

**MINISTRY OF AGRICULTURE, FORESTRY AND  
WATER ECONOMY**

**LAW ON AGRUCULTURAL FUND  
(Draft Version)**

**SKOPJE, April, 2000**

## **I. Rationale for Proposing Adoption of the Law**

In conditions of very bad economy in the Republic of Macedonia (poor purchasing power, need of modernization of production process, lack of foreign investments etc), there is an undeniable need of financial engagement of the main resource in the Republic of Macedonia - agricultural land, as well as the agricultural sector as an important economic branch.

The need for planning of finances aimed for agricultural, requires establishing of financial institution or so-called Agricultural Fund, in which all domestic and foreign finances will be allocated in order to stimulate the development of agricultural sector in the Republic of Macedonia.

The establishment of the Agricultural Fund as an independent financial institution (with status of legal person and own gyro account) within the Ministry of Agriculture, Forestry and Water Economy, will concern all persons performing agricultural activity especially private farmers) and to all agricultural sub-sectors. The main objective of the Fund shall be based on special Law, as it is this Draft Law.

## **II. Basic Principles of the Law**

The Law shall be based on the following principles:

- stimulation of agricultural development by providing a financial support to the persons performing agricultural activity;
- efficient, effective and economic using of the finances aimed for stimulation of agricultural development;
- transparency in the procedure of adoption of general acts of the Fund;
- evidence of the work of the Fund through special information systems;
- control whether the work of the Fund is in conformity with the law

### **III. The contents of the Law**

The Draft Law contains the basic relations governed by this Law and the manner in which they are to be regulated (establishment of the Fund, organization, sources of financing and use of the financial resources).

The content of this Law is presented as a Draft Law.

### **IV. Adoption of the Law by Accelerated Procedure**

Given the fact that this law is not considered to be of complex law nature, it is proposed that this Draft Law is adopted by an accelerated procedure, i.e. that the adoption of the Draft Law be reviewed at the same session at which the Proposal for Adopting the Law is reviewed, pursuant to Article 316 of the Book of Rules of the Assembly of the Republic of Macedonia

## **LAW ON AGRUCULTURAL FUND**

### **I. GENERAL PROVISIONS**

#### **Article 1**

This Law shall regulate establishment of Agricultural Fund (hereinafter: Fund), the sources of finances of the Fund, and their utilization.

#### **The Status of the Fund**

#### **Article 2**

The Fund shall provide financial support for the agricultural development, as whole, through persons performing agricultural activity.

#### **Article 3**

The Fund has a status of legal person.

The Funds operates according to this Law.

The Fund has a Statute.

The Fund has a special gyro account.

#### **Article 4**

The seat of the Fund is in Skopje

The Fund has own regional units.

## **II. Competence of the Fund and Manner of Working**

### **Competence of working of the Fund**

#### **Article 5**

The Fund performs following tasks:

- 1) provides financial support to persons performing agricultural activity;
- 2) taking care for development of efficient agricultural economies and improvement of their structures;
- 3) provides conditions for income increasing of persons performing agricultural activity, i.e. decreasing of production costs;
- 4) takes care for improvement and development of the regions with bad social, economic and unfavorable climate conditions, as well as for structural adjustment of the underdeveloped regions;
- 5) enables development and modernization of agricultural production structure;
- 6) proposes new technologies and improves the quality of agricultural products;
- 7) provides financial support for preserving of agricultural properties with of small production range;
- 8) provides development of stable internal market of agricultural products as well as external ones;
- 9) provides developing of intensive agricultural production and its preserving in conformity of the environmental standards;
- 10) developing an own information system containing data concerning the income of the Fund and data for allocated finances from the Fund;
- 11) provides insurance to the person performing agricultural activity;
- 12) provides other services regulated by Law.

## **Article 6**

The Fund prepares an Annual Program, according which the financial support to the persons performing agricultural activity shall be allocated.

An approval for the annual program, as referred to in paragraph 1 of this Article, shall be given by the Government of the Republic of Macedonia, on the basis of previous opinion from the Minister of Agriculture, Forestry and Water Economy.

## **Article 7**

The implementation of the measures planned in the Annual Program, as referred to in Article 6 of this law, shall be performed by the Fund. For that, the Fund shall report to the Minister of Agriculture, Forestry and Water Economy.

## **Article 8**

The right for request of financial support by the Fund, shall be given to persons performing agricultural activity.

The persons performing agricultural activity shall submit a request for financial support to the Fund, through its Regional units.

## **Article 9**

The Fund shall be obliged to submit a report, concerning its work, to the Ministry of Agriculture, Forestry and Water Economy and Government of the Republic of Macedonia, at least once a year.

The annual report shall be submitted within 60 days from the expiration date for submission of the Fund's annual account.

### **III. Bodies of the Fund**

#### **Article 10**

Bodies of the Fund are as follows:

1. Steering Committee
2. Director

#### **Steering Committee**

#### **Article 11**

The Steering Committee shall manage the Fund.

The Fund shall be composed of 9 members, appointed by the Government of the Republic of Macedonia, with mandate of 4 years, as it is follows:

- three representatives from the persons performing agricultural activity (one from the private farmers, one from the agricultural traders and one from agricultural cooperatives);
- three representatives from the Ministry of Agriculture, Forestry and Water Economy;
- one representative from the ministry of Finance;
- two representatives from scientific and expert institutions;

The President and the Vice-President shall be elected among the members of the Steering Committee. The work of the Steering Committee shall be regulated by the Regulation.

#### **Article 12**

The Steering Committee of the Fund shall perform the following tasks:

1. adoption of Statute of the Fund;
2. preparation of Annual Program;

3. adoption of the acts for organization and systematization of the Fund;
4. adoption of financial plan of the Fund;
5. adoption of final account and annual report of the Fund;
6. revision of the issues, reports, information and other documents concerning the status of agriculture, as well as the problems for granting a financial support to the persons performing agricultural activity;
7. decision making for using Fund resources, aimed for credit, guarantees, subsidies, etc. regulated by the Regulation referred to in point 3 of this Article;
8. proposes and releases from duty the Director and Vice Director of the Fund;
9. establishes Commissions and other needed working bodies;
10. decides on other issues regulated by the Law and the Statute of the Fund.

### **Article 13**

The Steering Committee works in a valid manner and adopts decisions by majority of votes of the total number of members.

The Steering Committee shall ask for an opinion of Associations of persons performing agricultural activity before adoption of any general act.

### **Director**

### **Article 14**

The Director of the Fund has a Deputy Director.

For Director and Deputy Director are appointed persons with University degree.

The Director and the Deputy Director are appointed and released from duty by the Government of the Republic of Macedonia, on the proposal of the Minister of Agriculture, Forestry and Water Economy.



## **Article 15**

The Director performs the following tasks:

1. manages of the Fund;
2. represents the Fund;
3. proposes general acts;
4. provides the implementation of the regulations and general acts of the Fund;
5. implementation of the decisions of Steering Committee;
6. appoints and releases from duty the persons employed in the fund;
7. proposes establishment of an expert service within the Fund;
8. is authorized for signing of the Fund's account;
9. performs other tasks regulated by Law and Statute of the Fund.

## **Article 16**

The Director and the Deputy Director shall be released from duty before the expiration of their mandate, on their personal request in the following instances:

- if according to the regulation on employment, occurred some of the reasons for termination of their work by force of Law;
- they do not act according to the Law, Statute and general acts of the Fund, do not implement decision adopted by the Steering Committee or act in an opposite manner;
- with irregular and unscrupulous work causes serious damages to the Fund or if they neglect or do not perform its duties causing major disorder in the Fund's activity;
- he/she disturbs or in any other manner disables the implementation of the decisions adopted by the Steering Committee referred to in Article 12 paragraph 1 item 7 of this Law.

## **Expert service of the Fund**

### **Article 17**

Expert services shall be established in order to provide performance of the Fund activities in a rational and successful manner.

### **Statute**

### **Article 18**

The Statute of the Fund shall regulate specifically:

- organization and manner of work of the Fund;
- right, obligations and responsibilities of the Fund's bodies;
- representation of the Fund;
- transparency of the function of the Fund and its bodies;
- the election and release procedure regarding the Director and Vice Director;
- ways of proposing members of the Steering Committee; and
- other issues important for the functioning of the Fund.

The Statute of the Fund shall be approved by the Government of the Republic of Macedonia.

## **IV Working Finances**

### **Article 19**

For its activities the Fund shall provide finances from the following sources:

- Amount corresponding to 50% of the income obtained from leasing and concession of the state agricultural land;
- Amount corresponding to 50% obtained from sale of the state agricultural land;

- 4% of the insurance premium on agricultural crops, animals, mechanization, facilities and equipment;
- transfer of export duties of non-processed and processed agricultural products established at 0,033% *ad valorem* by the Program for stimulation of agricultural development of the Ministry of Agriculture, Forestry and Water Economy to the Fund;
- 0,1% of tax of agricultural food products realized in the state;
- compensation for permanent re- destination of agricultural land;
- grants, donations and other funds provided by International Organization and European Union;
- import levy, 100% for primary and 50% of processed agricultural products;
- other cases

## **Article 20**

The Minister of Agriculture, Forestry and Water Economy shall pass a regulation concerning the manner regarding the realization of the right for financial support provided by the Fund to the persons performing agricultural activity.

## **Article 21**

The Fund's finances shall be allocated for the following purposes:

- realization of the activities as referred to in Article 5 of this Law;
- other activities planned under the Annual Program;
- management, administration and other costs referring to the activity of the Fund; and
- project financing included in the plans for region development and rural rehabilitation.

## **Article 22**

The financial reserves of the Fund are generated by allocation of the surplus income over the costs exercised during the previous year.

The allocation of the Fund reserves is performed until it reaches 8% of the Fund costs realized during the previous year.

The reserve finance shall be used for providing a stable and liquid functioning of the Fund.

## **V. Supervision**

### **Article 23**

Ministry of Agriculture, Forestry and Water Economy shall perform supervision over the legality of the operation of the Fund.

The Minister of Agriculture, Forestry and Water Economy shall terminate the realization of general act of the Fund, if it is in conformity to the Law or Constitution, until the Constitutional court of the Republic of Macedonia passes a decision.

If the Minister of Agriculture, Forestry and Water Economy does not undertake a procedure to Constitutional court, within 30 days from the date of adoption of the decision for termination of the act, the Decision for termination shall not be valid.

### **Article 24**

The auditing on material and financial activities of the Fund shall be performed according to the Law on State auditing.

## **VI. TRANSITIONAL AND CLOSING PROVISIONS**

### **Article 25**

The Fund shall operate from the date of appointment of the Director and Steering Committee.

### **Article 26**

The Budget of the Republic of Macedonia shall provide an initial capital for the Fund.

### **Article 27**

The Statute of the Fund shall be adopted within a period of 60 days from the date this Law has entered into force.

### **Article 28**

This Law shall come into force on the eighth day upon its publication in the "Official Journal of the Republic of Macedonia".

## **RATIONALE**

### **I. Constitutional basis for Adopting the Law**

The Constitutional basis for adopting the Law is Article 68 paragraph 1 subparagraph 2 of the Constitution of the Republic of Macedonia according to which laws are enacted by the Assembly of the Republic of Macedonia.

### **II. Assessment of the Situation in the Field to be Regulated by Law**

Until now, within the legal system of Republic of Macedonia there is no general legislation that establishes the constitution of financial institution for providing finances aimed for stimulation development of the agricultural sector in general, i.e. all agricultural sub-sectors, through providing financial support (credits) to all persons performing agricultural activity.

However, it should be noted that another similar Law was adopted, but with other purpose. Reference is made to the Law on Stimulation of Agricultural Development from 1998 ("Official Journal of RM" No. 24/92) with many amendments and modifications and many secondary regulations and programs concerning the stimulation of agricultural development.

It shouldn't be neglected the fact that in the legal regulation of water economy sector, according to the Law on Water ("Official Journal of RM No. 4/98), Fund of Water has been established. The Fund is a legal person, and has the aim to protect the harmful effects of the water, undertaking measures for performance of certain activities for protection of water pollution, study preparation, plans, water master plans, water balances, maintenance of the main facilities of hydro-meliorative systems, construction of water management facilities and irrigation and drainage plants, obligations according to the international agreements and conventions and professional training of the employees

(Article from 122 - 135). In the Law of amending and modification of Law on Waters ("Official Journal of RM" No. 19/2000), the novelty is that the Fund on Water has been assigned the material, financial, expert, administrative and other activities regulated by the Law on Water and the Statute of the Fund (Article 129). Earlier, these activities were in the competence of the Ministry of Agriculture, Forestry and Water Economy.

It should be also mentioned the establishment of a Fund on wine and grape, by adoption of Law of amending the Law on Wine, as a form for providing finances for performing certain activities aimed for improvement and extension of the wine sector, for organized access to domestic and foreign markets, market research on foreign markets, their marketing presentation in Macedonia, establishing contacts with the most favorable domestic and foreign suppliers of raw materials, proposing simulative ideas in the viticulture and wine sector, as well as finding solutions and various forms of extension of both sectors.

According to the Draft Law on Agricultural Fund, in its provisions permits a possibility for establishing additional funds for individual funds for agricultural sub-sectors, in a manner and a way prescribed by the Law (Article 2, paragraph 2). What will be the relation between these fund and the Agricultural Fund, as well their further existence – the time will tell, i.e. it is not excluded the possibility of establishment of sub-sectors funds in the future, if necessary.

### **III. Goals to be Achieved with This Law**

The aim of the Draft Law on Agricultural Fund is to regulate the establishment of a Fund as a form for providing finances to persons performing agricultural activity.

The initial finances will be provided by the Budget of the Republic of Macedonia.

The aim of the Draft Law is to be financed the persons performing agricultural activity in all sub-sector.

This will contribute for achievement of better results, and improvement of overall economy in the country.

#### **IV. Structure of the Law**

The Law is constituted in six parts.

The first part, under the heading I. General Provisions; II. Competence of the Fund and Manner of Working, III. Bodies of the Fund, IV Working Finances, V. Supervision and VI. Transitional and Closing Provisions.

In the General Provisions the Fund is defined as financial state institution for providing financial support to persons performing agricultural activity. The Fund has a status as legal person, that performs activities of public interest.

The second part under the heading Competence of the Fund and Manner of Working, regulates the fields of competence of the Fund. The operation of the Fund is based on Annual Program. The request for financial support will be submitted to the Fund through its regional units and the state will support only the persons registered for performing agricultural activity.

In the third part entitled “Bodies of the Fund”, the basic bodies are Steering Committee and Director.

In the fourth part - Working Finances, the Fund’s incomes and expenses are defined. The financial support to the persons performing agricultural activity is regulated by the regulation adopted by the Minister of Agriculture, Forestry and Water Economy. The Fund generates reserves from the surpluses of incomes over the costs calculated for previous year.



The part under the heading “Supervision of the fund operations” specifies that the Ministry of Agriculture, Forestry and Water Economy shall perform the supervisory function. Also, the Fund is obliged to submit a report to the Ministry of Agriculture, Forestry and Water Economy and Government of the Republic of Macedonia.

At the end there are the “Transitional and Closing Provisions “(sixth part) of the Draft Law.

#### **V. Financial Resources Required for Implementing the Law and Manner of Providing such Resources**

The enforcement of the Law concerns providing of initial finances necessary for work of the Fund. The finances will be provided from the Budget and the sources referred to in Article 19 of this Law.