

ANNEX 1

of the Commission Implementing Decision on the Annual Action Programme 2013 in favour of Armenia to be financed from the general budget of the European Union

Action Fiche for Support to Agriculture and Rural Development – ENPARD Armenia

1. IDENTIFICATION

Title/Number	Support to Agriculture and Rural Development – ENPARD Armenia <i>ENPI/2013/024-483</i>		
Total cost	Total amount of EU budget contribution: EUR 25,000,000 of which: EUR 20,000,000 for budget support EUR 5,000,000 for complementary support.		
Budget support			
Aid method / Method of implementation	Direct (centralised) management Sector Reform Contract		
Type of aid code	A02 – Sector Budget Support	Markers	BSAR
DAC-code	31120	Sector	Agricultural development
Complementary support			
Aid method / Method of implementation	Direct centralised management (procurement of services) Joint management with UNIDO and with FAO		
DAC-code	31120	Sector	Agricultural development

2. RATIONALE AND COUNTRY CONTEXT

2.1. Summary of the action and its objectives

The proposed support, in line with the EU assistance priorities, as part of priority sector 3 of the National Indicative Programme (NIP) 2011-2013, "Socio-Economic Reform and Sustainable Development", should contribute directly to achieving the Eastern Partnership key objective of reduction of economic and social disparities. In Armenia, agriculture has maintained its central importance to employment and rural incomes, as well as to domestic food supply, and as a source for expansion of exports in food and beverage products. Even if in the short term, the Government's objective is to increase the level of food self-sufficiency based on the current geo-political situation, the ultimate goal is the full integration of Armenian agricultural production and agro-processing into international food markets.

The Programme's overall objective is to support the Government in ensuring an efficient and sustainable agriculture, thus contributing to better conditions in rural areas of Armenia. This is

in line with the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) approach, given the holistic focus on Rural Development. Four main priority areas will be the focus of this programme: (1) Performance of agriculture-related institutions; (2) Farmers associations, cooperatives and business oriented farmers groups; (3) Accessible and affordable food for Armenian citizen; (4) Agriculture statistics and information systems, including a national agricultural census.

2.2. Country context

2.2.1. Main challenges towards poverty reduction/inclusive and sustainable growth

According to the National Statistics Service "Social Snapshot and Poverty in Armenia" published in 2012, the poverty level in 2011 reduced as compared to the previous year. In 2011, more than third of population (35.0%) was poor, 19.9% was very poor and 3.7% was extremely poor. While in 2011 the poverty level was reduced against 2010, both the incidence of poverty and its severity increased as compared to 2008. The economic decline in 2009 and 2010 over 2008 created prerequisites for deteriorated living conditions and increased poverty incidence. As a result of the global economic crisis, the poor suffered the most, while the rich increased their wealth even further.

Over 2008-2011, poverty incidence in rural areas increased faster than in the urban areas (7.6 vs. 7.0 percentage points). In 2011, the lowest incidence of extreme poverty was observed in Yerevan. However, in the country as a whole, the majority of the extremely poor (80%) are urban residents. This situation might be explained by the fact that subsistence agriculture has played an important role in safeguarding people against extreme poverty. Nevertheless, the rural poor were mostly involved in agriculture, with only a negligible share engaged in the non-agricultural sector.

2.2.2. Fundamental values

During 2012 Armenia made some efforts to address issues related to human rights and fundamental freedoms, although further work needs to be done, especially in the implementation and enforcement of legislation. A National Strategy for Human Rights Protection was signed into law in October 2012 and an Action Plan is being developed. Regarding democracy, the May 2012 parliamentary elections and the February 2013 presidential elections improved compared to the previous ones, but some specific reforms are still needed. Despite ongoing reform efforts, public trust in the judiciary continues to be low, and the perception of corruption is still high.

2.3. Eligibility for budget support

2.3.1. Public policy

- a) A first draft of a new Armenia Development Strategy (ADS) 2012-2025 was circulated for discussion and review with international donors at the end of 2012, before consultation with civil society. The main objective of the ADS is to sustain economic growth to create jobs and is based on 4 priorities: (1) growth of employment, (2) development of human capital, (3) improvement of social protection system and (4) institutional modernisation of the public administration and governance. Overall, the draft ADS represents a good effort to move towards sustainable economic growth. However, it will significantly benefit from being strengthened and developed further. The Government fully owns the main objective of its national development strategy (economic growth, jobs creation) and is fully committed to realising it through a number of specific policies. An essential element of the Strategy will be a comprehensive

monitoring and evaluation and performance assessment framework, including a regular and inclusive review process.

- b) Policy relevance: Agriculture is a major economic sector in Armenia, accounting for 18.6% of GDP, and employing 38.6% of the population in 2010. The major part of gross agricultural product, 97.2%, is produced by small scale farms, and only 2.8% by agricultural organisations. Agriculture growth rates have fluctuated considerably over the last decade. However agriculture has maintained its central importance to employment and rural incomes, to domestic food supply, as well as a source for expansion of exports in food and beverage products. The ADS highlights "Agriculture and rural development" as one priority among 5 "direct" policies to ensure economic growth. It recognises the potential of the rural sector for employment growth and sees its development as critical to create more sustainable rural areas and reducing disparities between Armenian regions.
- c) Policy credibility: The Government adopted the "2010-2020 sustainable agricultural development strategy of the Republic of Armenia" (SADS) in November 2010. This Strategy defines 17 groups of objectives that include, in particular, introduction of anti-crisis mechanisms, development of agricultural co-operatives, ensuring food self-sufficiency, improvement of the productivity of land use and implementation of a general agricultural census. In line with the ADS, it also includes specific goals in relation to rural development including increase of employment in rural areas and the development of rural infrastructure. Agriculture is mentioned as a priority in the introductory note to the Medium-Term Expenditure Framework (MTEF) 2012-2014. The MTEF states that "the Government will emphasize expenditure targeted to the development of agriculture" even if it is planned to be financed "mostly by means of external financial assistance".

2.3.2. Macroeconomic policy

Armenia's economic performance has strengthened in 2012. Growth has reached 6.4%, with particularly strong performance in agriculture and agro processing, as well as in mining and services. Construction is showing signs of recovery. The growth is expected to remain solid in 2013, moderating to 4.3%. Inflation remains moderate, driven by the agricultural rebound and a sound policy framework, and is expected to remain within the target band (4±1.5%) of the Central Bank of Armenia (CBA) in 2013. The financial sector remains strong and well capitalized. The fiscal balance has continued to improve. A tax administration reform strategy is in place and reforms in the tax policy are implemented with the support of IMF, World Bank and the German Agency for International Cooperation (GIZ).

At a deficit below 2%, public debt (about 45% of GDP at the end of 2012) remains sustainable. Main potential sources of economic instability emanate from the stagnation of global growth, specifically in Europe and Russia, given that they are key trading partners, as well as the role of the latter as a main source of remittances. In September 2012, an IMF mission visited Yerevan to conduct discussions for the Fifth Review of the Extended Fund Facility (EFF) and Extended Credit Facility (ECF) arrangements and the 2012 annual bilateral (Article IV) consultations. The mission determined that the programme remains broadly on track. A further disbursement of USD 51.4 million has been made available to Armenia, bringing total disbursements to around USD 327 million. The authorities expressed strong interest in a follow-up IMF arrangement after the current program concludes in mid-2013. Overall, the Armenian authorities pursue a credible and relevant stability oriented macroeconomic policy aiming at safeguarding fiscal and external stability and sustainability.

2.3.3. Public financial management

Throughout the last decade the Government of Armenia made substantial progress in improving its public financial management (PFM) systems and practices. In broader terms, PFM reforms focus on upgrading the government's capacity to undertake fiscal management, strategic planning and budgeting, and at improving the fiduciary management/control systems to improve efficiency of public resource management. Other important elements of fiscal reforms include the consolidation of all government accounts in the Treasury Single Account and thereafter improvements of cash and debt management functions of the government. Second generation fiscal reforms address more sophisticated issues of linking budget allocations with strategic planning, and using a results framework to make informed decisions on future budget allocations. A special standing committee has been established under the auspices of the Prime Minister to oversee the PFM Systems Reform process. It is worth noting that in the PFM chapter of the Aid Effectiveness report presented at the OECD Fourth High Level Forum on Aid Effectiveness held in Busan in 2011, Armenia was one of two countries that scored the highest marks in PFM reforms.

Although the following areas of concern remain, reform processes are underway to address shortcomings with support of the EU and other donors:

- Procurement reforms: despite good international achievements (in September 2011 Armenia became party to the WTO Government Procurement Agreement), some fraud cases were discovered in late 2012 related to public procurement for supplies. E-procurement tools as well as the Procurement Complaint Review Board still need to become fully operational;
- Internal Control: despite a new law in place, auditors and senior management need to be further trained and the overall institutional control system needs to be reinforced;
- External Audit: the Armenian Chamber of Control does not apply effective ex-post audits in line with International Organisation of Supreme Audit Institutions (INTOSAI) standards;
- Anticorruption: with the expiry of the previous strategy in 2012, there is no current policy document to guide the fight against corruption in the country. The EU Delegation has commissioned a Situation Analysis of corruption in Armenia; its results will be shared with the Government with a view to devise measures to fight corruption and fraud in the public sector.

Overall, it can be confirmed that the eligibility criterion on PFM is fulfilled.

2.3.4. Budget transparency and oversight of the budget

In terms of transparency of technical/financial information and budget plans, Armenia scores well in international comparison. According to the latest Public Expenditure and Financial Accountability (PEFA) report, Armenia scores highly on comprehensiveness, public access to budget information and legislature's scrutiny, while lacking quality and timeliness on reporting and audit sides. The main weakness highlighted is on the scope, the nature, and the follow-up of external audit. On a positive note, the Government consistently publishes on the Ministry of Finance website the executive's proposals and the enacted budget.

2.4. Lessons learnt

Armenia has a history of successful implementation of EU budget support programmes since 1997, covering the areas of food security, vocational education and training, justice, and more recently PFM, public sector transparency as well as support to the Association Agreement / Deep and Comprehensive Free Trade Area (DCFTA) process. From this experience, it has become clear that setting realistic but ambitious objectives in the budget support programme

can be achieved only through extensive and meaningful policy dialogue with the Government. The process of discussions and agreement of reform conditions with the parties who will be directly responsible for the implementation of reforms has been a key phase in building ownership for the programme by the beneficiary. This will be particularly important in the sector of agriculture, and will cover in particular the Ministries of Agriculture and Territorial Administration. In line with the recommendations of the Special Report 13/2010 by the European Court of Auditors concerning the results of the ENPI in the Southern Caucasus, the choice of budget support has been carefully considered, seeking to ensure a balanced deployment of different tools, including timely and targeted complementary technical assistance.

2.5. Complementary actions

A number of complementary actions funded by the EU are or will be under implementation in the near future:

- Budget support related to the **Deep and Comprehensive Free Trade Area (DCFTA)** including specific support in the Sanitary and Phytosanitary (SPS) sector as well as in the PFM sector, including associated technical assistance (TA): Annual Action Programme (AAP) 2010 (EUR 20 million) until 2014, AAP 2011 (EUR 24 million) until 2015 and AAP 2012 (EUR 25 million) until 2016;
- The **Comprehensive Institution Building (CIB) programme** (EUR 33 million earmarked) which supports capacity building of core institutions involved in the DCFTA negotiations, including SPS-related institutions;
- The **EU Advisory Group (EUAG)** created in 2009 is providing high level policy advice in key policy areas. With its support, a number of strategies have been elaborated in DCFTA priority areas, notably SPS;
- **Vocational Education and Training (VET) budget support** providing wide ranging support to educational reform and linking better VET and employment policy, including associated TA;
- A **twinning** in the SPS area, with the objective to strengthen the relevant Armenian institutions, by up-grading the safety controls system for animal-origin food and feed up to the EU and other international standards; a **twinning** in Environment, with the objective to support the introduction of Integrated Environmental Pollution Prevention and Control (IPPC) in the country.
- Under the AAP 2013, proposed **support to regional development**, based on the PRDP (Pilot Regional Development Programme) approach. This programme will have synergies by linking farmers associations and cooperatives with the larger regional development initiative;
- A number of **TAIEX** workshops, study visits and experts missions have been organised with Armenian beneficiaries in the agriculture area – further support can be made available through this instrument;
- Some other **thematic actions** have also paved the way to the foreseen programme involving a number of civil society organisations through non-state actors and local authorities in development (**NSA-LA**) calls for proposals under the Development Cooperation Instrument (DCI); Other complementary actions are being implemented through **EU funded regional programmes** including the following sectors: Economic Cooperation (EastInvest, SME facility, TurnAround Management / Business Advisory Service - TAM-BAS) and Environment (Clima East, Forest Law Enforcement and Governance - ENPI-FLEG).

Given the significance of the sector to the overall economy of the country, it is unsurprising that there are a large number of interventions from both bilateral and multilateral donors. Care has been taken to prevent overlap of activities, and to ensure synergies. Aid from **German Technical Cooperation** programmes includes support to SME, environment and biodiversity, value chain development based on wild plant resources and organic agriculture. Agricultural machinery is provided to farmers via Armenia-**Japan** and Armenia-**China** bilateral cooperation. **FAO** and **UNDP** supported organic regulation and stakeholder analyses and the **Dutch** Ministry of Foreign Affairs supported organic and agro-environment initiatives. **EBRD** has identified the development of agribusiness and high value-added, export-oriented industrial companies as a priority. **FAO** is assisting the Government of Armenia to implement a rural enterprise and small-scale commercial agriculture development project. **USAID** programmes are focused on completing the next stage of reforms, institutional development of the governing and regulatory bodies, and ensuring the delivery of safe, reliable, affordable and accessible public services. **World Bank** funds a number of projects: Community Agricultural Resource Management and Competitiveness Project and Irrigation rehabilitation emergency project as well as Lifeline roads improvement project. **IFC** runs the Armenia Investment Climate Reform Project, supported with funds from **Austria** and **The Netherlands**. **IFAD** investments support poor farm families so they can produce a surplus to be sold for additional income and the **Swiss Development and Cooperation** supports improvement and diversification of the income base in selected rural districts.

2.6. Risk management framework

- a) Major risks, as stated in the country's risk management framework, developed by the EU, can be summarised as follows:
- Geopolitical situation hampers the full integration of Armenian agricultural production in international food markets;
 - Reduced budget allocation by Government to the sector;
 - Limited integration of agriculture and rural development at the policy level;
 - Deficiencies in a number of PFM areas: internal control, procurement procedures, external audit;
 - Corruption and fraud;
 - Lack of willingness by donors to coordinate their support; and
 - High turnover of civil servants at technical level given poor contractual conditions.
- b) The mitigating measures underlying this Programme are as follows:
- EU and international efforts on conflict resolution in the South Caucasus;
 - Enhancing policy dialogue with the Government to ensure appropriate budgetary allocation to the sector;
 - Implementing Public Administration Reforms;
 - Implementing the new Procurement Law;
 - Enhancing dialogue with the Chamber of Control; and
 - Enhancing donor coordination mechanisms.

3. DETAILED DESCRIPTION OF THE BUDGET SUPPORT CONTRACT

3.1. Objectives

The **overall objective** of this Programme is to support the Government in ensuring an efficient and sustainable agriculture, contributing to better conditions in rural areas of Armenia.

The **specific objectives** of the Programme are to:

(1) **support implementation of the Government's national strategy** for sustainable agricultural development and planning, including the capacity development of national and local government structures, developing capacity for co-ordination and preparation of rural development strategies and policies as well as support to agriculture-related academic institutions;

(2) **contribute to the development of rural areas** as well as to the development of farmers associations and cooperatives, including designing appropriate pilot value adding chains, both agricultural and non-agricultural, in a number of Armenian regions;

(3) **support access to affordable food** by sustainably increasing productivity and quality of agricultural inputs and practices, strengthening post-harvest handling facilities, as well as a better management of land, taking into account the country's comparative advantages and disadvantages for production;

(4) **support to the roll-out of a general agricultural census** as well as support to better agriculture statistics;

Cross-cutting issues: Environment sustainability, climate change and disaster risk management will be at the centre of the agricultural issues tackled by this programme. They will be integrated in all components, from environmental best practices delivered to farmers associations, to land usage. One component of the programme, dealing with agricultural value chains, will directly target gender equality and human rights issues by including women and vulnerable groups in its implementation. Since this Programme focuses on the efficiency and transparency with which the government's resources are utilised in the agriculture and rural development sector, it will also help to address issues related to poverty, and access to basic needs.

3.2. Expected results

The following results are expected:

(1) **Performance of agriculture-related institutions is enhanced:**

- Capacity of national and local government structures developed, including improved capacity for land and territorial planning;
- Capacity in co-ordination (both inter-ministerial and with sector stakeholders) enhanced and rural development strategies and policies including economic diversification of rural areas, covering both agricultural and non-agricultural activities, prepared;
- Agricultural extension services through Rural Assistance Regional Centres strengthened;
- Training curricula and methods enhanced, to include modern agricultural business models, environment and climate change effects;

- Capacity of rural municipalities to develop medium and long term economic and social development strategies enhanced.

(2) Capacity and performance of farmers associations and cooperatives further developed and strengthened:

- Legislation to support the setup and operation of farmers associations and cooperatives enabled;
- Small farmers' cooperation enhanced, business-oriented farmers groups facilitated;
- Access to capital and development of innovative financing facilities for farmers, farmers associations and cooperatives improved;
- Access to local and international markets for Armenian agricultural and food products improved;
- Cooperation of farmers' groups and cooperatives with Rural Assistance Regional Centres enhanced;
- Capacity of farmers associations and cooperatives to participate in policy decision making for agriculture and rural development improved;
- New business-oriented farmers groups officially registered and operational, covering both agricultural and non-agricultural activities, with a focus on value adding chains, and contributing to the development of rural areas.

(3) Accessibility and affordability of food for Armenian citizens is improved, taking into account environment, climate change and agricultural good practices:

- Agricultural input improved and production systems developed, in particular for livestock, fruits and vegetables (for which Armenia has a comparative advantage);
- Land usage enhanced;
- Capacity for management assessment of natural risks, including earthquakes and climate change enhanced;
- A Code for Good Agricultural Practices related to environmental safeguards introduced.

(4) Better quality agricultural statistics, statistical information systems developed, and a national agricultural census is completed.

3.3. Rationale for the amounts allocated for budget support

The total amount allocated under the NIP 2011-2013 is EUR 157 million, of which 12.7% is to be delivered under the present budget support programme. This amount is based on a broad qualitative assessment that takes into account an analysis of the following elements:

- Financing needs of the partner country;
- Allocation of national budget resources (including EU budget support) in line with development strategy and objectives and following standard national budget procedures;
- Effectiveness, value for money and impact of the specific added value that budget support will bring in achieving the partner country's policy objectives;
- Track record and absorption capacity of past disbursements and how effectively agreed objectives were achieved with budget support operations;
- Result orientation in the partner country's development strategy including a monitoring system.

Given that the agricultural sector remains significant in Armenia in terms of output (at 18.6% of Gross Value Added, this is the highest percentage in the Eastern Neighbourhood) and

employs 38.6% of the population, enhancement of competitiveness and efficiency in the sector through a sector approach could lead to direct positive macroeconomic impact in terms of overall output, at least in the medium term. More agriculture output has also a positive impact on the control of inflationary tendencies. Furthermore, increases in export volume and in the production of high-added-value products support the balance of payments and the revenue side of the state budget, reducing dependence on and need for subsidies.

3.4. Main activities

The main activities to implement the budget support package are policy dialogue, financial transfer, performance assessment, reporting and capacity development.

3.4.1. Budget Support

This approach will support implementation of the government's sustainable agriculture policy and will allow an enhanced policy dialogue as well as better coordination among principal stakeholders through its steering committee. In addition, it will support the roll out of an agriculture census to bridge the information gap that severely limits the formulation and realisation of the most effective policy solutions.

3.4.2. Complementary support

Institution building assistance is needed in order to support the capacity development of the Ministry of Agriculture and its services. This assistance will include enhancing the coordination role of the Ministry for both agricultural and rural development portfolios. It is equally important to raise the capacity of farmers associations to participate in policy decisions on rural development and to monitor the implementation of government strategies. In this respect, capacity building of rural municipalities is highly relevant to support the implementation of rural development strategies. Support to initiatives that will add value to agricultural and non-agricultural production in rural areas is also necessary. Evaluation, audit and visibility activities will also be funded under this item. Section 4.4 provides implementation details relating to the complementary support.

3.5. Donor coordination

Donors meet on an informal basis to discuss their current involvement in the agriculture sector. FAO currently supports the Ministry of Agriculture in producing a donors' matrix comprising all projects and programmes which allows the Ministry to have a global overview of assistance and direct its requests in a more coordinated way. In addition, this programme will facilitate the setup of a more formal coordination mechanism, coordinated by the Ministry of Agriculture and supported by the EU Delegation, so that policy dialogue and projects implementation can be enhanced.

3.6. Stakeholders

The main stakeholders for the proposed programme are as follow.

The **Ministry of Agriculture**, given that their primary mission is to develop and promote state policy to develop the agro-food sector, by raising competitiveness and productivity as well as to ensure food security; The **Ministry of Territorial Administration**, which has the mission to develop and promote state policy in the field of local self-governance and regional administration (including rural development) in the Marzes (regions) and communities; The **Ministry of Economy**, with respect to promoting the country's integration into the world economy, ensuring working trade institutions and infrastructures, and adoption of

internationally well-proven trade promotion and development tools and schemes; The **Small and Medium Entrepreneurship Development National Centre of Armenia** (SME DNC) is responsible for implementing SME development policy in Armenia; The **Armenian Development Agency** (ADA) assists and advises foreign direct investors and buyers on all questions relating to doing business with Armenia; The **State Revenue Committee** under the Prime Minister is responsible for taxation policy in agriculture and rural areas, as well as for customs regimes at the border; **Rural Assistance Regional Centres** have an important role through provision of consultancies, training, and information on good agricultural practices; **Regional and local municipal authorities** play an important role in implementing rural development initiatives, as well as supervising the activities of rural SME's and farmers associations and cooperatives; **Civil society organisations, farmers associations and private sector** in Armenia are all actively involved in agricultural and rural reforms and will also be key stakeholders; The **National Statistical Services** (NSS) will be responsible for producing the agricultural census and better agricultural statistics; given the provision of budget support within the programme, the **Ministry of Finance** will have a significant responsibility in line with its role as the central fiscal authority for the Republic of Armenia.

3.7. Conclusion on the balance between risks (2.6.) and expected benefits/results (3.2.)

It can be concluded that the potential benefits and expected results outweigh the risks, given the number of strategic actions ongoing in the PFM area which will have a direct impact on governance within the agriculture sector. Significant benefits can be anticipated, through the development of a more modern and balanced agricultural and rural sector as a result of this intervention. A positive factor in this respect is the experience and capacity of the Ministry of Agriculture in co-operating with donors and managing donor funds.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of the Financial Regulation.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.4. and 4.4. will be carried out, is 48 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. Criteria and indicative schedule of disbursement of budget support

The budget support funds are broken into fixed and variable instalments. There will be a fixed tranche upon signature of the Financing Agreement, provided that the general conditions (eligibility criteria) are met, to be followed by two annual tranches, mixing fixed and variable amounts. These instalments will be disbursed upon fulfilment of general and specific conditions attached to each of them.

- a) The general conditions for disbursement of all tranches include: satisfactory progress in the implementation of the Armenia agriculture and rural development policy and continued credibility and relevance thereof; implementation of a credible stability-

oriented macroeconomic policy; satisfactory progress in the implementation of Armenia PFM reform programme and satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

- b) Specific conditions are designed to ensure capacity building of public institutions and their employees, to improve competitiveness of farmers' cooperatives and associations, to enhance agricultural inputs and practices as well as to improve quality and availability of agricultural statistics.

The indicative schedule of disbursements for the budget support funds is summarised in the table below (all figures in EUR million) based on fiscal year of the partner country.

Country fiscal year	2014				2015				2016				
Type of tranche	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Total
Base tranche	6.0				1.0				1.0				8.0
Variable tranche					6.0				6.0				12.0
Total	6.0				7.0				7.0				20.0

4.4. Details on complementary support

4.4.1. Joint management with an international organisation

A part of this action, with the objective to support the capacity building of the Ministry of Agriculture and its services, will be implemented in joint management with FAO. This implementation is justified because of the expertise of FAO and its long term successful cooperation with the Ministry. Joint management with this international organisation in accordance with Article 53d of Financial Regulation 1605/2002 is possible because the organisation is bound by a long-term framework agreement (FAFA).

The international organisation will perform activities to enhance the capacity of Ministry of Agriculture, including coordination and support to the management of agricultural and rural development strategies and policies. It will work also to raise the capacity of farmers associations to participate in policy decisions on rural development and to monitor the implementation of government strategies. Capacity building of rural municipalities, to support Ministry of Agriculture in implementing rural development strategies, will also be provided.

The change of method of implementation constitutes a substantial change except where the Commission "re-centralises" or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

4.4.2. Joint management with an international organisation

A part of this action with the objective to support the development of farmers associations and cooperatives, and the pilot value adding chains will be implemented in joint management with UNIDO. This is justified because of the expertise of UNIDO and its previous experience in implementing such projects that have contributed to develop rural areas. Joint management with this international organisation in accordance with Article 53d of Financial Regulation 1605/2002 is possible because the organisation is bound by a long-term framework agreement (FAFA).

The international organisation will perform activities to improve the capacity of farmers associations and cooperatives and to establish pilot value adding chains contributing to the development of rural areas.

The change of method of implementation constitutes a substantial change except where the Commission "re-centralises" or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

4.4.3. Procurement (direct centralised management)

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Evaluation	Services	1	2 nd quarter of 2016
Audit	Services	Up to 2	According to needs (see section 4.8)
Communication and visibility	Services	Up to 2	According to needs (see section 4.9)

4.5. Scope of geographical eligibility for procurement

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies and materials purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article ENPI 21(7) on the basis of the unavailability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.6. Indicative budget

Module	Amount in EUR million
3.3. – Budget support	20.0
4.4.1. – Joint management with FAO	2.0
4.4.2. – Joint management with UNIDO	2.5
4.8. – Evaluation and audit	0.4
4.9. – Communication and visibility	0.1
Totals	25.0

4.7. Performance monitoring

Overall, this programme will be monitored through the Results-Oriented Monitoring (ROM) system for EU funded projects and programmes. A steering committee will be established to ensure regular and effective review and application of the recommendations made.

4.8. Evaluation and audit

The Budget support component may be subject to an evaluation in order to assess the relevance, efficiency, effectiveness, impact and sustainability of the achievements of the Programme. Independent evaluators may be contracted by the Commission in accordance with its internal procedures.

The Commission may mobilise ad hoc audit missions if deemed necessary.

For the part of the action implemented under joint management, the provisions included in the relevant framework agreement will apply.

4.9. Communication and visibility

Throughout the implementation of the programme, the best possible visibility will be sought through actions to be organised in cooperation with all relevant stakeholders, in line with the Communication and Visibility Manual for EU External Actions.

For the part of the action implemented under joint management, and where applicable, the provisions included in the relevant framework agreement will apply.