>-</td>
<td>2 000 000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1 500 000</td>
<td>800 000</td>
<td>2 300 000</td>
<td>560 000</td>
<td>-</td>
<td>2 860 000</td>
</tr>
</tbody>
</table>

Co-financing by AMA is assured. Adequate resources have been reserved in AMA preliminary budget for the year 2003.

6. Implementation arrangements
6.1 Implementing Agency:
PAO: Krystyna Gurbiel, Under-Secretary of State at the Office of the Committee for European Integration, Aleje Ujazdowskie 9, 00-918 Warsaw; phone +48 22 455 52 41, fax +48 22 455 52 43.
CFCU: Foundation “Co-operation Fund”, Mr Wojciech Paciorkiewicz, Director, 4a Górnoślaska Street, 00-444 Warsaw: phone +48 22 622 84 64, fax: +48 22 622 72 12.
CFCU shall be responsible for carrying out tenders, conclusion of contracts, and realisation of contractual payments in the name of the Ministry of Agriculture and Rural Development, which is responsible for the preparation, administration, and implementation of the project.

6.2 Twinning
It is planned to employ one PAA and 10-12 short-term experts in Agricultural Market Agency. PAA shall be employed for 12 months.

Contact person:
MARD: Miroslaw Drygas, Director of Department for Pre-Accession Assistance and Structural Funds, 30 Wspólna Str., 00 – 930 Warsaw, tel. +48 22 623 25 55.
AMA: Waldemar Sochaczewski, Deputy President, 6/12 Nowy Swiat Str., 00 – 400 Warsaw, tel. +48 22 661 79 18, fax. +48 22 629 54 79.

6.3 Non-standard procedures- not applicable
Tender procedures and contracts will be carried out according to Practical Guide to Phare, Ispa & Sapard.

6.4 Contracts
The conclusion of 2 contracts is planned for the implementation of the project:
1) Twinning Covenant amounting to 0,8 million euro,
2) Contract for hardware and application systems amounting to 2 million euro (1.5 million euro PHARE and 0.5 million euro national funds) as joint co-financing – Practical Guide will be followed,

7. Implementing schedule
• preparation of the twinning covenant – 4th quarter 2002
• launch of the project– 1st quarter 2003
• termination of the project – 3rd quarter 2004

8. Equal opportunities
The participation of women results from the very structure of employment in governmental agencies, where ca. half of the employees are women. The participation of women will be measured with a percentage ratio of the number of women and men participating in training.

9. Environment: N/A
10. Rates of return: N/A
11. Investments criteria: N/A
12. Conditionality and sequencing:
• The efficient fulfilment of activities included in Phare 2000 project, including the preparation for CAP mechanisms implementation,
• Implementation of efficient management structure in AMA, including increase of number of its Regional Branches,
• Preparation of IT systems for operation for management of CAP mechanisms,
• Launching the financing of the project not later than by January 2003,
• Completion of foreseen substantial activities in the field of management of CAP mechanisms before 2004 and identification of any supplementary actions to be undertaken in first half of 2004,
• Software supporting CAP mechanisms elaborated before 2nd half of 2002
## Annex 1: Logframe planning matrix for project -

### LOGFRAME PLANNING MATRIX FOR PROJECT

<table>
<thead>
<tr>
<th>Program name and number</th>
<th>Contracting period expires 30/11/04</th>
<th>Disbursement period expires 30/11/05</th>
<th>Total budget 2,86</th>
</tr>
</thead>
</table>

### 04.03 Preparation of AMA as paying agency

#### Overall objective
- Accreditation of AMA as EU paying agency
  - Accreditation granted by the Minister of Finance
  - Accreditation report

#### Project purpose (Immediate Objectives)

**Objectively Verifiable Indicators**
- AMA fully prepared for accreditation according to the Regulation 1663/95
- Internal management structure created in each organizational unit
- Particular CAP mechanisms fully implemented
- Delegated functions identified and described
- Verified institutions that would perform delegated functions for AMA
- Identified categories of beneficiaries, types of data, models of data forwarding system

**Sources of Verification**
- Accreditation certificate
- Internal audit reports
- PAA and short term experts reports
- Phare monitoring reports sent to the OCEI and CFCU
- Lists of identified delegated functions
- Lists of verified institutions to perform delegated functions
- Training certificates, Training tests and evaluation forms of the participants

**Assumptions & Risks**
- **A:** Appropriate organisational -functional structure adopted in AMA,
  - Efficient management structure in AMA adopted, including increase in number of Regional Branches,
  - CAP mechanisms prepared for implementation,
  - Tested computer system for support of CAP mechanisms,
- **R:** Insufficient resources for the employment of the additional staff

### Results

**Objectively Verifiable Indicators**
- Positive decision issued by the Internal audit completed
  - Internal audit report

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4 There are multiple market beneficiaries of the future CAP mechanisms in Poland, including agricultural associations, representatives of sectoral professional organisations active in all regulated markets, local authorities and special administration bodies (eg. School supervisors) involved in market intervention, professional organisations of the food processing sector etc. Market beneficiaries do not comprise farmers.
competent authority (Ministry of Finances) on AMA’s readiness for accreditation as EU paying agency in line with Commission Regulation No 1663/95,
- Selected entities that will perform delegated functions for AMA,
- Computer system validated in respect to its compliance with Commission Regulation (EC) 1663/95,
- Operational employees trained in the field of functioning of the information systems created for the management of CAP schemes,
- System for informing market beneficiaries about CAP mechanisms administered by AMA elaborated.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis of accreditation fields and areas that need strengthening Analysis of capacities of particular institutions that could perform delegated functions for the benefit of AMA Elaboration of the training scope and methodology Determination of requirements in the field of informing market beneficiaries on possibilities of participating in CAP schemes and mechanisms Procurement of IT necessary for implementation of CAP mechanisms</td>
<td>Twinning: PAA and short-term experts Expertise and consultations Study visits, training Investment: Procurement of servers and computers with necessary application systems</td>
<td>Proper training participants selected Good co-operation with potential external institutions ensured Sufficient information on market beneficiaries available</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Preconditions</th>
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</thead>
<tbody>
<tr>
<td>Launching the financing of the project not later than by January 2003.</td>
</tr>
<tr>
<td>Achievment of objectives provided for under the Phare 2000 project, including the preparation for CAP mechanisms implementation</td>
</tr>
</tbody>
</table>
### Annex 2-3: Time schedule of the implementation, contracting, and disbursement

<table>
<thead>
<tr>
<th>04.03 Preparation of AMA as paying agency</th>
<th>Date of drafting</th>
<th>April 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Planning Period</td>
<td>IV 2002-II 2004</td>
</tr>
</tbody>
</table>

#### Budget Allocation
- Phare 2.3 MEUR
- Poland 0.56 MEUR

<table>
<thead>
<tr>
<th>PLANNED</th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>IV'02</td>
<td>I'03</td>
<td>II'03</td>
<td>III'03</td>
<td>IV'03</td>
<td>I'04</td>
<td>II'04</td>
</tr>
<tr>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
<td>V</td>
<td>VI</td>
<td>VII</td>
</tr>
<tr>
<td>(1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Implementation schedule
- D = design of sub-projects
- C/I = tendering and contracting
- I = contract implementation and payment

#### Disbursement schedule
- *Sums in million EURO, accruing*
- 0.1 0.4 0.6 0.8 1.8 2.0 2.3 2.3