1. Basic Information

1.1 CRIS Number: 2005/017-464.01.03

1.2 Title: Enhancement of the Agricultural Paying Agency (APA) and Implementation of the Single Payment Scheme (SPS) according to the reformed CAP

1.3 Sector: Agriculture

1.4 Location: Slovak Republic

2. Objectives

2.1 Overall Objective(s):

Enhancement of the procedural aspects (e.g. administration, inspection, training) of the Agricultural Paying Agency and institutional preparation of APA for the reformed CAP

2.2 Project purpose:

- Support for solving of shortcomings observed during the first year of IACS implementation

- Implementation of the Single Payment Scheme originating from Title III of Council Regulation (EC) No 1782/2003

2.3 Justification

According to the Council Regulation (EC) No 1782/2003 of 29 September 2003 “establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers” Slovakia will have to switch from SAPS (currently applied) to the Single Payment Scheme in 2008 at the latest.

3. Description
3.1 Background and justification:

Agricultural Paying Agency started its operation immediately after accession under partial accreditation. Problems with direct payment applications occurred in very early stage. APA received significantly lower number of applications as they expected. Although the received applications covered substantial portion of the agricultural land the problem had to be solved. Another problem identified was that in quite many cases (almost 5%) more applicants applied for direct payment for the same parcels. Overlapping of blocks of parcels still has not been resolved and caused delays in payment of the eligible farmers.

In addition to these first problems that had to be dealt with immediately, many other issues have been observed and are still being discovered. Most of these are directly or indirectly linked to the software developed, which causes unpredictable shortcomings and deficiencies. These problems are of systematic nature and current case by case solutions are not sustainable. Technical assistance in this area is crucial for the Paying Agency in order to ensure fair, transparent and timely distribution of EU funds.

Such problems may affect economic situation of the individual farms and may even lead to political discussions.

APA was given a temporary accreditation by the MoA, as the managing authority, on the 15th of June 2004. Herewith APA is authorized to carry out the activities in the line with the act no. 473/2003 Coll. of law. APA has received full accreditation in November 2004.

On the 12th of January 2003 the MoA of the SR adopted a strategy for the implementation of IACS. The Agricultural Paying Agency is responsible for managing of the EAGGF direct payments and other support schemes, its administering and controlling. The APA was established by law no. 473/2003, on the 1st of December 2003.

The CAP Reform that was adopted in 2003 amends the basis for direct payments in a fundamental way. The direct payments will be based on so-called payment entitlements instead of on the production of certain products in the future. Slovakia currently applies a transitional direct payment scheme (the
Single Area Payment Scheme or SAPS) including “topping-up” arrangements negotiated in Copenhagen in December 2003. Current SAPS, as in line with the CAP reform, shall be transformed into the Single Payment Scheme in 2008 at the latest.

The management of direct payments is complex and politically sensitive as it concerns the transfer of the major part of the agricultural support. Slovakia has no experience with the preparation of such a new direct payments scheme (comparable to the introduction of the Mac Sharry reform or the Agenda 2000 reforms). Assistance from experts will make easier the introduction of the reformed CAP.

Slovak state administration is looking for assistance in both fine-tuning of the current IACS as well as introduction of the Single Payment Scheme. Assistance is needed due to still-learning process of almost all APA departments. They foresee many country-specific difficulties in the area of effective direct payments management. Solving most of these individual problems will be a long-term process. Such individual solutions will then be transferred into current procedures. Experience from the old Member States shows that the process of implementation of IACS takes about 5 years. Currently it is the third year and APA feels permanent need of further improvement. In this respect, having still problems with the current IACS, Slovak APA may face more difficulties in dealing with the reform than the old member states.

3.2 Linked activities:
Following Phare projects have been already implemented with regards to above mentioned objective of this project:

- Project SR 9808-03 “CAP - Institution building in the agricultural sector” (Budget 847 000 EUR), component SR98080201 Phare Technical assistance project "Development and Implementation of the System and Methodology for the Exact Analysis of Utilization of the Agricultural Land Using GIS-based Orthophotomaps. Five per cent of the Slovak agricultural land was mapped and the first model for future LPIS was developed. In relation to the IACS and Paying Agency this project was however
premature. Overall allocation of the project 9808-03 CAP – Institution building in sector agriculture was 847 000 EUR.

- **SR99/IB/AG/01 “Preparation for the Implementation of the EU Common Agricultural Policy (CAP)”** (Phare twinning project in co-operation with the Spanish-German-Dutch twinning partners, budget 780 000 EUR)
  
The Overall Objective of the project was to strengthen the Slovakian Administration capacity to effectively implement the CAP in particular preparation of a strategy for adopting CAP. The project outlined basic principles of the CAP and started preparation of the IACS system. The project itself was not very successful (due to low preparedness of the beneficiary etc.). The first bright signal of the project was comprehension of the importance and difficulty of the IACS. This project can be considered as a milestone in introduction of IACS in Slovakia.

- **Twinning Light SR 0110 0008 “Agricultural Paying Agency (for EAGGF)”**. (Budget 150 000 EUR)
  
The objective of the project was the finalisation of preparations of the SR for the practical application of the management mechanisms of the Common Agricultural Policy. The project focused on basic commodities of the Commodity Market Organisations and is not directly relevant to the current project fiche.

- **5821904 0201 “Development of Structures for Implementation of IACS”**
  
  **Overall objective of the project:**

  Harmonisation with acquis in the agricultural sector and Building of the legislative, administrative and institutional structures compatible with the EU structures necessary for the implementation of the instruments of the Common Agricultural and Structural Policy

  **Components of the project were as follows:**

  - Twinning project “Development of Structures for Implementation of IACS”. (Budget 350 000 EUR). The project started in September 2003 and was focused on preparation of the Slovak institutional structures necessary for the implementation of IACS in line with the requirements of the CAP. The project can be marked as a real start of the IACS development. Enormous amount of work within relatively short period of time had shifted IACS system almost before
completion. The current project is very closely related to this project. However this project fiche should not be considered as a follow-up project since development progressed substantially even from the end of this Twinning.

- Twinning Light “Technical Assistance in areas of PPA procedures interlinked with IACS in the Slovak Republic”. (Budget 100 000 EUR) The project supported the above Twinning in very specific areas. It assisted in development of X-tables, accounting and cross-checks. Hands-on experience of EU experts was well appreciated by Slovak APA pioneers.

- Framework contract 5821904 0601 0010 “Nation-wide Training on IACS Administration and Controlling”. (Budget 140 000 EUR) As stated in the title the project prepared not only civil servants for the procedural aspects of the different CAP instruments but also helped farmers in preparation of applications for direct payments. In addition the project assisted in procedural as well as field part of the “on spot control”. Regional office controllers were trained to perform on spot control.

- Technical Assistance 5821904 0601 0009 “Technical Assistance to the Ministry of Agriculture of SR in Execution of Pre-accreditation Audit in Agricultural Paying Agency”. (Budget 410 000 EUR) Pre-accreditation audit performed by the Delloite and Touche company identified number of findings which had to be removed in order to achieve partial and later full accreditation. The project is not directly related however its reports can serve as a useful source of information.

Status of all above-mention Phare project: Completed

3.3 Results

1) Recommendations in form of comments or suggestions for the necessary legislative amendments relating to CAP reform, in particular to the new cross-compliance rules.
2) Decision of the Ministry of Agriculture on SPS roll-out based on the comparative analysis of SAPS and complementary nation direct payments (CNDP) (i.e. topping-up arrangements) with SPS and any CNDP (i.e. topping-up arrangements) – finished before end of 2005

3) Revised IACS procedures in line with EC 796/2004 prepared. Upgraded software of the IACS system in place. Relevant APA staff trained on revised procedures, in particular the new cross-compliance requirements, and able to administer Single Payment Scheme

4) Booklets printed and distributed to the farming community through farmer’s associations (about 12,000 pcs.)

Actions, studies and all other types of activities eligible for support under the Structural Funds Technical Assistance measure (Article 2.4 of Council Regulation (EC) No 1260/1999 and Article 23 of Council regulation (EC) No 1260/1999) or the Rural Development Programme Technical Assistance Measure (Article 33e of Council Regulation (EC) No 1257/1999 as amended by the Act of Accession) are excluded from the scope of this project.

3.4 Activities:

The following activities are foreseen within the project:

1) Detailed analysis of the Council Regulation (EC) No 1782/2003 in relation to adjustments in the current EU and national legislation. Analysis will include detail assessment of the individual sections of the regulation related to budgetary, legal, technical and other aspects. Due to complexity of the regulation, EU legal experts will assist the team of the Slovak legal experts to prepare clear definition and explanation of the individual sections of the regulation. Based on the recommendations the Slovak team will prepare list of amendments of the national legislation (e.g. Law on State Budget, Commercial Code, Penal Code, Law on Procurement, and many others – to be identified within the project) needed for sound implementation and functioning of the regulation.

Duration: 3 months
2) Comparative analysis of the current Single Area Payment Scheme (SAPS) and Complementary Nation Direct Payments (CNDP) (i.e. topping-up arrangements) with the Single Payment Scheme (SPS) and any Complementary Nation Direct Payments (CNDP) (i.e. topping-up arrangements) for the Slovak Government representatives – decision makers. Before the SPS will be implemented it is crucial to compare both instruments in order to make clear decision at what stage the SAPS and topping-up arrangements should be replaced by the SPS and any topping-up arrangements, and exactly how the SPS should be implemented in Slovakia. Comparative analysis will assist to the decision makers in this very important step in the coming years.
Duration: 3 months

3) TA support for adjustments of SAPS and/or preparation of up-graded IACS administrative and control procedures including software adjustments in line with the EC 1782/2003, and including in particular the cross-compliance rules. EU experts will analyse what SAPS or CNDP administration and control procedures can be used also for SPS. Assessment of to what extend the procedures will have to be redrafted and/or newly prepared will be worked out. The activity will be split into two main pillars. One pillar will be focused on administrative and control procedures which will be reflected in the second pillar – software adjustments. Mainly control procedures (software control, on-spot control, risk analysis) have been causing unexpected concerns with the first direct payments. Within this part several trainings and seminars for APA staff will be organised. The training will be focused on introduction of the upgraded IACS and explanation of new SW features to the APA staff. In total 130 participants.
Duration: 6 months

4) Support in preparation and print out of guidelines on applications for the SPS payments for farming community (12,000 booklets - calculated based on the number of current applicants). This activity
will assist the final beneficiaries - farmers. It will include development and reproduction of clear and user-friendly instructions for the step-by-step application for the payments
Duration: 2 months

**Means: Technical Assistance**

**Profile of experts:**

**Key experts**

**Key expert no. 1: Expert for Policy and/or legal aspects of CAP (Team Leader) – activity 1 and 2**

Qualification and skills
- university graduates
- good command of English and computer literacy
- management skills in the relevant areas

General professional experience
- minimum 10 years of professional experience

Specific professional experience
- experience with reformed CAP
- knowledge of EU regulations related to CAP

**Key expert no. 2: Experts for IACS administrative procedures, activity 2, 3 and 4**

Qualification and skills
- university graduates
- good command of English and computer literacy
- management skills in the relevant areas

General professional experience
- minimum 7 years of professional experience

Specific professional experience
- experience with IACS procedures

**Key expert no. 3: Experts for Software Development, activity 3**

Qualification and skills
- university graduates
- good command of English and computer literacy
- management skills in the relevant areas

General professional experience
- minimum 7 years of professional experience

Specific professional experience
- experience with SW development tools
- knowledge of EU IACS SW solutions

**Key expert no. 4: Experts for IACS control procedures, activity 3 and 4**

Qualification and skills
- university graduates
- good command of English and computer literacy
- management skills in the relevant areas

General professional experience
- minimum 10 years of professional experience

Specific professional experience
- experience with reformed CAP
- knowledge of EU regulations related to CAP
- knowledge of new cross-compliance rules
- knowledge of IACS control procedures

**Key expert no. 5: Project Manager**

Qualification and skills
- university graduates
- good command of English and computer literacy
- management skills in the relevant areas

General professional experience
- minimum 8 years of professional experience

Specific professional experience
- knowledge of agricultural sector in SR
- at least 5 years of experience in managing EU funded projects
- be familiar with support schemes provided by the EU Common Agricultural Policy
- be experience in the organization of the Slovak APA

Expert Time Input

Activities indicated above will require highly specialized and professional Technical Assistance. The project activities will require the following amount of experts:

<table>
<thead>
<tr>
<th>Staff</th>
<th>Man-days</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key experts:</strong></td>
<td></td>
</tr>
<tr>
<td>Key expert 1: <strong>Expert for Policy and/or legal aspects of CAP (Team Leader)</strong></td>
<td>60</td>
</tr>
<tr>
<td>Key expert 2</td>
<td>Experts for IACS administrative procedures</td>
</tr>
<tr>
<td>Key expert 3</td>
<td>Experts for Software Development</td>
</tr>
<tr>
<td>Key expert 4</td>
<td>Experts for IACS control procedures</td>
</tr>
<tr>
<td>Key expert 5</td>
<td>Project Manager</td>
</tr>
<tr>
<td>Total mandays</td>
<td></td>
</tr>
</tbody>
</table>

The number of man-days and the number is preliminary and may be subject of adjustment in the Terms of Reference (ToR). The ToR will specify more detail breakdown according to activities.

### 3.5 Lessons learned:

From the previous projects, including the ones focused on implementation of CAP and introduction and development of the IACS system, the most important lesson learned is late start of the project implementation. The crucial steps for proper implementation of any project are:

- to have basic analysis done before decision making process starts,
- to develop the system in time,
- to train staff for roll out of the system. These were exactly the issues APA faced during the IACS development.

Knowing the complexity of the issue and expected time needed not only for the implementation but also for very important decision-making process, it is essential to submit the project at this period of time.

### 4. Institutional Framework

Beneficiary of the project is Section of Direct Scheme Support of APA. The Ministry of Agriculture of SR (MoA SR) as the managing authority is responsible for the National and Common Agriculture Policy. The Agricultural Paying Agency is responsible for managing the EAGGF direct payments and other support schemes, its administering and controlling.
The administration of the project implementation will be ensured by the Phare PIU at the Department of Foreign Affairs of the Ministry of Agriculture. The co-ordination and mutual information exchange within the beneficiary organisation during the project implementation will be ensured at regular meetings of the Steering Committee established for the project implementation. Representatives of APA, MoA SR, CFCU as well as the project team will be members of the Steering Committee.

**Contact persons:**

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Agricultural Paying Agency

**Mr Andrej Gajdoš – Slovak Project Leader**  
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Slovak Republic  
Phone: 00421 2 59266266  
Fax: 00421 2 59266356  
E-mail: agajdos@apa.sk

### 5. Detailed Budget

<table>
<thead>
<tr>
<th>€M</th>
<th>Transition Facility support</th>
<th>Co-financing</th>
<th>Total cost (TF plus cofinancing)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Investment Support</td>
<td>Institution Building</td>
<td>Total Transition Facility (=I+IB)</td>
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<tr>
<td>contract 1 (TA)</td>
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<td>0,5</td>
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<tr>
<td>Total</td>
<td>0,5</td>
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6. Implementation Arrangements

6.1 Implementing Agency

<table>
<thead>
<tr>
<th>CFCU:</th>
<th>Central Finance and Contracting Unit</th>
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</thead>
<tbody>
<tr>
<td>PAO:</td>
<td>Mrs. Silvia Czuczorová</td>
</tr>
<tr>
<td>Address:</td>
<td>Štefanovičova 5</td>
</tr>
<tr>
<td></td>
<td>817 82 Bratislava 15</td>
</tr>
<tr>
<td></td>
<td>Slovak Republic</td>
</tr>
</tbody>
</table>

6.2 Twinning

N/A

6.3 Non-standard aspects

N/A

6.4 Contracts

One contract is expected:

T.A. in amount of 0.5 MEUR.

7. Implementation Schedule

7.1 Start of tendering/call for proposals:

ToR for T.A. will be ready for tendering in the 3rd Quarter 2005

7.2 Start of project activity: 4th Quarter 2005

7.3 Project Completion: 1st Quarter 2007

8. Sustainability
APA since its establishment has significantly strengthened its administrative capacity in all sections within the headquarters as well as in the regions. Section of Direct Support Scheme, primary department implementing the project, has significantly increased number of their employees at the Headquarters as well as in the regions in 2004. Currently the Section does not require new staff. Consequently, present number, structure and ability of the staff can fully ensure proper implementation of the project.

9. **Conditionality and sequencing**

The project does not depend on any other ongoing Phare project. There is no project in the pipeline that can affect its implementation. The project will be implemented as stand alone project.

The main part – Technical Assistance can be launched immediately after the successful tender procedure.

**ANNEXES TO PROJECT FICHE**

1. Logical framework matrix in standard format (compulsory)
2. Detailed implementation chart (compulsory)
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period) (compulsory)
4. List of relevant Laws and Regulations (optional)
### LOGFRAME PLANNING MATRIX FOR Project

<table>
<thead>
<tr>
<th>Programme name and number</th>
<th>Contracting period expires</th>
<th>Disbursement period expires</th>
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<tbody>
<tr>
<td>2005/017-464.01.03</td>
<td>15/12/2007</td>
<td>15/12/2008</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Total budget</th>
<th>Transition Facility budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.5 MEUR</td>
<td>0.5 MEUR</td>
</tr>
</tbody>
</table>

### Overall objective

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhanced procedural aspects of APA and institutional preparation for the reformed CAP</td>
<td>Upgraded functional IACS, Decision on implementation of SAPS/SPS by the end of 2005, EC Screening Reports, APA Annual Reports, Official Document: Government Decision and/or Ministry Decree, National legislation is adopted in accordance to legislative changes of the CAP</td>
</tr>
</tbody>
</table>

### Project purpose

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for tuning and adjustment of shortcomings observed during the first year of IACS implementation</td>
<td>Procedures, manuals and guidelines prepared for SPS by the end of project, Payment Reports of the APA, Official records of APA and MoA SR, DG Agri mission/audit reports, Internal audit reports, APA is an authority prepared for implementation and realization of the CAP</td>
</tr>
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</table>

### Results

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendations for the necessary legislative amendments</td>
<td>New regulation implemented, progress and final reports, NAC Implementation Status Report prepared twice a year, SMSC monitoring reports</td>
</tr>
<tr>
<td>Decision of the Ministry of Agriculture on SPS roll-out based on the comparative analysis of SAPS and complementary nation direct payments (CNDP) with SPS and CNDP (i.e. topping-up arrangements) – finished before end of 2005</td>
<td>Decision on implementation of SAPS/SPS as of 2005, Payments to farmers executed in line with the regulation</td>
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</tbody>
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Annex 1: Transition Facility Logical framework matrix
1. Prepared revised IACS procedures in line with EC 796/2004. Up-graded software of the IACS system in place. Relevant APA staff trained on revised procedures and able to administer Single Payment Scheme
2. Booklets printed and distributed to the farming community through farmer’s associations (about 12,000 pcs.)

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
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<tbody>
<tr>
<td>1 Detailed analysis of the Council Regulation (EC) No 1782/2003 in relation to adjustments in the current EU and national legislation.</td>
<td>Technical assistance</td>
<td>Project will be timely and professionally coordinated</td>
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<tr>
<td>2 Comparative analysis of the current Single Area Payment Scheme (SAPS) and Complementary Nation Direct Payments (CNDP) (i.e. topping-up arrangements) with the SPS and CNDP (i.e. topping-up arrangements) for the Slovak Government representatives – decision makers.</td>
<td>Training and seminars, Printing materials, handouts, Incidental Expenditures</td>
<td></td>
</tr>
<tr>
<td>3 TA support for adjustments of SAPS and/or preparation of up-graded IACS administrative and control procedures including software adjustments in line with the EC 1782/2003.</td>
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<tr>
<td>4 Support in preparation and print out of guidelines on applications for the SPS payments for farming community</td>
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| CONTRACTS: |
| 1. T.A.....0.5MEUR |
Annex 2: Detailed implementation chart

**Detailed Implementation Chart**

<table>
<thead>
<tr>
<th>Project Component</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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<tbody>
<tr>
<td></td>
<td>1Q</td>
<td>2Q</td>
<td>3Q</td>
</tr>
<tr>
<td>T.A. project</td>
<td>T</td>
<td>I</td>
<td>I</td>
</tr>
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</table>

T - Tendering
I - Implementation
Annex 3: Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)

Cumulative Contracting and Disbursement Schedule

<table>
<thead>
<tr>
<th>Project Component</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tr>
<td></td>
<td>1Q</td>
<td>2Q</td>
<td>3Q</td>
<td>4Q</td>
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Annex 4:  List of relevant Laws and Regulations


Commission Regulation (EC) No 796/2004 of 21 April 2004 laying down detailed rules for the implementation of cross-compliance, modulation and the integrated administration and control system provided for in of Council Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers