



Agriculture and Rural Advisory Services Development Strategy (2 0 1 7 - 2 0 2 1)

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FOREWORD

The current challenging situation in the agriculture and rural sector of the northern part of Cyprus calls for new approaches and methods to support the sector and its future development. The proposed Agriculture and Rural Advisory System (ARAS) Development Strategy for the period 2017-2021 (hereafter referred to as the 'ARAS Strategy') has been designed to form an intrinsic and inter-linked part of a new, comprehensive strategic response for the development of the sector, as articulated in the 'Agriculture Master Plan' for the sector which is currently under preparation. This overall sector reform framework is urgently needed by agricultural producers, rural businesses and the wider rural population of the territory which can play a critical role in helping to build a more sustainable and competitive platform for the sector, thereby ensuring its future growth and prosperity.

The ARAS Strategy sets out a development plan (for the agriculture and rural advisory system in the northern part of Cyprus) for the next five-year period (2017-2021). Building on strategic documents already in place - including the *EU 2020 strategy for smart, sustainable and inclusive growth* and linked goals and objectives, as defined in the latest Common Agriculture Policy (CAP) Framework; the Turkish Cypriot *Agricultural Master Plan* and the new *Rural Development Programme for the northern part of Cyprus (RDP)* for the 2014-2020 period, the ARAS Strategy aims to provide a medium-term vision to support the development of agriculture and rural business performance. To be fully successful it will require a complementary set of policy reforms, including the establishment of a stable, longer term, predictable and transparent legal framework aimed at improving the agri-business environment, stimulating investment for the modernisation of the sector and improving overall competitiveness. The ARAS Strategy also provides a framework for a number of institutional reforms, which will be necessary in the medium term to ensure the successful follow-up and implementation of the wider reform process.

Pursuing a balanced approach to development, the ARAS Strategy aims to boost competitiveness of agriculture and rural SMEs but also to contribute to wider rural development goals and the gradual improvement of the quality of life in rural areas, as well as preserving and protecting the rich natural resources and environmental assets within the territory.

The ARAS Strategy has been developed through a collaborative process, led by the "ministry of agriculture" (moa), in partnership with the EU funded Farm Advisory Services (FAS) Project, and including extensive consultation with key stakeholders in the public and private sectors and rural civil society. The efforts of all those who contributed to the process were very much appreciated, as was the close involvement of diverse stakeholders - including business and producers' associations, civil society and academia - whose wide range of views brought considerable value to the ARAS Strategy development process.

Comprehensive in its approach, the ARAS Strategy aims to encompass a wide range of issues that affect the performance of the agriculture and rural sector as a whole, including land management, access to credit, taxation, agricultural research and education, public support mechanisms, food safety, environment and other key challenges, all of which can benefit from the establishment of an effective and efficient advisory system. It is important to note that the majority of these issues do not fall under the competence of any individual public body, department and/or institution, and therefore, it is important to recognise that the success of the ARAS Strategy depends, in part, on establishing an unprecedented level of inter-institutional and inter-departmental cooperation and coordination. To this end, it is proposed that the moa commits to setting up an operational coordination mechanism to follow-up on the implementation of the Strategy and Action Plan, including monitoring and assessing its impact. All interested parties, including professional organisations will be invited to participate actively in this process. It is also anticipated that the active involvement of donors will continue during the implementation of the ARAS Strategy, in particular, for making fully operational the main structures and the scaling-up of good agricultural and environmental practices which will require further injection of funding beyond current budgetary limits. The ARAS Strategy is accompanied by a realistic Action Plan, containing targeted priorities and practical actions. Successful implementation of this Action Plan is anticipated to have a significant and positive impact on the agriculture sector and rural areas of the northern part of Cyprus.

EXECUTIVE SUMMARY

An assessment of the current situation in the agriculture and rural sector of the northern part of Cyprus has revealed that the sector is in a steady state of decline. These has been caused by a combination of factors, including the highly constrained geo-political status of the territory, which limits opportunities for trade in agri-food products, increases transaction costs and generally lower competitiveness of the sector in both domestic and international markets. These problems are compounded by the challenging agro-climatic conditions causing frequent droughts and scarcity of water supplies, gradually degraded soils (primarily due to salination) and agri-environmental conditions. The situation has been further exacerbated by ad hoc and distortive policy interventions that have tended to favour the support of certain sub-sectors with lower comparative advantage (livestock), when compared to other primary agri-food products that are likely to have greater trading opportunities (such as fruit and various horticulture crops). The broad social orientation and characteristic of these policy interventions has had a very limited effect in improving the overall competitiveness and sustainability of the farming and rural interests of the territory.

The overall impact of these factors over time has seen a significant decline in agriculture and rural household incomes, a large fall in employment levels and an increasing rural-urban migratory trend, as young people move out of the sector to other forms of employment and income generating activities (see section 1 & 2 for further detailed assessment).

New actions are required to assist in addressing these sector challenges, combining a range of new policy measures and instruments and the establishment of a more collaborative partnership between the public and private sector. A critical element in this new policy mix will be the establishment of a new, integrated, *Agriculture and Rural Advisory System* for the northern part of Cyprus (ARAS). This document articulates a detailed *Strategy and Action Plan* for the development of the system (see sections 3 to 7 for further details).

Furthermore, the ARAS aims to contribute to the attainment of the following wider objectives:

‘To increase the competitiveness of the agriculture and food sector through the strengthening of existing and creation of new agriculture and rural enterprise and community development opportunities and the improvement of the quality of life in rural areas, whilst ensuring the preservation of natural resources and the environment’ (based on the draft Agriculture Master Plan).

In particular, the *specific objectives* of the ARAS are applicable, as follows:

- (i) To increase *agricultural knowledge, innovation, experience, research and business related information services* available to farmers and rural entrepreneurs through a centrally coordinated advisory system and service providers;
- (ii) To improve the *quality of agricultural advice, education and training* via support for advisory service providers and reform of public and private training and educational institutions, including the development of new curricula and new vocational training courses which are relevant to current and future agriculture and rural business needs and priorities;
- (iii) To ensure the *quality, efficiency and relevance of agricultural research* through restructuring and optimisation of public research institutions, in order to enable them to conduct research relevant to farmers, agri-food businesses and the development of new market opportunities.

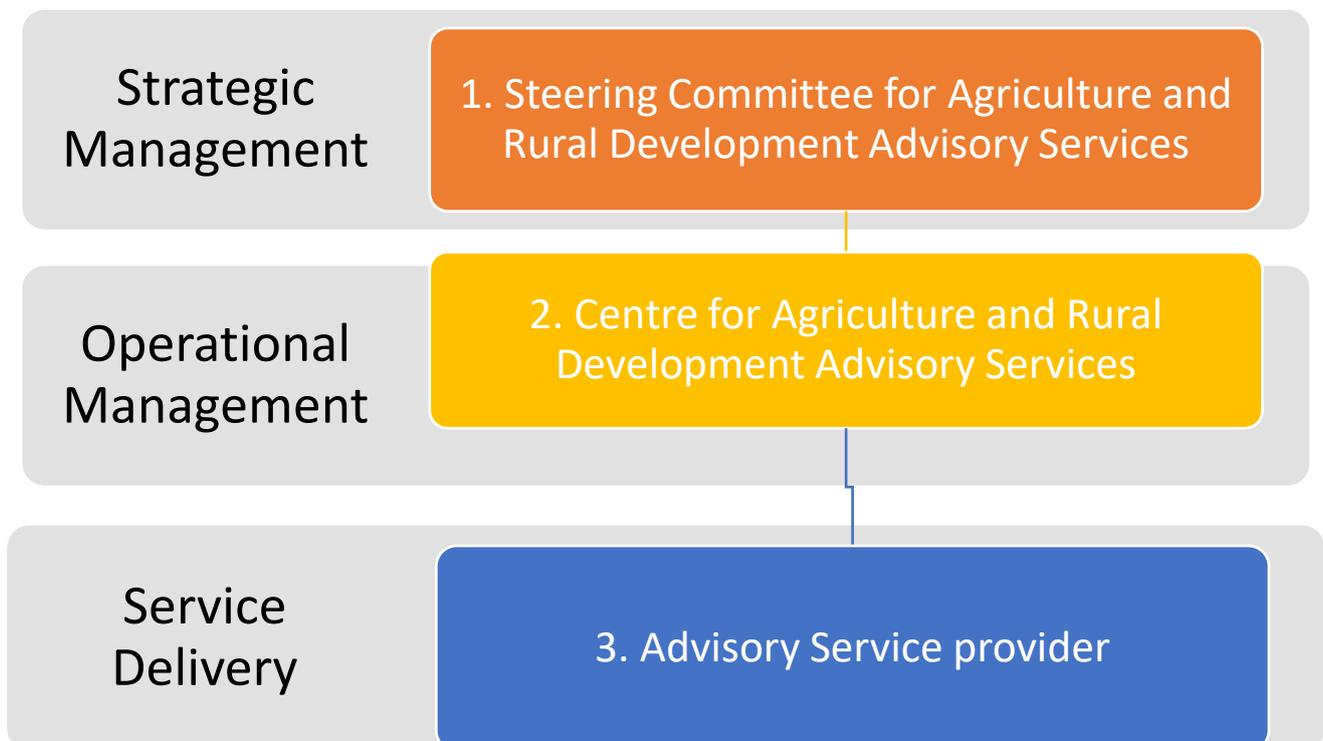
Priority target 'recipients' of advisory services are anticipated to include the following groups¹:

- (i) *Small and medium scale farmers:* This will include individuals from family farms and small scale farms whose incomes are predominantly from farming (small-scale farmers are determined as those having between 0-3 Ha of land, whilst medium-scale farms are those with holdings of between 3-20 Ha. All livestock breeders will be eligible).
- (ii) *Small and medium scale rural entrepreneurs:* This will include individual rural entrepreneurs, family businesses and companies (primarily aimed at business with less than 50 staff)
- (iii) *New agriculture and rural business start-ups:* This will include young farmers and young rural entrepreneurs between the ages of 18 up to 40 years of age
- (iv) *Village and Rural Community-based Groups/Leaders:* This will include legal entities in rural communities and emerging rural community leaders

Priority target 'providers' of advisory services are anticipated to include the following groups:

- (i) *Private sector advisers, consultants and experts:* This will include appropriately qualified and trained individuals who provide advice, support and other services to farmers and rural entrepreneurs
- (ii) *Association and farmer group advisers and experts:* This will include individuals who provide advice and support to farmers through farmer groups and associations
- (iii) *Training and education institutions:* This will include both institutions and/or individuals from relevant training, research and education institutions that are able to provide advice and support services to farmers and rural entrepreneurs

The *main organisational framework* requirements are outlined in the diagram below:



¹ Priority targets may need to be further refined according to available resources

The main *organisational framework* (see section 4 for further details) is proposed to include the following main components:

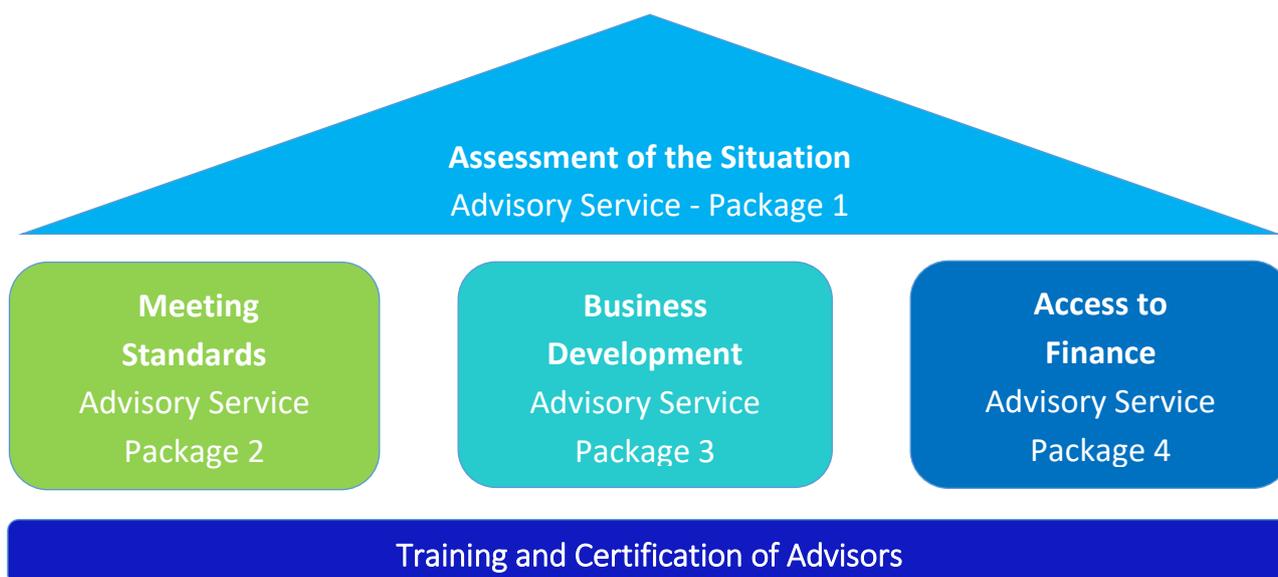
A Steering Committee for Agriculture and Rural Development Advisory Services (SC): The SC will be responsible for overseeing the design, establishment, management and coordination of the Agriculture and Rural Advisory System (ARAS). It will also have primary management responsibility for overseeing the implementation of the Agriculture and Rural Advisory System Strategy. The SC will be chaired by a senior representative of the “ministry” of Agriculture. Members of the SC will include a balanced representation of public and private organisations who have an active stake in the development of the agriculture and rural development. This is anticipated to include representatives from other relevant “ministries” including (but not limited to) “ministries” of Tourism and Environment and Education,. It will also involve participation from relevant donors and/or international financial institutions that provide resources to support the advisory system. It will also include nominated representatives from farmer associations and agri-food processors and traders,

A Centre for Agriculture and Rural Development Advisory Services: The Centre shall be responsible for overseeing the implementation and monitoring of the Advisory System Action Plan and shall report to the SC. This will include establishing the scope, priorities, methods, content, standards, certification procedures and key performance criteria for the delivery of the advisory system including ensuring quality and consistency. In addition, it shall contribute to the review and realignment of agriculture, food and rural sector related training, education and research and contribute to development of wider strategies, policies and programmes. The Centre will be set up as part of the moa.

The main *Agriculture and Rural Advisory System Delivery Structures* are proposed to include the following main components:

1. **Advisory Service provider(s):** The Service Provider(s) will be from the private sector and will comprise of organisations that can demonstrate to have the necessary capacity, skills and resources to deliver effectively and efficiently the anticipated set of advisory services. The provider will organise the execution of the services with the support from a pool of trained and certified advisors. In addition, the service provider (s) will provide information and analysis on new technologies and innovations; disseminate results and feed into policy-making; and provide technical support to the *Centre for Agriculture and Rural Development Advisory Services*.
2. In order to facilitate the various processes and coordination requirements arising from effectively operationalizing the system and service delivery it is proposed to develop an IT based solution, namely to create a *Knowledge and Information E-platform*. Specifically, it is proposed to design and build an open electronic and publicly accessible e-platform. The e-platform will provide a repository of information for advisers and beneficiaries of advisory services on all areas of activity. The e-platform will have 2 main purposes, namely to support and facilitate delivery and coordination of advisory services; and to provide access to an agriculture and rural knowledge bank.
3. **Local Advisory Service Info Points:** Local organisations, both public and private shall contribute to the functioning of the system by providing first hand information (sign-posting) to farmers and advisory service clients on where they can get access to the proposed services. These “info points” will not form part of the structures involved in organisation of the system but will contribute and complement it in an indirect manner.

The delivery of advisory services is initially proposed to be structured under *four main advisory service packages*, as follows:



Access to [advisory services](#) will be linked with an [obligatory](#) "Assessment of the Situation" on the agricultural holding or rural enterprise (Advisory Service Package 1). Through this service the adviser will determine the specific needs of the client in relation to the other advisory service areas (namely access to Advisory Service Packages 2, 3 and 4).

In addition, the [training and certification of advisers](#) will be organized as an obligatory requirement for advisers who will be delivering the services (i.e. for packages 1 to 4). This service will be offered as a stand-alone action, delivered by selected training providers (*see section 4 for further details*).

Given the overall management and resource demands required for the implementation of the ARAS Strategy, a number of [transitional arrangements](#) are also proposed for consideration (*see section 5 for further details*) which are designed to allow for a more gradual implementation of complementary actions. These include proposals to:

- Initiate the establishment of the advisory system governance structure through a 'Council of Ministers Decision'; .
- Ensure that private advisers registered to deliver advisory services undertake compulsory training, thereby ensuring that they will achieve a minimum level of technical competence as a certified adviser. These standards will be defined and monitored by approved training provider(s).
- Introduce a more balanced set of incentives to promote good agricultural and environmental practices;
- the need to align current relevant legal text with that of the EU;
- Secure additional technical assistance to support the set up and development of an advisory system.
- Modify existing frameworks for use of grant funds and other financial resources to align them with the ARAS Strategy.

Lastly, as an intrinsic part of the ARAS Strategy, a number of risks to implementation are identified for which mitigating actions are also proposed for consideration, to ensure the success of the strategy.

Together, all of the above components aim to provide a Comprehensive Strategy and Action Plan for the development of an Agriculture and Rural Advisory System for the northern part of Cyprus.

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ACRONYMS AND ABBREVIATIONS

AMP	Agriculture Master Plan
ARAS	Agriculture and Rural Advisory System
CAP	Common Agriculture Policy
CC	Cross-Compliance
CDS	Community Development Scheme
CLLD	Community Led Local Development
CSO	Civil Society Organisation
DG	Directorate General (of the European Commission)
EAFRD	European Agriculture Fund for Rural Development
EC	European Commission
EIP	European Innovation Partnership
ENRD	European Network for Rural Development
EUPSO	European Union Programme Support Office
EU	European Union
EUCC	EU Coordinating Centre (body for the TCc)
FAS	Farm Advisory Services
GAEC	Good Agricultural and Environmental Conditions
GDP	Gross Domestic Product
GLOBAL GAP	Global Good Agricultural Practices (formerly EurepGAP)
HACCP	Hazard Analysis and Critical Control Points
moa	ministry of agriculture
M&E	Monitoring and Evaluation
MIS	Market Information System
NOS	National Obligatory Standards
PCM	Project Cycle Management
PMU	Programme Management Unit
PRAG	Practical Guide to Contract Procedures for EC External Actions
PSDP	Private Sector Development Programme
RDP	Rural Development Programme for the northern part of Cyprus
RDSP	Rural Development Sector Programme
SME	Small and Medium Enterprise
TAIEX	Technical Assistance Information Exchange
TCc	Turkish Cypriot community
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WB	World Bank

PART 1: SITUATION ANALYSIS AND RATIONALE

1. DESCRIPTION OF THE CURRENT SITUATION

In this section an assessment is made of the current and historical trends in the agriculture and rural sectors as these relate to the needs and requirements for organisation of an advisory system and the execution of ancillary advisory services. This includes a review of the economic importance of the sector, an assessment of the natural resource base and key challenges, and an assessment of the policy, legal, institutional and financial environment. The findings from this assessment are then summarised in an overall SWOT analysis (i.e. summary of the main Strengths, Weaknesses, Opportunities and Threats), all of which provides the foundations upon which the proposed Strategy for the development of an Agriculture and Rural Advisory System is based.

1.1 Agriculture & Rural Sector Assessment

Agro-climatic conditions: The agriculture sector of the northern part of Cyprus is predominantly characterised by low yields per hectare for most crops, due primarily to the challenging agro-climatic conditions, including frequent droughts, the low quality and scarcity of water resources, and the limitation of the existing agricultural infrastructure.

The territory has a semi-arid type Mediterranean climate, with very mild winters (on the coast) and warm to hot summers. Rainfall occurs mainly during the winter season, with summer being generally dry. Average annual temperatures on the coast are around 23-24 °C during the day and 13-14 °C at night. Generally, the warmer temperatures are sustained for about eight months of the year, from April to November, with the remaining four months of the year tending to be relatively mild.

Soils in the northern part of Cyprus are classified as red soils, sedentary soils, and alluvial or colluvium soils. Soils in Güzelyurt, Gazimağusa, Girne and İskele areas are considered to be the most suitable for crop production. Soils in the Mesarya plain tend to have a more impermeable soil base, with low water filtration. This is a significant challenge when considering irrigated agriculture in these areas.

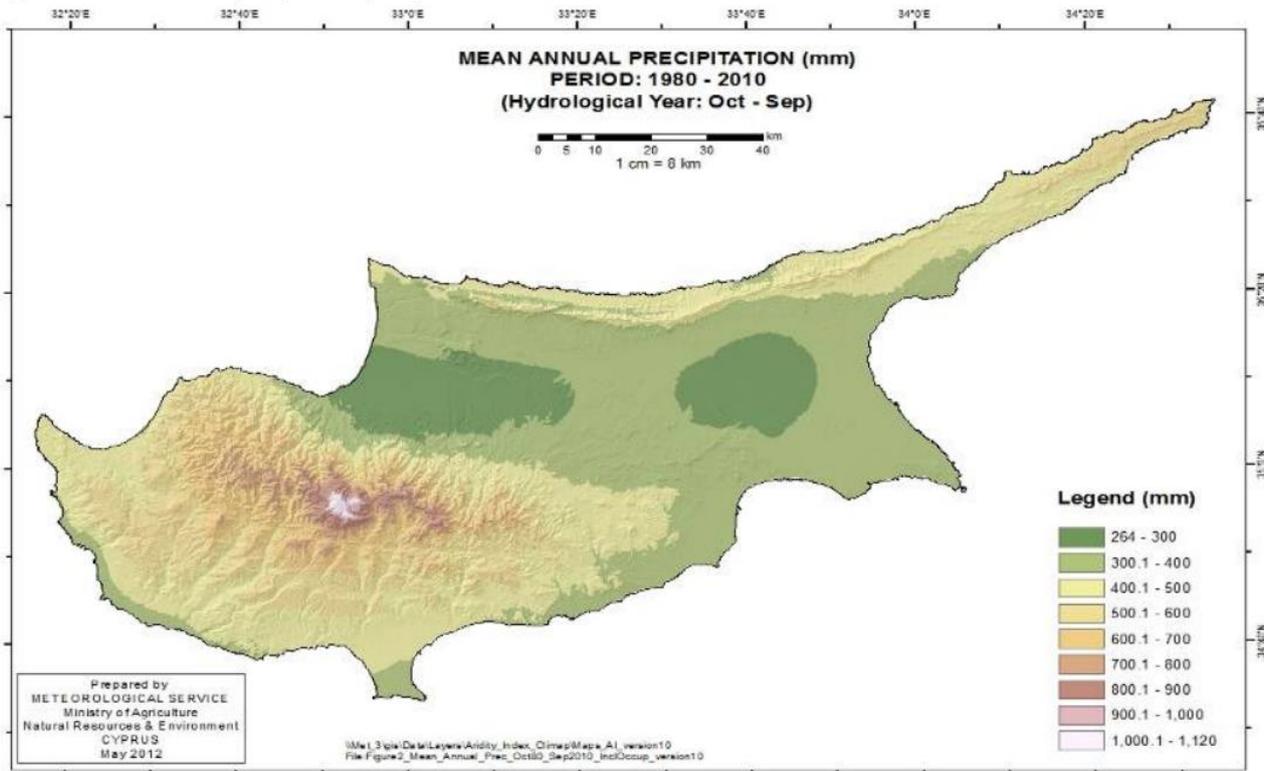
Total agricultural land in the northern part of Cyprus is 187.069 hectares (ha), which represents 56.7% of the total territory (i.e. 329,891 ha). Out of this, 157.483 ha (84.2%) is arable land. During the period 2007-2014, the surface of arable land has increased from 66.1% to 84.2%. However, currently only 59,6% of the total agricultural land (109.447 ha) is being economically used. Out of this economically used agricultural area, only 8.7% (9.714 ha) is currently irrigated.

The level of rainfall and access to water resources primarily determines agricultural productivity. Most of the cultivated land (i.e. in the Famagusta area) is planted with rain-fed temporary crops (cereals, food and feed legumes, green fodder and industrial crops) in the plains. Figure 1 below shows that the two main agricultural areas, namely Güzelyurt and Mesarya, are actually the areas with the lowest levels of annual precipitation.

Availability of irrigation has been the main constraining factor affecting crop production in the sector. Over time, most of the water sources have gradually become saline and the quantity of usable water available has decreased. Over the last 15 years, investments and subsidies have been targeted at promoting the use of more efficient drip-feed irrigation networks but this has had only a limited impact on total production. Decreasing precipitation trends and the changing climate (warming) has posed new challenges to the sector. To overcome this, in 2016, a new water supply project was finally completed. The project has established a pipeline from southern Turkey to transport water to the northern part of Cyprus. The project also included the building of water purification and water distribution facilities, aimed to supply water for drinking and irrigation. The pipeline is able to transfer 75 million m³ of fresh water to the territory annually.

This significant investment has the potential to radically and positively alters the availability and quality of irrigated water to support agricultural production in the territory, provided that appropriate policies can be put in place and managed to ensure equitable and efficient distribution and appropriate pricing of this water for agricultural purposes.

Figure 1: Mean annual precipitation in the northern part of Cyprus (in mm)



Economic Importance of the sector: Agriculture and rural areas have historically played a key role in the economy of the northern part of Cyprus in both economic and social terms and in many aspects, still continue to provide important contributions. Over 50% of the population of the territory still live in rural areas. However, the economic importance of agriculture has been in steady decline and currently only contributes approximately 5.5%² to the Gross Domestic Product (GDP) of the northern part of Cyprus. Of this agriculture GDP contribution, approximately 48% comes from crop production (*i.e.* 234 mTL), 45.5% from livestock production (222 mTL), 6.5% from fishing (31 mTL) and 0.2% from forestry (873,007 TL).

Employment in the agriculture sector was historically very significant, representing over 38% of total employment in 1980. However, its importance has significantly declined over the last 35 years and is currently estimated to be around 5.5% of total employment in 2014.

According to available official data, there is an on-going (and gradually increasing) deficit in the trade of agriculture products, with the total value of agricultural exports in gradual decline, currently estimated to be approximately \$134 million in 2014, including approximately \$41 million from dairy products; \$24 million from citrus; \$4.3 from citrus concentrate; and \$1.2 m from potatoes. Whereas the total value of agricultural imports is in excess of \$178 m in 2014, representing an increase on the previous year of over 11%. The contribution of the agriculture sector to overall trade is summarised in Table 1 below. Even

² Based upon 2014 official data, where total GDP was 8,858 m TL, of which 489 m TL was from agriculture.

though the trade trends are negative, it is clear that agricultural products continue to have an important place in the total export portfolio of the territory.

Table 1: Value and percentage of exported products by category for 2013 and 2014

Categories	2013		2014	
	Value (million \$)	%	Value (million \$)	%
Dairy products	40.9	33.9	49.7	37.1
Citrus	23.9	19.8	15.3	11.4
Rakia	13.3	11.0	12.8	9.6
Scraps	6.9	5.7	9.1	6.8
Chicken	6.3	3.6	6.2	5.1
Concentrated citrus juice	4.3	5.2	6.8	4.6
Confection	3.6	1.0	3.4	3.8
Gypsum	3.0	2.5	3.5	2.6
Vegetables	3.6	3.0	3.4	2.5
Potatoes	1.1	0.9	5.1	1.0
Others	16.1	13.3	20.7	15.4
Total	120.7	100.0	133.9	100.0

Due to on-going trade restrictions as a result of the political situation, most of the goods traded from the northern part of Cyprus are destined for the Turkish market or for re-trade from Turkey to other countries. In 2014, this represented more than 58% of total exports. This situation significantly distorts the overall costs and competitiveness of all traded products deriving from the territory. However, there has been some historical success in the exporting of some agriculture products to certain European countries and some countries in the Middle East. In 2014, total exports over the green line were estimated to be in excess of \$4.9 m, representing approximately 3.6% of total exports, of which agricultural trade represented approximately 25% of total trade (of which fish products represented approximately 78% of total agricultural trade, with other important traded crops being mostly fresh vegetables).

When considering trade import data in more detail it is clear that one of the most significant factors distorting the agriculture trade balance is the increasing reliance upon imported feedstuffs to support livestock production (e.g. in 2014 the import value of barley was \$56.8 m and the value of animal feed was \$39.8 m). This reflects a current and historical distortion in production which has tended to promote the livestock sector more than crop production.

Crop Production: Distribution of the economically used agricultural areas (109.447 ha) is summarised in Table 2 below. The data highlights the importance of cereals and legumes production for animal feeding, representing in excess of 88% of total agricultural land usage.

Table 2: Crop Diversification of Economically Used Agricultural Lands

Crop Types	2012		2013		2014	
	Land (ha)	%	Land (ha)	%	Land (ha)	%
Cereals	81979	75.9	86942	78.0	85930	78.5
Legumes for animal feed	11468	10.6	10087	9.0	10021	9.2
Legumes for human consumption	216	0.2	292	0.3	252	0.2

Vegetables	2129	2.0	2213	2.0	2261	2.1
Fruits	6033	5.6	5885	5.3	5251	4.8
Vineyards	388	0.4	289	0.3	258	0.2
Citrus	5362	5.0	5369	4.8	5017	4.6

When considering irrigated land, it is noteworthy that over 48% of the total irrigated land is currently devoted to citrus production, 24% for vegetables and greenhouses, 18% for other fruits, 2% for vineyards and 2% for legumes.

Livestock production: The main forms of livestock production in the northern part of Cyprus are cattle, sheep and goats, poultry and beekeeping. Average livestock holdings are around 2 ha. Livestock farmers do not tend to mix their types of production but rather to specialise in cattle or sheep/goat production. Overall the livestock sector showed a significant increase in numbers for cattle production and a limited increase for sheep and goat production in the last decade. The low quality of the water available and limited access to water facilities continues to significantly affect livestock production operations.

Livestock holdings are generally located in remote areas known as *Organized Stockbreeding Areas*. Approximately 50% of these areas lack proper infrastructure, (road access, electricity and water). Both in cattle, sheep and goat breeding holdings, the current structure of the barns, storehouses and other production facilities are in need of modernization, primarily to improve efficiency and animal welfare standards which will help to reduce unit costs and improve livestock productivity. The relative isolation of local animal husbandry practices for a long time has disadvantaged animal production in the northern part of Cyprus. In addition to limited access to modern technology, access to reliable information and knowledge of “good agricultural practices” has been constrained for many members of the traditional farming community.

Dairy Cattle: There are currently approximately 1,078 cattle holdings, with a total number of 64,263 cattle. The average number of animals is 58 cattle per holding.

There is currently no specialised beef production in the territory. A cold milk chain system has gradually been established to support the sector, supporting approximately 186 cattle holdings currently. Approximately 78% of current cow milk production is obtained from these holdings. The total cow milk production is approximately 140,000 tonnes per year.

This milk is currently supplied through the publicly owned Dairy Industry Organization (SÜTEK). However, the milk supplied varies significantly in its quantity and quality, dependent upon the type of holding and time of season and no incentives or significant controls appear to be in place currently to regulate standards or incentivise farmers to improve milk quality.

Sheep and Goats: Most of the current sheep and goat livestock holdings tend to engage in extensive production. Numbers of holdings and overall numbers of animals have remained relatively constant over the last decade. Currently, there are approximately 233,458 sheep in the territory, located on approximately 3,733 farms, with an average flock size of 63 sheep. The number of goats is approximately 96,841 located in 2,593 holdings. It should be noted that the number of holdings, which are breeding both sheep and goats, are not separated in the figures indicating the number of holdings. The number of holdings has remained relatively constant, with average goat herds of approximately 23 animals.

Poultry: Poultry breeding is also reasonably well developed in the territory and as a sub-sector, it has seen a gradual increase in its importance and quality over the last period, currently with a national flock in excess of 9 million birds.

Fisheries: There are currently 476 registered fishing vessels, of which a total 378 of these vessels are currently active in the northern part of Cyprus (based on 2014 data). Over 50% of the vessels are based in the Iskele region of the territory. Total annual production is approximately 250 tonnes. An estimated 75% of the total caught fish are sold to southern Cyprus, over the green line for an estimated value of approximately € 500,000 per annum, with fish sales to other countries representing approximately €200,000 per annum. Total imports of fish in the same period were estimated at approximately €2 million in 2014 and €2.6 million in 2015, creating a considerable deficit between domestic demand and supply.

Overall sector efficiency and competitiveness: Wheat and barley are the most significant crops in the northern part of Cyprus. However, with average yields of these crops consistently recorded at 133 kg/da and 168 kg/da respectively, productivity remains significantly below world averages (i.e. -59% and -42% of world averages - See statistical appendix for further details). Wheat yields are also considerably lower than levels in comparable climates such as Turkey, Spain and the Republic of Cyprus. Overall, based on the comparative data available, cereal production in the northern part of Cyprus does not appear to be economically viable when compared with countries having similar climate. The main reasons for this include the challenging agro-climatic conditions, drought and access to reliable water supplies, and a lack of access to appropriate agricultural knowledge and expertise.

The yield of oat, vetches, broad bean and beans are also very low when compared with the same countries. However, importantly, potatoes, which are one of the most important agricultural products grown in the territory, have recorded yields, which are nearly 10% higher than world averages and very close to the yields obtainable in the Republic of Cyprus (though still lower than those obtained in certain parts of Turkey and Spain). Yield results indicate that garlic is among the most efficiently produced crops in the northern part of Cyprus, where its yield is higher than the yield in Turkey, Spain and the Republic of Cyprus.

Citrus: Citrus fruits are one of the most important crops produced in the northern part of Cyprus but its production and marketing is currently experiencing a crisis due primarily to the impact of drought, water shortages and limited access to external markets. Nearly 95% of production is clustered in the Güzelyurt area. The water reserves and water quality in this area has been reducing gradually for several years which has significantly and negatively impacted on citrus production. However, despite this constraint, yields are still higher than the world average for Valencia oranges, lemons and for total citrus. Overall, although the citrus crop yields in the territory are generally higher than world average, yields are still very low when compared with other countries with similar climatic conditions. On the other hand, the fruit quality is very low, causing more than half of the production to be used for concentrate juice production, thereby significantly limited income generating potential for farmers and processors.

Other fruits: Pomegranate is another important fruit crop, which has a higher yield than the world average, and whilst the area producing pomegranates is still relatively small, it has been steadily increasing over the last decade. Among other fruit crops, almonds and walnut also exhibit higher yields than in many other countries. But the total area devoted for these crops is very limited.

Quality-based products (including Organic production): When considering organic production and certification processes which can be important mechanisms to promote improved quality standards and overall competitiveness, there is currently no recognised framework or support structure to promote such organic production standards. In 2014, in the northern part of Cyprus, according to available data, only 67 producers carried out organic agriculture activities in an area of 480 hectares. Among these 67 producers, 37 producers are fully organic and 30 producers are in conversion. Out of the 67 producers, one has also certified agro-tourism activities and it is as well in the second year of conversion for livestock production (poultry); two are in conversion for bee keeping; three are certified processing units (olive oil). Moreover,

there are 47 farmers growing citrus and pomegranate with GLOBALG.A.P. certification out of which 22 people produce pomegranate in an area of 40 hectares, 25 produce citrus on 250 hectares. Three more farmers have entered in the GLOBALG.A.P. system with production of asparagus, cauliflower, broccoli, cabbage and grapes. Whilst these examples are very positive they represent a very small minority of farmers and underline the importance of extending support to farmers to improve standards and certification systems for both general and organic production.

Market and processing infrastructure: Market infrastructure in the northern part of Cyprus is somewhat limited. This has been caused in part by the political status of the country and the trade embargo that has been imposed. Prior to the embargo and imposition of various trade restrictions, trade in agricultural products was much more vibrant, particularly for citrus products, potatoes and other fruits and vegetables, many of which were being export to European countries. At that time, harvesting, moving, storing, processing and handling of goods was performed by a wide variety of local companies, each adding value in the agri-food chain. Following the imposition of the embargo, the only market for such products was Turkey. This gradually forced many companies to be closed and for people and investment to move out of the sector. Today, the majority of the trade and exporting activities for citrus and other horticulture products is undertaken by foreign companies and/or by the 'publicly' owned company, Cypfruvex. The Company performs a balancing role in the market, aiming to protect farmers by determining baseline prices. This socio-economic model is important in the current marketplace but in the medium to long term is not likely to be sustainable without significant public funding/ subsidies.

Since 2006, some donor grants (including EU) were made available which has helped to improve targeted harvesting, storing and processing facilities but these have been quite limited in their scope and scale.

Supply of local products to consumers is generally undertaken in three ways in the territory, namely: (i) Direct sale by farmers, especially through open bazaars; (ii) Local traders who have their own collection network including a number of farmers and recognised retail outlets; (iii) Wholesalers who collect the goods from the farmers and sell to retail and consumer markets. There are a number of companies engaged in wholesaling but 4 main companies which dominate, representing over 90% market share.

Farm structure and ownership: The most recent reliable information on farm numbers is based on 2011 official data which records 12,592 agricultural holdings registered in the territory. Only 46 of these farms are registered farming companies. Registered farms cover approximately 1,304,828 da of agricultural land. Most of the farms are relatively small plots. Almost all of the farms (98%) are owned by individuals or families with only a small number owned by associations or cooperatives (1.74%). A major challenge for some farm owners is the lack of secure land tenure. Many farmers are also tenant farmers, working on land with short term rental agreements, which severely constrains the opportunities to attract investment, secure loans or promote longer term investment and farm management practices, particularly as this relates to maintaining land and/or soil quality.

The distribution of farm sizes shows that 41.3% of agricultural holdings are between 0-3 hectares and 41.3% are between 3-20 hectares. On the other hand, a total of 82.6% of the agricultural holdings are between 0 to 20 ha, and cover a total of 32.47% of the arable area (see Table 3 below).

More than half (54.8%) of the farms have less than 67 da (50 dönüms) of land. These farms represent only 9.85% of the total agricultural area. On the other hand, there are 942 farms (7.48%) where each has more than 334.5 da (250 dönüm). The total area coverage of these 942 farms is about the 53.67% of the total agricultural area. 27% of the farms have between 6.7 to 20 da (5-15 dö) and 20% have between 669 to 1338 da (500-1,000 dö). The highest concentration of agricultural holdings is found in the Güzelyurt region and the lowest concentration in the Girne region.

27% of the farms (3,411) are engaged in mixed crop and livestock production; 62% of the farms (7,835) specialise in crop production; and 10.69% (1,346) specialise in livestock production. The average farm size of crop production farms is 13.3 ha UAA/farm. However, the farm size varies dependent upon whether rain-fed or irrigated agricultural activities are being carried out. For example, for the citrus sub-sector, the average farm size is much smaller at 1.3 hectares per farm.

According to the data of the agriculture department, there are 12,592 agricultural farms in 2011 which owns about 1,304,828 da area. In 2016, the number of agricultural farms is 14.630. According to that data, 40,73% of the agricultural farms are owned by farmers below 50 years old which means nearly 60% of the farmers are higher than 50 years old (see Table 3 below). This causes an inability in rural population in terms of age.

Table 3. Frequency Distribution of the Farmers by Age

Age Range	Frequency	% Frequency	% Cumulative Frequency
17-20	20	0,14%	0,14%
21-30	825	5,64%	5,78%
31-40	2.241	15,32%	21,09%
41-50	2.873	19,64%	40,73%
51-60	3.512	24,01%	64,74%
61-70	2.971	20,31%	85,04%
71-80	1.601	10,94%	95,99%
81-90	494	3,38%	99,36%
91-100	68	0,46%	99,83%
101-116	25	0,17%	100,00%
Total	14.630	100,00%	

The majority of agricultural holdings produce for self-consumption and only part of their production is sold on the market. Given the small average size of farms and livestock herds and low levels of production, farmers have gradually sought to diversify income through off-farm employment. In order to carry out agricultural activities, the majority of farmers are engaged in agriculture on a part-time basis. Furthermore, given the short distances between the rural areas and the cities, many people carry out part-time agricultural activities in addition to full time jobs in order to boost their family incomes. Others have ceased farming activities altogether and chosen to move to urban centres to find alternative employment opportunities.

Socio-economic conditions in rural areas: Given the increasing limitations of farm incomes and the declining levels of sustainable employment in the agriculture sector, the emergence of a dual rural economy which is effectively subsidised and sustained through other forms of non-farm employment has gradually emerged in the northern part of Cyprus.

Non-farm incomes and employment: With the modest 3.9% share of total employment accounted for by the agriculture sector (including forestry, hunting and fishing), other sectors have had to absorb this labour. This includes an expanding wholesale-retail trade sector with 18.2% share, followed by 14.6% employed in public administration, 9.2% in education, 8.6% in restaurants and hotels, 7.8% in manufacturing, 7.8% in construction, 7.7% in property and renting, 7.3% in other community services and 6.2% in transport, storage, communication and programming. Off-farm employment sources are mainly located in the larger urban centres, namely Lefkoşa, Girne and Mağusa. Therefore, Güzelyurt, which is the primary source of agriculture in terms of land and human power, is continuously losing population as people choose to move to other areas and cities.

Tourism and agro-tourism: Tourism is considered as one of the driving sectors of the Turkish Cypriot economy. The country received over 1.1 million tourists in 2012. Hotels and restaurants generated an income of \$328 million which represented 8.5% of total GDP. Casino tourism is one of the major growth sectors of the economy. Girne is considered the capital of tourism in the northern part of Cyprus, with its numerous hotels, entertainment facilities, vibrant nightlife and shopping areas. The number of hotel beds has gradually expanded. In 2002 there were only 10,611 beds available. This has increased to 19,276 in 2014 which represents over 80% increase over the last 12 years. There are some eco-tourism activities emerging in some rural areas, particularly in the Dikarpaz and Yeşilirmak areas. The number of tourists has also been increasing as supply of tourist facilities and their quality has increased. Total tourist numbers were recorded at 425,556 in 2002 and have increased to 1,366,077 tourists in 2014, with average occupancy rates in hotels in excess of 47%.

Connectivity: With the lack of a railway system, the country's highways are used for transport between major cities. In the 21st century, these highways were upgraded into dual carriageways, with some roads in the Karpaz and new road between Güzelyurt and Lefke area still being upgraded as of 2016. The northern part of Cyprus has around 7,000 kilometres of roads, with two thirds of these roads paved. Transport of the goods from farm to markets is generally undertaken by wholesalers or markets. The transport vehicles of these wholesalers and markets are generally open vehicles, without temperature control. Since 2010, some of the wholesalers, markets and farmers have made certain investments to improve transport conditions and reduce post-harvest losses but much more needs to be done to reduce costs and increase transport efficiency.

Telephone connections and internet access in rural areas is of average quality, generally with slower speed internet connections available in many rural areas. Overall use of mobile phones is relatively high (811,815 registered mobile phones as of March 2016, with 648,698 of these recorded as active). Monthly usage of mobile phones is estimated at 205 minutes which is similar to the level of usage in the EU, which averages 201 minutes. Out of these mobile holders, 288,571 are recorded as having smart phones which would tend to indicate a high level of mobile phone connectivity in the territory. However, the distribution of mobile phone base stations in the territory is much higher in urban centres than in rural areas.

Use of social media is generally quite high in the northern part of Cyprus. Approximately 95% of the population uses Facebook, 49% uses Twitter, 45% Instagram and 26% use location indications. On the other hand, 43% of internet users share photographs, 38% news and 7% videos.

Electricity is supplied by the state of Teknecik termic power station and private AKSA with some problems, especially during rainy days and hot summers. Electricity prices are about 2.3 €/kWs in 2014 which is nearly the same as the southern part of Cyprus but higher than the EU average (0.20€/kWs) and Turkey (0.12€/kWs). In 2013, Electricity consumption was about 3,965 kWs per person, and the petrol consumption was 824 Lt per person. There is evidence of some modest investment in the use of renewable energy such as solar power and bioethanol but uptake remains low, relative to the potential in many areas

of the territory, primarily due to lack of knowledge and information for farmers on appropriate technologies and processes coupled with the lack of appropriate policies, infrastructure and support mechanism for applying feed-in tariffs.

Education: The rate of education, up to high school level, was 88% in 2013, with 65% continuing to education in bachelor of science. Total number of primary/middle/high school students was 38,764 in 2003-04 education period, where 2,843 students (7.3%) were studying in private schools. Total number of students reached 46,936 in 2013-14, where the rate of private school students reached to 18.5%. Number of students per teacher was 10.4 in 2008-09 while it showed a continuous decrease and dropped to 9.3 in 2013-14. The mandatory lesson hours in the northern part of Cyprus is nearly 25% less than the OECD countries in primary schools and about 42% less in high schools. In 2014 there were 70,004 university students from 114 countries in nine universities in the northern part of Cyprus (15,210 Turkish Cypriots; 36,148 from Turkey; 18,646 international students). Total number of university students was about 40,000 in 2005-06 which means about 75% increase in 9 years.

Health: Health services are very poor within the country. Only 3.2% of the GDP is being used for health services according to 2014 data. Number of patients per doctor was 487 in 2013 with 157 patients per bed. Rate of death at birth was about 11.3 out of every 100 in 2013, with 79.6 years average life for man and 83.2 years for woman.

Agri-environmental conditions: Agricultural product quality and establishment of minimum agro-environmental standards in the northern part of Cyprus is very limited. According to available national data, a number of controls are undertaken before the entrance of new products to the market. However, there are only limited capacities and/or systems in place to effectively ensure enforcement or monitoring, particularly of agriculture and food products. Industry self-regulation and certification is also under-developed, with only one company supplying GLOBAL G.A.P. certification for farmers.

Farmers also face significant agro-environmental challenges linked to water scarcity, including problems with soil erosion, salination and degradation of biodiversity. These challenges may be assisted through the new water pipeline that has been established to provide improved access to fresh water for both domestic and agricultural use. However, there is a danger that water pricing policies may limit the potential impact and benefits of this new water access for farmers'. However, there is little or no information or training available through either public or private sources to help farmers to address these problems.

There are also a number of significant pests and diseases which can cause extensive damage to certain crops which are prevalent in the territory and for which there is no structured programmes in place to assist farmers in combating such threats to their crops. For example, the Mediterranean fruit fly, which can cause damage to citrus fruits, pomegranate, fig, peaches and other fruit crops. Control of this pest is very difficult where the use of certain insecticides can cause residue problems and contact insecticides are not effective. An eradication program is needed to be organised which will require collaboration among the southern and northern parts of Cyprus. Cochineal, scale insect, powdery mildew, spider mites, citrus leaf miner, aphids and mites are other important pests and diseases affecting citrus production. *Alternaria alternate* is also present in the territory and can have a devastating effect on pomegranate production, as it rots the inside of the fruit and is difficult to determine from the outside. Potatoes have problems with the potato moth. The moth damages the crops by entering through cracks in the soil (caused by drought). Late blight, powdery mildew and *Botrytis cinera* are the most important pests and diseases affecting grape (and some other vegetables) production in northern part of Cyprus. Olive fruit fly and olive ringspot are the major pests of olives. Tomatoes also have problems with the tomato moth (*Tuta absoluta*). All of these pest and disease challenges require a new form of public-private partnership to be established and the development of a combination of assistance programmes to be made available to farmers including improved access to knowledge, experience, training, advice and research (both on and off farm).

1.2 Policy and Legal Assessment

Current Sector Policy framework:

The moa is the main institution responsible for policy formulation and service delivery in the agriculture, natural resources and food sectors. However, it shares responsibility for certain aspects of food safety policy regulation with those bodies responsible for health and also has shared responsibility for various natural resource policy areas such as forestry, with bodies responsible for the environment. There is no core central administration within the moa that has overall responsibility for policy planning, coordination or budgeting. Policy coordination is mostly delegated to the seven technical departments, all of which also have their own network of branch offices in the five administrative Districts of the territory, which provide a mix of services to the sector, including advisory support to farmers. Internal coordination of policy development is somewhat limited currently. This has led to the development of a series of separate sub-sector programmes rather than a more integrated strategic policy framework and set of complementary policy instruments. However, importantly, two major strategic documents are currently under preparation, namely the *Agricultural Master Plan* and a new *Rural Development Programme for the northern part of Cyprus (RDP)* for the 2014-2020 period. Together these will provide the strategic policy framework for the sector.

The *Agricultural Master Plan* is intended to provide the strategic framework for the short- and medium-term development of the agricultural and rural development sector, linking rural development policy with plans for further direct support to farmers and the agri-food chain. Clearly the Agriculture and Rural Advisory System Development Strategy needs to be intimately linked and coordinated with the AMP to ensure alignment of strategic objectives, selected priorities, and related interventions to materialize the strategy, of which advisory services will surely be an integral part. This is also critical to the planning of any indicative budget framework and the definition of realistic and achievable performance targets for sector development.

The *RDP 2014-20* will set out the priorities and measures regarding the identified needs of the agriculture and rural sector. As with the previous RDP for the territory, it is based on the structure of EU Member State rural development policies and programmes (guided by EU Regulation 1305/2013). The current draft *NCRDP* clearly defines the needs to be addressed in the programme strategy and justifies the selected measures of intervention. In total 13 measures are foreseen, including support for both training and advisory services. Emphasis is given to increase the competitiveness of agricultural holdings and of the processing sector, to introduce environmental friendly agricultural practices, including measures to cope with climate change impacts, as well as cross-cutting objectives like knowledge transfer and innovation. Area-based rural development measures are still under preparation as their programming requires sound calculations of compensatory payments for commitments under agri-environment, less-favoured areas, and organic farming. In all of these areas, support from advisory services will be critical to facilitate effective implementation. The “Rural Development Unit” coordinates the programming and implementation process of the selected interventions covered under the *RDP 2014–20*. Currently the budget allocated for rural development interventions include financing from the TAA (€1.5 million annually) and from the EC (€5 million of grants together with technical assistance support for 2014-2020).

Notwithstanding the above, direct income support is currently the main policy instrument in support of the agriculture sector in the territory. The “Direct Payment Unit” of the MoA is currently in charge of the formulation of the annual *Subsidy Plan* regarding direct income support to farmers and the agri-food chain. This is defined in annual plans. The current TCC’s Subsidy Plan 2016 is based on area-based crop and

animal-head based payments but also includes premiums for input or output of agricultural production. The total 2016 subsidy budget of TL 145 million (€ 43 million) currently includes planned allocations of 56% for livestock, 43% for crops and 1% for fisheries. These support payments are currently not linked to any productivity targets or minimum thresholds for farm or herd size. There is also no current framework to link the support scheme to compliance checks with relevant standards on animal welfare, health, and hygiene. Farmers can therefore benefit from direct income support even if they do not comply with plant and/or animal health or welfare standards or standards to protect the soils or wider environment.

In addition to the above policy framework for the sector the moa is also developing plans for the introduction of a support scheme for agricultural diesel and the establishment of a farm registration system, including registration of agricultural land. All of these policy initiatives will have important implications for the future focus of support services to be provided through the advisory system.

Current Legal Framework:

The current legal basis for the provision of public advisory services is provided in the legal text “*Fundamental Establishment Principles of Ministries (57/1977)*” which defines the central organization of the “ministries” in the TCc. Based upon this legislation, the moa, through its “technical departments”, is formally allocated with responsibilities for policy implementation related to agricultural production and markets, and importantly also for agricultural advice, research and extension, rural development, food and feed safety, plant and animal health, and renewable energy. In addition to the more traditional agricultural policy and regulatory mandate and responsibilities, further policy areas like geology and mines, as well as water works and energy have recently been included within the responsibilities of the moa, adding further complexity to policy and regulatory coordination.

There is currently no legal basis for regulation of private advisory services. However, an initiative was recently launched to prepare such a legal basis. It has subsequently been agreed that this will be finalized once there is an agreed strategy and plan for development of the advisory services agreed to ensure consistency in the approach and legal framework.

Currently there are no cross-compliance standards or requirements established which would set common rules concerning food safety, animal health, plant health, the climate, the environment, the protection of water resources, animal welfare and/or the conditions in which farmland should be maintained. The current legal basis defining *agriculture and food market standards* is defined in the “General Food and Feed Legal text (56/2014)”. In addition, certain trading standards are regulated under the Foreign Trade Legal text (12/1983) and related secondary implementation acts which regulate certain export and import trading standards requirements and inspection obligations. The main legal basis, which defines agri-environmental standards, is the Environmental Legal text (12/2012). The degree to which this legal framework is aligned with the requirements of the EU Acquis is not clear.

1.3 Institutional environment

This section provides a short assessment of the main institutional stakeholders involved in providing advisory services to the agricultural sector in the northern part of Cyprus. The assessment also identifies existing gaps in the range of services provided, the level of skills and experience, and overall institutional capacities that may be able to contribute to the establishment of a pluralistic, sustainable and effective advisory system for the territory. In conducting the assessment, the outcomes of the World Bank Group Report (A policy note on agriculture-May 2016), have been taken into account, particularly those

recommendations related to the delineation of functions and responsibilities of public sector advisory service providers (*NOTE: more details on the institutional landscape of advisory services can be found in Annex 2 to this document*).

(i) Ministry of Agriculture, support units and main departments:

The “Ministry of Agriculture, Natural Resources and Food”, along with its various departments and units is currently responsible for the organization, delivery and monitoring of advisory service to farmers and rural enterprises. Key Departments within the Ministry responsible for providing advisory services support include the following:

- **Agriculture Department, Animal Husbandry Department and Veterinary Department:** These departments officially provide both a regulatory and advisory function in support of agriculture. The departments currently operate branch offices located throughout the territory. These branch offices currently operate independently from other ministry/departmental branches offices operating in the same administrative regions. The district branch offices are officially responsible for providing extension services to farmers, collecting farmers’ annual declarations, carrying out initial checks and on-the-spot controls related to the administration of the direct income support payment schemes and other actions on behalf of the General Insurance Fund (GIF). This typically means that on average, only 5% of the departments’ time and resources are possible to provide advice and training to farmers (based on a FAS staff survey findings conducted in September 2016). When provided support to farmers, evidence from farmers indicate that this tends to be primarily delivered as *ad hoc* information and targeted training sessions rather than through more structured training, based on agreed or standardised curriculum. There is little or no evidence of tailored advisory services being provided to farmers. Moreover, the district branches of the “departments” are commonly situated in different buildings, even when they are located in the same city or town. This tends to hinder support and efficiency of farmer support service coordination and delivery to farmers, who are often required to visit multiple moa offices to follow up on specific needs and requirements to support their farming operations. There is also no evidence of any staff training or development programmes to update on new information, techniques or challenges.
- **Rural Development Unit:** This Unit coordinates activities related to the RDP and those activities outlined in the protocol signed between TCc and Turkey on rural development. In total 13 measures are foreseen in the current programme. Emphasis is given to increasing the competitiveness of agricultural holdings and the processing industry through access to improved technology and improvements in standards. However, the unit provides no direct support or advice to beneficiaries to assist in applying for funding at this time.
- **Direct Payment Unit:** This unit coordinates the administration of the direct income support scheme which is the main policy instrument provided to support farmers. The payments are based upon area-based crop and animal-head based payments. There is currently no coordination of the work of this Unit with other departments of the moa to promote increased awareness by farmers of hygiene or other quality or trading standards and there are currently no instruments in place to ensure farmers comply with any such standards.

(ii) Research and production departments:

Under the moa are also a Research Institute and a number of ‘state farms’:

- **Agricultural Research Institute:** The “Institute” publishes information materials (leaflets, publications) and uses radio/television as practical channels for the dissemination of research results, complemented by information packages providing recommendations on advanced technologies to

farmers. There are no governance mechanisms currently in place to ensure research priorities are aligned with farmer needs. In recent assessments the “Institute” has reported a low level of awareness amongst farmers in relation to the information provided on past research findings. Other stakeholder assessment findings have also highlighted a disconnection between research, field level practical demonstrations and flow of knowledge to farmers.

- **“State Production Farms”**: There are currently four “state-owned” farms, coverage approximately 4,000 ha of agricultural land responsible for conducting research on advanced livestock breeds through which they may generate revenues (primarily through the sale of breeding off-spring to private producers). However, assessments reveal that the research, advice and support functions are currently very limited and there is little in the way of formal training or advice provided currently to farmers. Given the limited funding available to support “state farms” currently, their main activities appear to focus on revenue raising activities to maintain their own survival and payment of staff salaries

(iii) Other linked public institutions:

Other institutions with public involvement/ management that can play a role in the provision of advice to certain farmer groups include:

- **“Milk Marketing Board” (SÜTEK)**: SÜTEK operates as a “semi-governmental” organization setting the raw milk purchase and sale prices and controlling the distribution of milk from suppliers to dairy producers. On a non-regular basis, the company also provides training and seminars to farmers on various technical topics related to dairy production such as the link between nutrition and animal genetics, in cooperation with the Faculty of Veterinary Science of the Near East University.
- **“General Insurance Fund” (GIF)**: GIF compensates farmers’ losses from climatic, natural, and sanitary disasters. It does not provide an advisory function but as a form of compensation for farmers it can play a critical role in guiding farmers to mitigate against future disasters. However, there is very little evidence that the fund has established any practical coordination with other departments of the moa and therefore lessons learnt from past problems have not been successfully documented or used to guide training and/or advisory initiatives to assist in preventing crop and livestock losses associated with poor farm management practices.
- **“Citrus Marketing Board” (CYPRUVEX)**: CYPRUVEX was established as a state enterprise to regulate the citrus market in the northern part of Cyprus. The enterprise has a team of technical staff that visits farmers and provides advice and training on various topics on citrus management. However, the transfer of knowledge to farmers is currently based on a rather ad hoc approach, tending to focus upon final stages of production and harvesting, rather than an organized calendar of trainings or advisory services.

(iv) Other relevant private sector organisations:

Although scattered and not well established there is a growing private sector advisory service network in the northern part of Cyprus which includes the following: *private veterinarians, input suppliers, private companies that provide advice to their potential buyers and associations such as Cyprus and Pomegranate Producers Union*. These entities provide information and training on disease provision and managements for livestock farmers, fertilizer, agricultural machinery and pesticide use for producers of field crops, fruit trees and vegetables. They target medium and relatively large-scale farmers that are market participants. Although the advice from input suppliers appears to be “free”, in fact it is built in the price of the inputs sold to farmers. Same applies to private veterinarians who sell veterinary medicines to livestock producers.

(v) **Lessons learnt from relevant on-going and completed projects**

The northern part of Cyprus has a long history of donor support in the agriculture sector and specifically support aimed at assisting with the design and development of farm advisory services and boosting the capacities of local agriculture and rural stakeholders. These include:

- *EU funded TA on Crop Husbandry and Irrigation:* This project aimed to provide farm advisory services, focused upon increasing water efficiency use by farmers and improving profitability of farms through introduction of improved techniques and technologies.
- *EU funded TA on Animal Husbandry:* This project aimed to provide farm advisory services to improve the productivity and sustainability of livestock production through a combination of activities to strengthen both the provision of animal husbandry farm advisory services and veterinary services.
- *EU funded TA to support the preparation and implementation of an Animal Diseases Eradication Programme:* This project is on-going and aims to reduce the impact of animal diseases by strengthening the capacity of the veterinary services. The project supports, in collaboration with TAIEX (Technical Assistance Information Exchange), strengthening of local veterinary capacities to align with the EU *acquis*.
- *USAID* has supported various initiatives aimed at strengthening the capacities of producer associations and develop tools for knowledge transfer to farmers. One of the legacies of USAID assistance is the establishment of a Pomegranate Producers Association, which serves as a model to other similar groups in knowledge transfer, and introduction of trading standards, such as GlobalGAP and HACCP.
- UNDP has implemented several rural community-based development initiatives, supported by grants and technical assistance, for the development of agriculture and rural infrastructure.

From these various initiatives, various lessons can be learned that can be useful in designing effective interventions in support of advisory services in the future. The main lessons can be summarised as follows:

- *Lack of a strategic approach:* Past projects have achieved some success in raising the knowledge and capacities of targeted stakeholder groups but they have tended to be somewhat ad hoc in their approach and methods, lacking an overall strategic framework or integrated approach in their design and/or implementation, limiting their impact either as pilots or as broader based initiatives that have invested in any tangible forms of institutional capacity building.
- *Institutional memory:* Despite the number of projects that have been undertaken, there has been no traceable attempts to develop any sustainable form of common repository of information, training materials, guidelines, reports etc. that could act as an institutional memory of past efforts and which would help new initiatives and provide a more solid foundation upon which future interventions can then build.
- *Limited development of institutional training capacities:* Much of the training and support to farmer groups and/or individuals has been provided by both local and international experts, not linked sufficiently to local training bodies or organisations and therefore limiting the impact of such support, post-project.
- *Lack of sustainable models of advisory service development:* Overall there have been no effective exist strategies developed by past projects that would help to ensure some degree of sustainability of their outcomes post project.

Therefore, the challenge remains to ensure that future support anchors any new approaches within appropriate institutional structures that can become robust enough to establish sustainable advisory

service capacities, accommodate methodological changes, support the evolution of new IT based support systems and technologies, boost beneficiary capacities and begin to address the more medium term financial needs and possibilities of advisory service providers and beneficiaries.

Overall the findings from the advisory service institutional assessment reveal a number of useful but uncoordinated and unstructured interventions which provide a rather ad hoc, fragmented and incomplete set of services to farmers and rural enterprises currently in the territory (*see Annex 2 for further details*).

Outcomes from the WB recent Institutional assessment of the moa and its Assessment Report (2016) endorse these findings, concluding that there is a need for “institutional coordination of departments to ensure effective delivery of advisory services”. Further it suggests, “staff within the organizational units often carry out functions that lead to a conflict of interest, dealing with policy formulation, agriculture extension and carrying out of inspections for assurance”.

Therefore, in the absence of additional staff resources and structural organizations, it is recommended that the moa should concentrate on strengthening regulatory functions (inspectorate) and linked farmer trainings and information services. In addition, the moa should focus attention, in the short term, on improving coordination of department regulatory and information services and enhancing Advisory System Strategic Management Roles and functions (rather than delivery).

1.4 Financial Environment

According to official sources³ a total annual budget of approximately 227 million Turkish Lira (approximately €80 million) was allocated to support agriculture in 2015. This figure represents approximately 5,54% of the total annual budget of the northern part of Cyprus. Support for the agricultural sector is being implemented through various instruments, namely:

Direct Income Support: Direct Income Support by the Ministry of Agriculture is serving as a tool to support farmers and the agricultural sector in line with the agricultural policies set up by governing bodies of the TCc. Implementation is under the responsibility of the moa Direct Income Support Unit. The main aim of the scheme is to support farmers financially to promote and create sustainable farming operations. Payments are targeted in the following areas.

1. Tax-free fuel support for farmers
2. Area Payments
3. Sheep and Goat Payments
4. Citrus payments
5. Raw Milk Payments
6. Export Payments, provided for certain dairy and citrus products

Table 5 below shows the share of the budget going to agriculture, both as a percentage and absolute figure to the annual budget of the northern part of Cyprus and the share of the Direct Payments in the agricultural budget for 2008-2015:

Table 5: Share of the public budget in support of agriculture (2008-2015):

YEAR	TOTAL Annual Budget (in TL)	Agricultural Budget (in TL)	% of Agricultural Budget in Total Budget	Direct Payments (in TL)	% of Direct Payments in Agricultural Budget
2008	2.355.895.252	77.305.961	3,28	47.000.000	60.7%
2009	2.566.745.472	73.918.215	2,88	41.000.000	55.4%
2010	2.645.273.043	131.238.538	4,96	55.000.000	41.9%
2011	3.077.220.920	147.816.780	4,80	52.500.000	35.5%
2012	3.165.484.240	145.347.223	4,59	67.500.000	46.4%
2013	3.443.330.348	196.369.590	5,70	80.000.000	40.7%
2014	3.776.224.000	216.054.860	5,72	100.000.000	46.2%
2015	4.096.720.000	226.863.800	5,54	105.000.000	46.2%

Source: Ministry of Agriculture Annual Report 2015

³ Ministry of Agriculture Annual Report 2015 + "State Planning Committee Report 2015"

Table 6: Distribution of Direct Payments for Crop and Livestock Farming in 2015

Sub-sector	Percentage distribution
Livestock Farming Sector (Cattle and Sheep & Goat farmers)	46.72 %
Crop Production sector	53.28 %

Source: Ministry of Agriculture & Natural Resources

Table 7: Distribution of Direct Payments for Crop and Livestock Farming in 2016

Sub-sector	Percentage distribution
Livestock Farming (Cattle and Sheep & Goat farmers)	56.84 %
Crop Production	41.78%
Bee Keeping	0.52 %
Fisheries	0.78 %

Source: Ministry of Agriculture & Natural Resources

Low/zero interest bank loan schemes: As part of the low/zero interest rate bank loan scheme, the moa also administers an annual budget to support subsidised loans to farmers which varies from year to year. In 2015 the budget allocated to this scheme was 6 million Turkish Lira (approximately €2 million). The farmers who apply for loans within the scheme benefit from low/zero interest rates in banks. Interest rate subsidy in full or in part is covered by the scheme.

Commercial banks: Commercial banks are the largest source of institutional credit to agriculture. Although there are 24 banks operating as private, public and foreign banks, only 4 banks (namely T.C., Ziraat Bank, Creditwest Bank and Faisal Islamic Bank) provide agricultural commercial loans, mainly to dairy producers and processors of agricultural products, mainly to purchase equipment. In 2015 the loans provided by the banking sector amounted to 28 Million TL. The interest rate in TL is approximately 15% (In Euro varies from 7.5-8%).⁴

Turkish Aid Rural Development Grant Schemes: Agriculture and rural development grants are periodically made available for farmers through the Turkish aid programme implemented by Çukurova Development Agency, in cooperation with the moa. The programme is implemented on the basis of annual plans and calls. In 2014, 29 grant beneficiaries have signed contracts for the implementation of their projects, with a total budget of 4,000.000 Turkish Lira. In 2015, 29 more grant beneficiaries have signed their contracts, with a value of 3,177,492 Turkish Lira.

EU-Financed Rural Development Grant Schemes: European Union assistance is being provided to support rural development through what is known as the Rural Development Sector Programme (RDSP). So far, the programme received more than €40 million from the European Union. It covers a series of rural development and community development grant schemes, as well as providing help for the preparation of

⁴ Source: Study by the Eastern Mediterranean University, northern part of Cyprus (2014)

future adoption of EU rules and regulations, including training to farmers to help improve animal and crop husbandry techniques.

Four rural development grant schemes have been financed to date, overall accounting for €15.5 million of EU funds. Target areas of the schemes have included: introduction of new technologies in dairy production and processing and crop production; development of rural tourism, including promotion of small-scale tourism activities; and improved farm hygiene, animal welfare and environmental management. By the end of 2015, 209 projects have been finalised under the four schemes.

The main objectives of the RDSP are to help improve living conditions in rural areas while protecting the environment and developing a sustainable use of natural resources. A summary of the rural development grant schemes supported is provided in the table below:

	Pilot scheme	RDI	RDII	RDIII
Total available funds	€500,000	€5.0m	€5.0m	€3.3m
Call for Proposal launch date	8 Nov 2007	19 Dec 2008	25 June 2009	23 Jan 2012
No. of grant applications – Concept Note stage	na	450	125	164
No. of full application forms assessed	na	na ⁵	na	84
Date of contracting	July-August 2008	October – December 2009	December 2009	September-December 2013
No. of grant contracts awarded	26	141	47	39
Min – max grant size (€)	10,000 – 25,000	15,000 – 100,000	10,000-100,000	25,000-100,000

The priorities for the Rural Development grant schemes were established in a Rural Development Plan (RDP) for the northern part of Cyprus and three local economic development strategies (for the Eastern Mesarya, Karpaz and North West areas).

(i) Pilot Rural Development grant scheme - Improving Dairy Hygiene on Sheep and Goat Farms

Focusing on sheep and goat milk producers, this EU-financed pilot scheme (€500,000) was the first Call for Proposals to be launched under the RDSP. The main objective of the scheme was to increase the competitiveness of small ruminant producers by upgrading the equipment of sheep and goat milk producers in order to improve milk quality. 22 grant projects were finalised. In association with the EU funded Animal Husbandry expert team, trainings were organised for grant beneficiaries in 2009 on the usage of automatic milking systems, and the general hygiene and maintenance of milking parlours.

(ii) First Rural Development grant scheme (RD1) - Improving Agricultural Production

The overall objective of the First Rural Development grant scheme (€5.0 million) financed by EU was the modernisation, improvement and upgrading of agricultural and horticultural production. It targeted the introduction of new technologies to improve quality and safety standards, as well as improving the environmental and occupational safety, hygiene and animal welfare status of agricultural holdings.

⁵ One-stage assessment process in RD1, RD2

Priorities the scheme addressed are dairy production; crop production and horticultural production. Following the launch of the scheme on 19 December 2008 a total of 450 applications were received and 133 awarded projects were finalised by September 2011.

(iii) Second Rural Development grant scheme (RD2) - Supporting Rural Enterprise

The EU-financed Second Rural Development grant scheme, totalling €5 million, focused on post-harvest technologies, dairy processing, rural tourism, rural enterprises, and fisheries and aquaculture. The overall objective of this grant scheme was to modernise, improve and upgrade the post-harvest, processing and marketing of agricultural products and to develop alternative rural incomes including artisanal fisheries. It targeted the introduction of new technologies to improve quality and safety standards, as well as improving the environmental status, occupational safety and hygiene. Following the launch of the scheme on 25 June 2009 a total of 125 applications were received. A total of 37 awarded projects, spread across the five measures, were finalised by June 2012.

(iv) Third Rural Development grant scheme (RD3) - Increasing Competitiveness, Diversification and Sustainability

The overall objective of the on-going EU-financed Third Rural Development grant scheme, totalling € 3.3 million, is to increase the competitiveness of the Turkish Cypriot community's rural economy by enhancing cooperation among producers and other rural economic actors, provide support to sustainable farming and small scale processing investments, strengthen agricultural production sectors and increase diversification of activities, such as small-scale tourism. Two measures were included in the grant scheme guidelines: improving farm production and post-harvest capacities, and strengthening agricultural production sectors; and strengthening rural tourism-related activities. Following the launch of the scheme on 23 January 2012, 164 applications were received. A total of 39 awarded projects awarded in 2013. Eight contracts are still on going (October 2016). Projects include support to individual farmers, companies and NGOs for a mix of agricultural machinery and materials, training and advisory services, farm certification, solar energy, greenhouse construction, irrigation equipment, support to the olive, citrus and pomegranate sectors, and the preservation of cultural heritage (e.g. training in handicraft lacework and specialist food production).

The 2014-2020 RDP is in its final stages of preparation.

EU Financed Community Development Schemes: Three Community Development grant schemes, totalling €13.5m, support numerous local community initiatives throughout the northern part of Cyprus. Following the launch of the first two grant schemes in 2009, a total of 28 grants were awarded. In 2013 a new grant scheme facilitated seven additional projects in rural areas, supporting a wide variety of initiatives, ranging from protection of the natural environment to the fight against all forms of domestic violence in the rural areas. In 2016, a new grant scheme has been launched that will provide opportunities for local communities to improve services to citizens with projects in areas such as waste management, social services and stray animal management. This new grant scheme is an opportunity for increasing efficiency and modernising local communities, bringing services closer to European standards. The 3 CDS were as follows:

- (i) First Community Development grant scheme (CD1) – Community Development Through Village Initiatives: Improving Quality of Life in Rural Communities;
- (ii) Second Community Development grant scheme (CD2) – Community Development Through Village Initiatives: Improving Quality of Life in Rural Areas;
- (iii) Third Community Development grant scheme (CD3) – Community Development Through Village Initiatives: Improving Quality of Life in Rural Communities.

1.5 Advisory Service Supply and Demand Analysis

1.5.1 Assessment of the Supply of Advisory Services

To understand the effectiveness or otherwise of the existing supply of advisory services an assessment was undertaken and completed in September 2016. This assessment has used a variety of methods including a mapping of advisory service stakeholders on both the supply and demand side, followed by the organisation of a series of consultation meetings and focus groups with farmers, farmers' associations, business representatives, women's associations and other rural civil society representatives. This has provided the basis for identifying existing needs, gaps and to gauge the perception of recipients of advice on the current range, quality and adequacy or otherwise of advisory service provision. Current findings from these assessments indicate the following:

- **Overall supply:** There are currently 82 advisers currently providing services in existing public institutions, complemented by 40 private companies/organisations, with a particular focus in support of the horticultural sector. In addition there are 150 agricultural engineers and 156 licensed veterinarians that provide advisory services, on an as-needed basis. The public sector advisers are employed by the Department of Agriculture, Animal Husbandry Department and Veterinary Department. The professional background of advisers is dominated by subject matter specialists such as agricultural engineers, veterinarians and animal nutritionists (Zootechnicians).
- **New market entrants:** The results from a recent (Sept 2016) on line FAS survey indicate that the majority (approximately 60%) of public sector advisors are between 35-40 years old. There is currently very limited engagement of young, qualified university graduates in any public sector advisory roles and limited opportunities to enter the private sector market due to lack of funding. Current hiring policy restrictions in the public sector (which have primarily been imposed through international aid agreements) have tended to undermine opportunities of perspective young professionals to enter key public institutions and develop a career in public service advisory provision or related functions. This currently limits significantly the potential to rejuvenate the skills pool and knowledge base of advisory services in the northern part of Cyprus. If these constraints were to be removed, this could potentially stimulate more supply and competition for the provision of such services.
- **Scope of the technical knowledge base:** The current knowledge base and area of expertise of existing advisers varies considerably. It is currently strongly focused upon providing training and information on crop production techniques, plant protection, fertilizer management, orchard management and to a lesser extent, water management. In the livestock sector, advice and trainings that are provided tend to be related more to preparation of feed rations and sources of feed and less on farm hygiene, milking techniques or animal welfare. There is no advice or training on preparation of advanced feed rations or silages which explains, in part, the extensive use of hay in the feeding of animals and the current low milk and meat productivity. Current veterinary advisory services, where these exist, tend to focus upon providing advice on the prevention and/or cure of animal diseases.
- **Advice on market and trading standards:** Currently, none of the public organizations provide advice on standards. Some private organizations and associations provide information on standards but this is mainly limited to GLOBAL G.A.P. However, focus group meeting feedback suggests that many farmers have started understanding the importance of obtaining advice and guidance on market standards, particularly European standards, including GLOBAL G.A.P. HACCP, BRC, Fairtrade, Sedex and etc.
- The general perception of the skills and knowledge of existing private sector advisors is that they are adequate, with the majority having a tertiary education, coupled with substantial years of experience in most cases.
- **Private sector business and other advice:** Findings further suggest that there is an adequate pool of private sector knowledge workers that can effectively support farmers and other stakeholders to develop on-farm and off-farm business development concepts, provide practical advice on applicability

of agronomic processes and techniques in both livestock and crop husbandry and cater for solutions to financial planning and farm budgeting. There are also a number of advisors that provide training and advice of organic farming and other niche markets crops and commodities. In addition there is a limited number of advisors active in supporting clients with accessing finance, particularly for grant applications and/or subsidies. It appears from assessment findings to date that there is an increasing demand for such services. However, there is a wide range of expertise which is still not readily available to respond to farmers needs for qualified expertise in a wide range of technical and agronomic areas; in support for improvement in standards; in support of business development and marketing; and in financial management. The majority of advisers target farmers as their main clients, followed by farmers' organizations or Associations. Focus groups also highlighted that the client base for advice also extends to agro-processors, and to a lesser extent to rural SME's. An on-line survey conducted by the EU financed FAS project suggests that the client base of those advisors that provide services to SMEs is very narrow. On average advisers serve approximately ten SMEs. At the current stage the target focus of advisors as indicated earlier remains individual farmers and to some extent farmers associations and groups.

- *Advice vs Training and information:* The assessment also highlighted the lack of clarity amongst key stakeholders of what actually constitutes advice, as distinct from information and/or training. Although at times these can be seen to be directly connected, in reality, these may differ substantially. Establishing a clear demarcation of such services and their provision through any future support measures and delivery mechanisms will therefore be critical. Currently the information and training to farmers accounts for 95% of the time spent by advisors on "advisory" activities. In practical terms there is no advice provided to farmer and rural enterprises.
- *Challenges faced by advisory services:* The public advisory service faces a myriad of challenges that impede efficiency. The main constraints include lack of available time for staff to allocate for advisory activities, lack of planned activities in advance with many performed on an "ad hoc" basis; and often lack of interest by farmers given the level of awareness amongst them concerning the benefits of the service. Recent on-line survey data indicates that 63% of advisors serve farmers based on their personal agenda. Therefore the lack of an organized and planned service undermines the efficiency and to some extent jeopardises the relationship between farmers and advisers, resulting in reduced interest or reliance. In addition there is no monitoring system in place to monitor the activity and quality of the services provided.
- *Concentration of sources of supply for advisory services:* There is an uneven geographic distribution of resources of advisory services in northern Cyprus, with the majority concentrated in Lefkosa region (approximately 45%) with the remaining 55% distributed evenly among other regions. The concentration of services in Lefkosa is in contrast to the agricultural potential in the region.

1.5.2 Assessment of the Demand for Advisory Services:

Current findings from the assessment of the demand for advisory services have highlighted the following issues:

- *Scope of demand for farm advisory services:* The findings to date suggest that the range of services that farmers have mentioned to be important for their farm performance and that they think is either not available or limited includes the following: processing; marketing; market information and related services; quality standards; safety standards; farm management, farm accounting and finance; technical advice on water management; mechanization and modernisation, energy saving technologies, green agriculture and food safety.

Discussions with farmers also indicate a lack of advisory services available to assist in introducing new techniques, technologies and/or processes. For example, there are technologies such as drip irrigation systems, milking systems, greenhouse and plastic tunnel technologies, processing and drying techniques for fruits and vegetables etc. that farmers are keen to understand more about and to invest in. However, they lack sufficient knowledge and advice to be able to plan or manage such investments or to make informed decisions on their investments plans.

There appears to be no major differences between regions with regards to the trends on new techniques and technologies. However the situation differs, depending on the type and farm size. Findings to date suggest that medium to large scale farmers are keener to invest in their farms through the use of advanced technologies which includes both production and processing.

- *Farmer satisfaction with existing services:* In all consultation events farmers have highlighted that farm advisory services require significant improvement, particularly with regards to the information flow to farmers, the availability of technical advice, as well as farm management support activities, to better respond to the needs for growth and development of farm businesses. Generally farmers don't tend to be willing to pay for advisory services because they think that paying for advisory support would not be beneficial to them. Only a very small percentage of farmers involved in production of high value crops pay for some form of advisory services. Therefore, in general private advisors are not consulted because they charge a fee for their services. Additionally, as the results of the recent FAS online survey suggests, farmers have concerns about the quality of the experts that currently provide advice. They often lack up-to-date knowledge and information. The "ad hoc" training they receive either through foreign technical assistance or training events organized locally by the Chamber of Agricultural Engineers or Chamber of Industry does not seem to be sufficient to upgrade skills of advisors to a satisfactory level to respond to current market demands.
- *Availability of information:* Current evidence received from meetings with farmers and farmer groups suggests a significant lack of information is available to farmers on current grant schemes and application processes. Where information is available to farmers, feedback suggests that the application processes are found to be too difficult or that the eligibility criteria are not designed to fit the size of farms or types of business more commonly found in the northern part of Cyprus. (e.g. to benefit from financial support in olive production farmers in the northern part of Cyprus farmers should meet criteria that are designed for farms much larger than the size of current farms).
- *Suggestions for generating more demand for advisory services:* The recent on line survey identified a number of suggestions by advisory service experts to improve the demand for services and improvements in the quality of advice, training and information. Suggestions include (but are not limited to): establishment of structures that could help to boost capacities of individual advisors; organisation of individual farmers into farmers groups or associations; integration of research into the advisory system; direct support for advisory service providers and organizations dealing with knowledge transfer and innovations; introduction of new technologies, such as green technology, use of renewable energy in agriculture, boost of organic farming and introduction and application of environmentally friendly techniques in agricultural production, water use efficiency techniques etc.

2. Summary of main findings, conclusions and rationale for future interventions

2.1 Strengths, Weaknesses, Opportunities and Threats (SWOT)

The following table provides a summary of the most important strengths, weaknesses, opportunities and threats identified for the agri-food sector and rural areas of the northern part of Cyprus, based upon the main findings of the sector assessment. Strengths and weaknesses are seen to be mostly linked to internal factors originating within the territory, while opportunities and threats generally relate to external factors:

STRENGTHS	WEAKNESSES
<p><i>Production potential:</i> favourable agri-climatic conditions for certain primary products namely olives, various fruit trees, including citrus, certain vegetables (mainly potatoes), some livestock & animal based products & other niche products like honey.</p> <p><i>Geographical situation:</i> located between large markets in the EU, Middle East & North Africa</p> <p><i>Export orientation:</i> important historical exporter of certain high value agricultural commodities (mainly citrus fruits, other fruits, some vegetables, certain processed products such as Halloumi cheese, olive oil, processed fruit products); established structures & partners for commodity export focus, particularly to Turkish markets</p> <p><i>Infrastructure:</i> well-developed main road infrastructure & connections; Transport connections for access to the market in Turkey</p> <p><i>Tourism:</i> well-developed tourism sector offering various opportunities for diversification into both agri and non-agri services and products</p> <p><i>Government support:</i> on-going direct support to the sector, representing approximately 6% of total public spending per annum; significant number of personnel dedicated to agriculture</p> <p><i>Investment flows:</i> Approximately 7% of total investments carried out in the territory are in agriculture</p> <p><i>Donor support:</i> significant interest and on-going support available for the sector through donors, including technical assistance, various grant funds & investment finance</p> <p><i>Consultancy:</i> some experienced private sector advisers and consultants able to assist farmers and rural businesses with grant applications, certification requirements and business advice.</p>	<p><i>Challenging business conditions:</i> highly restricted trade relations; high transaction costs; cumbersome administrative & regulatory burden</p> <p><i>Lack of access to credit, especially for small farmers:</i> under-developed agri-finance infrastructure; lack of investment capacity & loan availability; low levels of financial literacy/lack of capacity to develop viable business plans/loan applications</p> <p><i>Undeveloped rural infrastructure:</i> undeveloped rural services and other rural infrastructure; costly logistics (i.e. farm gate/border (fob) price) and high transaction costs</p> <p><i>Low productivity and trade volumes:</i> relatively low productivity for most agriculture and processed products; absence of economies of scale; low volumes of commodities available for sale/trade</p> <p><i>Limited availability and access to information on new technology:</i> relatively 'low-tech' environment due to limited access to investment capital and limited know-how/innovation drivers</p> <p><i>Inappropriate regulatory norms and requirements:</i> some national agriculture and food hygiene and safety as well as quality requirements are not up to international norms and require upgrading</p> <p><i>Lack of effective policy:</i> Limited and poorly targeted public agri-food policy framework; lack of long term strategy; absence of level-playing field for all producers & sub-sectors; market distorting intervention systems; unbalanced allocation of budget support (bias to livestock and cereals)</p> <p><i>Fragmented land market:</i> small plots; on-going fragmentation through inheritance; impossibility to use land as collateral in some areas (due to insecure land title);</p> <p><i>Negative trade balance:</i> high negative agri-food trade balance; export mostly composed of commodities; lack of private processing industry or</p>

<p><i>Associations:</i> Some well-developed farmer organisations and support capacities</p> <p><i>Irrigation:</i> new pipeline from Turkey providing access to significant water resources for irrigation</p> <p><i>Education and Research:</i> Extensive system and public assets, available to support the sector and advisory services</p>	<p>value added exportable products</p> <p><i>Farm(er) characteristics:</i> high share of small household/semi-subsistence farms; significant number of part-time, informal farmers especially for public service employees (grey economy); prevailing conservative attitudes; lack of market awareness and links; limited capacities / willingness to develop self-organisation / cooperation / partnerships</p> <p><i>Farmer groups:</i> limited services (not involved in input or output market support); legal constraints to establishment of cooperatives/ associations</p> <p><i>Low qualifications:</i> low education in rural areas, lack of qualified staff (especially highly skilled), lack of skills for intro. of modern technologies & modern farming /managerial practices</p> <p><i>Limited advisory services:</i> ad hoc & mixed quality; very limited public advisory support services or facilities; no coherent strategy, plan or coordinated service provision, leading to confusion between advice, training & information</p> <p><i>Ineffective education & research structures:</i> under-performing agricultural science, research and development, education and vocational training services/systems; limited links & support for farming and agri-business (particularly small scale farmers) from advice, education, training, research &/or technical assistance;</p> <p><i>Quality of life in rural areas:</i> low incomes, ageing rural population; lack of prospects for rural residents; limited connectivity; Limited range /quality of rural services; limited community-based organisations / projects; limited diversification of rural businesses.</p>
<p style="text-align: center;">OPPORTUNITIES</p> <p><i>Global market development:</i> growing global population leading to increased demand, especially from expanding middle-income population; shift from supply to demand-driven paradigm of international agriculture and westernization of diets; growing demand for bio-energy; agricultural trade increase in particular for processed, quality, high value niche products (i.e. certain meat, dairy, fruits, vegetables & food preparations)</p> <p><i>Productivity increase:</i> substantial room for productivity improvement, e.g. potential to increase yields through improved farming</p>	<p style="text-align: center;">THREATS</p> <p>That can potentially be addressed through an integrated advisory system development process:</p> <p><i>Farmers' inability to adapt:</i> the very small, less educated and older farmers may not have the capacity to adapt to new agricultural standards and agri-food market demands</p> <p><i>Deteriorating agri-infrastructure:</i> not enough investment in agri-infrastructure (machinery, storage, refrigeration, intermediate markets, etc.), set-up, maintenance and/or development</p> <p><i>Loss of export opportunities:</i> emerging export markets occupied by more flexible and efficient</p>

<p>systems; scale; cooperation & investment on new technologies, processes & improved irrigation</p> <p><i>Investment opportunities:</i> demonstrated high capital returns in some niche agriculture & rural sub-sectors, despite current unfavourable business environment</p> <p><i>Policy environment:</i> Improved & simplified policy & legal framework to promote increased market orientation & critical mass; use of more public assets/ resources to support SME development</p> <p><i>Trade opening:</i> Trade Agreements provide certain EU & non-EU market access opportunities; incentive to comply with international standards & technology transfers (i.e. upgrading of quality infrastructures linked to harmonisation of SPS measures) also provide access to other international markets; development of Green-line trade concessions/agreements</p> <p><i>Irrigation / water supply:</i> new pipeline, providing increased access & quality of water to the sector/rural areas</p> <p><i>Information, knowledge and advice:</i> enhanced access to market information, knowledge of new techniques, targeted farm & rural business development advice</p> <p><i>Regional Services:</i> Amalgamation of existing public services; creation of regional knowledge & information contact points</p> <p><i>Public Administration Reform:</i> Establish clear division between regulatory and service support functions, more effective use of resources & better targeting of support.</p> <p><i>Human capital, potential of education, training and research:</i> on-going reform of the education, training & research base to increase skill & knowledge levels & promote greater innovation in the agri-food value-chain</p> <p><i>Attractiveness of farming:</i> increasing number of people in rural areas willing to engage in farming activities as they become more profitable; retention of jobs, promote farmer groups, cooperation & partnerships to create critical mass</p> <p><i>Public-private partnerships:</i> promote new forms of local & regional partnerships</p>	<p>competitors</p> <p><i>Environmental deterioration:</i> negative impact of intensified agricultural production on natural resources (decreasing content of nutrients in soils, erosion) climate and eco-systems</p> <p><i>Fragile rural areas:</i> ageing rural population; depopulation of rural areas; lack of qualified labour for agriculture; no off-farm business development, weak rural economies.</p> <p><i>Possible vested interests:</i> resistance to changes from stakeholders (internal and external) benefiting from the current system & potentially having powerful incentives to delay key reforms.</p> <p>That are outside the direct influence of an advisory system and/or agricultural policy:</p> <p><i>Water prices:</i> Potential high price of water available for agriculture / irrigation purposes</p> <p><i>Price developments:</i> expected on-going volatility in global agricultural commodity prices/markets</p> <p><i>Political and regional instability:</i> regional tensions, instabilities and trade sanctions; impact of Russian trade embargo; continued influence of Turkey; other regional geopolitical instability (e.g. Syria)</p> <p><i>Economic conditions:</i> worsening economic situation and negative exchange rate development leading to budget constraints, lack of liquidity</p> <p><i>Energy and water prices:</i> higher energy and water prices making production and transport more costly</p> <p><i>Deteriorating logistics infrastructures:</i> in particular deterioration of roads and ageing infrastructure; not enough investment in modernisation</p> <p><i>Legal environment:</i> adopted legislation affecting the performance of agricultural and rural based services including farming</p>
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2.2 Conclusions and rationale for future interventions

In this section are summarised the main conclusions that can be made following the situation analysis, followed by a summary of the main rationale which will guide the overall strategic and action plan.

2.2.1 Conclusions

The *main conclusions* to be derived from the situation analysis of relevance to the design of the future advisory system strategy are summarised as follows:

- *Sector structure and organisation:* The assessment of the current situation in the agriculture and rural sector indicates: the prevalence of a large number of small and medium-scale, low yielding farming enterprises and a very limited number of small-scale rural support services and/or diversified rural businesses; Farmer associations and groups do exist at sub-sector level but these organisations tend to lack critical mass to establish effective services to support their members; agri-food processing and other value-added activities are in operation in all key sub-sectors characterised by a mix of public and private sector players. These companies generally suffer from limited scale, low volumes, variable quality standards, out-dated technologies, restricted product ranges and limited access to markets.
- *Sector performance:* The assessment indicates a steady state of decline in productivity and overall performance. This appears to have been caused by a combination of factors, including the highly constrained geo-political status of the territory which limits opportunities for trade in agri-food products, increases transaction costs and generally lowers competitiveness of the sector, in both domestic and international markets. These problems are compounded by the challenging agri-environmental conditions, causing frequent droughts and scarcity of water supplies, gradually degraded soils (primarily due to salination) and the wider environment. The situation is also exacerbated by a number of somewhat *ad hoc*, yet highly distortive policy interventions that have tended to favour the support of certain sub-sectors with lower comparative advantage (namely livestock), over other agri-food products that have greater comparative advantage and historical trading opportunities (such as fruit and various horticulture crops).
- *Sector incomes and employment:* Findings from the assessment indicate that, over the last decade or more, there has been a decline in agriculture and rural household incomes, a gradual fall in employment levels and an increasing rural-urban migratory trend, as young people move out of the sector to other forms of employment and income generating activities.
- *Sector and advisory service management and coordination:* The institutional assessment indicates an over-burdened, under-resourced and uncoordinated public sector advisory capacity, struggling to balance fulfilment of its main (and growing) administrative, regulatory, surveillance and control functions. There is also no current programme of institutional training and/or continuous professional development of staff or experts.
- *Linkages between advisory services, training, education and research:* The findings from the institutional assessment also reveal the lack of linkages and/or effective coordination mechanisms in place to facilitate synergies between current advisory services and existing training, education and research bodies that are necessary for the development of an integrated approach for an effective advisory system. This also includes a lack of coordination with those bodies under the direct responsibility of the “ministry of agriculture and natural resources”, namely the “State Farms” and the “Agriculture Research Institute”. Without building greater cooperation, collaboration and practical partnerships between these elements of the support system the overall relevance, effectiveness and sustainable impact of any the existing advisory services is likely to be quite limited.
- *Demand for advisory services:* Stakeholder assessments of farmers, agriculture, food and rural business managers and other agriculture and rural stakeholders indicate strongly that the needs and demands

for advice extend well beyond the farm gate to include key actors in the agri-food supply chain and the wider rural economy. The assessment has also highlighted the demand for access to technical advice on crop and livestock production to address critical challenges in farm productivity and efficiency. However, stakeholders also recognise the importance of complementing this with other forms of advice that can assist in addressing broader business needs and challenges. These include demand for advice on farm and business management, marketing, accounting and financial management, quality control and trading standards, access to finance and other related specific and generic advisory services.

- **Supply of Advisory services:** Existing advisory services are of variable quality, availability, reliability and/or consistency. These services are currently provided through both public and private sector providers, with little or no coordination and limited information available to farmers on who to go to for what type of advice. There is also no clarity regarding the provision of information and training, as separate and distinct from the provision of advice, particularly within the public sector provider network (who appear to predominantly provide ad hoc training to farmers on specific topics rather than advice).
- **Legal framework:** The assessment has revealed that the current legal framework for the management, coordination and regulation of an advisory system is inadequate and needs strengthening to provide more clear governance structures and coordination, establish minimum standards for advisory service provision and establish an effective framework to regulate financial resources that can ultimately be made available to support an advisory system set-up, operations and advisory service delivery. Other complementary legal changes may also be beneficial such as updating of the legal framework governing producer groups and cooperatives to better align it to EU standards and practices.
- **Financial framework:** The current and planned resources to support the development and operations of an advisory system and services to the sector appear to be adequate in the short term. However, in order for these to be made available, critical changes in the structure, design of measures and guidelines governing their control and use need to be developed and/or modified (and the legal basis for their use established, as defined above).

Overall the findings from the assessment point to the clear need for the development of a more holistic, integrated and coordinated strategic approach for the design and development of an advisory system for the territory.

2.2.1 Main Rationale for future interventions

Based upon the above conclusions, the *main rationale* for future strategy and specific interventions is summarised as follows, clustering the main points under three core headings, namely (i) Strategic Management Challenges; (i) Operational Management Challenges; and (iii) Advisory Service Delivery Challenges:

(i) **Strategic Management Challenges:**

➤ **Organisational challenges:**

Over the past decade or more the “ministry of agriculture and natural resources” has seen a steady increase in its administrative and regulatory obligations. This is anticipated to continue in the next period, as the territory progresses with the gradual alignment of its regulatory environment with those of the EU. However, during this same period, there have been no significant adjustments or increases in personnel or other resources to assist the ministry to better respond to these increased demands

and obligations. In consequence, advisory functions have been reduced significantly, as one of the only means by which the ministry could effectively manage its priorities.

Possible solutions may include the establishment of a new, integrated, agriculture and rural advisory system able to respond to new market demands and alignment with the EU regulatory environment., . The establishment and management of such a system require leadership and effective coordination. This should be led by the moa, in partnership with leading representatives from other key government institutions, academic bodies and the private sector. These actors should be included within a single governance structure, tasked with overseeing the strategic management, design and development of the advisory system and all its constituent parts. The introduction of this new advisory system governance structure will gradually allow the ministry to reorganise its internal structures, to better align its core capacities and resources to be able to respond to its ever growing sectoral regulatory and administrative obligations. In addition, this will create opportunities, over time, for the introduction of improved overall management, coordination and quality control of advisory services and provide options for greater specialisation of advisory service delivery functions within the moa in key technical areas.

➤ *Economic challenges:*

Despite the decline of the sector over the last period, its significance in terms of trade export earnings, employment, livelihoods and overall contributions to GDP remain extremely important to the territory and its future prosperity, providing one of the most significant opportunities for economic growth, given the current low levels of productivity, the potential for efficiency gains, reduction of losses and increase in new value-added activities and employment, both on and off-farm, through diversification and new rural business start-ups.

Possible solutions include the establishment of an advisory system that is designed to address both farming and rural enterprise advisory needs. The design of a system that can help to boost access to up-to-date knowledge, information and advice, promote changes in farm management and production techniques that can help to address key productivity issues, improve the standard of products, promote innovation is likely to provide significant economic returns upon any public investment made.

➤ *Financial challenges:*

Funds have been programmed to support the development and provision of an advisory system but these have not yet been utilised due to the lack of any strategy and/or robust organisational or legal framework that would govern their use.

Possible solutions may include the refinement of existing grant funds designed to support the funding of (i) training and (ii) advice (as defined in new measures under the new RDP for the period 2014-2020) to provide the possibility to support private providers of services and facilitate better coordination and resourcing of essential training resources.

➤ *Legal challenges:*

There is no effective legal framework to regulate the provision of advice available to market participants in the sector. This has created an imbalance between the demand and supply of reliable, up-to-date, independent advice for farmers and rural businesses. Furthermore, the current legal environment also acts as a constraint to producer collaboration for the purposes of input purchasing and output marketing.

Possible solutions include the introduction of a new legal framework which can: establish the legal basis for an effective advisory system governance structure and service delivery systems; and define the legal basis and mechanisms by which future advisory service provider trainings and standards may be established and regulated. In addition, legal changes could be introduced in separate legislation to

ensure alignment of farmer group and cooperative legislation with the legal framework more commonly found in the EU.

➤ *Social and environmental challenges:*

The needs of rural households and the wider rural population are growing, as the agriculture sector changes and farm employment opportunities become more limited. To address this, there needs to be more synergies created between other growth sectors of the economy such as tourism, catering and related services and expansion of agri-food activities along the value chain that can capitalise on new market opportunities. In addition, as farm and rural business practices adapt to the changes in their wider environment, there is a critical need to ensure that new practices that are introduced are environmentally friendly and sustainable.

Possible solutions include the design of advisory services that can respond to the needs of this broader group of market participants and new business start-up opportunities, providing targeted support to enhance the quality and reliability of existing agri-food products, assist in the development of new products, improve business marketing and development, and increase access to essential investment capital, whilst ensuring that any new work methods and practices comply with modern agriculture and environmental best practices and trading standards.

(ii) Operational Management and Facilitation Challenges:

- The need to close the gap between the target beneficiaries of advisory services, the providers of advice and the institutions involved in the delivery of training, education and research is paramount. This challenge must also be able to address some of the challenges created by the current division of 'inter-ministerial' responsibilities and functions, particularly in the areas of education, environmental protection, economic development and regional development.

Possible solutions may include the establishment of an operational management structure, which can be appointed and coordinated by the Steering Committee for Agriculture and Rural Development Advisory Services. This Centre (coordination structure) would be required to facilitate communication between service delivery bodies, various departments, research and education institutions and match the demand for service to end user beneficiary needs. In addition this structure would be able to prepare technical and organisational guidance documents and recommendations to the Steering Committee on changes to be introduced over time to build integrated and linked support systems.

(iii) Advisory Service Delivery challenges:

- Given the wide range of advisory needs in agriculture and rural areas, extending from very complex technical and agronomic needs to broader and generic business development, marketing and finance needs, any future system has to be designed to accommodate this, building, wherever possible, upon the strengths and capacities of the existing advisory service framework.

Possible solutions should aim at providing the necessary trainings and consolidating the technical strengths and capacities of private sector advisory service focusing on areas such as business management, marketing, financial advice and related services for which there is an increasing market demand.

*NOTE: The Assessments, SWOT analysis, Conclusions and Rationale articulated in Sections 1 & 2 above have provided the foundations and justifications to guide the preparation of the **Agriculture and Rural Advisory System Development Strategy and Action Plan for the period 2017-2021**, as outlined in PART 2 of this document.*

PART 2: AGRICULTURE & RURAL ADVISORY SYSTEM STRATEGY & ACTION PLAN

3. Strategy for the Development of an Agriculture & Rural Advisory System (ARAS) for the northern part of Cyprus

Based upon the above assessment and summary SWOT analysis the following strategic framework is proposed for the development of an Agriculture and Rural Advisory System (ARAS) for the northern part of Cyprus:

3.1 Strategic Objectives

The *Wider Objectives*, which the development of an Agriculture and Rural Advisory System (ARAS) for the northern part of Cyprus will contribute to, are:

'Increasing the competitiveness of the agriculture and food sector through the strengthening of existing and creation of new agriculture and rural enterprise and community development opportunities and the improvement of the quality of life in rural areas, whilst ensuring the preservation of natural resources and the environment'

The *Specific Objectives* of the Agriculture and Rural Advisory System Strategy, which will contribute to achieving these wider objectives, are:

- To increase the current *agricultural knowledge, innovations, experience, research and business related information services* available to farmers and rural entrepreneurs through a centrally coordinated, regional network of public, private and civil society advisory service providers;
- To improve the *quality of agricultural advice, education and training* via support for advisory service providers and reform of public and private training and educational institutions, including the development of new curricula and new vocational training courses which are relevant to current and future agriculture and rural business needs and priorities;
- To ensure the *quality, efficiency and relevance of agricultural research* via reform and optimisation of public research institutions, thereby enabling them to conduct research more relevant to farmers and agri-food businesses needs and the development of new market opportunities.

3.2 Guiding Principles

The guiding principles of the Agriculture and Rural Advisory System Strategy are horizontal and apply to all proposed interventions and include the following:

Effectiveness: The advisory system will be developed, ensuring a wide range and choice of services are made available over time to meet the needs of both agriculture and rural areas of the northern part of Cyprus.

Market-based solutions: The provision of advisory services will be guided by market signals rather than through command and control instruments except in particular justified cases.

Integrated approach: The aim is to develop an advisory 'system' rather than limiting it to a set of advisory 'services' within an overall integrated framework.

Clear separation of advisory service delivery functions from other functions and/or conflicts of interest: The advisory service providers will be clearly separated from other services, functions and/or obligations linked to policy monitoring (i.e. related to subsidies), administration, inspection, payments or any other functions that may create any form of 'conflict of interest' for advisers.

Transparency and accountability: All those involved in the design, management, monitoring and evaluation of an advisory system will have a duty to act transparently, predictably and in the interests of the sector as

a whole. This will include a requirement to establish clear performance criteria for the delivery of services and to measure their quality and impact.

Participation: All members of a farmer group, community and/or organisation are involved in and have influence on decisions concerning them and the services provided to them through the agriculture and rural advisory support system.

Non-discrimination: People served by the agriculture & rural advisory system are treated without prejudice to any group or category they belong to (e.g. gender, ethnicity, religion, sexual orientation).

Equity: All parties are treated in a way that is ethically and legally just and reasonable under the circumstances; benefits as well as costs and burdens of interventions are shared equally between equivalent parties.

Sustainability: Development of the agriculture and rural advisory system ensures that the current and future needs and capacities of all stakeholders are taken fully into account, whilst ensuring the future sustainability of service provision in line with institutional, financial, technical and environmental capacities and considerations. This will require the design of sustainable financing models that, over time, are gradually adjusted, in line with the ability of target beneficiaries to pay for such services.

3.3 Target beneficiaries and providers

(i) Priority target 'beneficiaries' of advisory services:

- a. *Small and medium scale farmers:* Small-scale farms⁶ are those holdings having between 0-3 Ha of land, whilst medium-scale farms are those with holdings of between 3-20 Ha. All livestock breeders shall be eligible.
- b. *Small scale rural enterprises:* This will include individual rural entrepreneurs, family businesses and companies (targeting enterprises employing up to 50 people)
- c. *New agriculture and rural business start-ups:* This will include young farmers and young rural entrepreneurs between the ages of 18 up to 40 years of age
- d. *Village and Rural Community-based Groups/Leaders:* This will include legal entities in rural communities and emerging rural community leaders

(ii) Priority target 'providers' of advisory services:

- a. *Private sector advisers, consultants and experts:* This will include appropriately qualified and regularly trained individuals who provide advice, support and other services to farmers and rural entrepreneurs
- b. *Association and farmer group advisers and experts:* This will include individuals who provide advice and support to farmers through farmer groups and associations
- c. *Training and education providers:* This will include institutions, organisations and other service provider and/or individuals from relevant training, research and education institutions that are able to provide advice and support services to farmers and rural entrepreneurs

3.4 Key Components of the system

The organisational structures required to operate the system come at three levels, that responsible for “*Management of the System*”, those required for “*Operational Management of the Services*” and those responsible for “*Service Delivery*”.

⁶ Based on data from the General Agriculture Insurance Fund – Data, 2013

Chart 2: Proposed main organization framework for the Agriculture and Rural Advisory System



A. Strategic Management and Coordination

The main governance structure is proposed to be a **Steering Committee for Agriculture and Rural Development Advisory Services**. The Steering Committee for Agriculture and Rural Development Advisory Services (hereinafter referred to as the 'Steering Committee) will be responsible for overseeing the design, establishment, management and coordination of an integrated Agriculture and Rural Advisory System (ARAS) for the northern part of Cyprus. It will also have primary management responsibility for overseeing the implementation of the Agriculture and Rural Advisory System Strategy and Action Plan. The Steering Committee will be chaired by a senior representative of the moa. Other members of the Steering Committee will include a balanced representation of public and private organisations who have an active stake in the development of the agriculture and rural development. Specifically, this structure is anticipated to include 18 members, 9 of which members from the public sector and 9 members from the private sector.

The moa will determine the member organizations as part of a Cabinet of Ministers Decision. Individual representatives will be selected and appointed by their respective organizations and/or interest groups. All members will be screened to ensure that no conflicts of interest exist in their role as Steering Committee members and their external functions and responsibilities. The Ministry of Agriculture will cover directly any costs associated with organisation and functioning of the Committee.

The Management Board will be primarily responsible for the following:

- Strategic management, coordination and oversight of the development of the Advisory System and all of its constituent parts;
- Definition of performance targets for the Advisory System;
- Development, agreement and oversight of all relevant Advisory System and service work plans, resource plans and their prioritisation;
- Management oversight of the Centre for Agriculture and Rural Development Advisory Services;
- Other essential management and coordination tasks, as required, for the smooth operation of the overall Advisory System.

B. Operational Management and Coordination

The operations and coordination for implementation of the Advisory System work programmes will be entrusted to a specific body called the **Centre for Agriculture and Rural Development Advisory Service**. This structure will be set under the moa and will have staff appointed to serve specifically for this centre. This unit will respond directly to the Undersecretary of the "ministry for agriculture" whilst working in cooperation with the Steering Committee. **Initially it is proposed that the Centre has a minimum of 2 staff members one of which being an experienced and knowledgeable senior staff member. The main functions of the Centre include but not limited to:**

- a. Provide technical and administrative services in support of the Steering Committee operations;
- b. Coordinate, liaise and collaborate with inter-ministerial departments and other external stakeholders to formulate recommendations on advisory system strategic priorities, in line with relevant agricultural and rural development policies, strategies and stakeholder needs;
- c. Provide recommendations for the definition of advisory services, vocational training and information on agriculture, agro-food and rural development related curricula;
- d. Facilitate coordination, cooperation and exchanges between various institutions involved in

research, knowledge development and education to develop information and undertake activities that are relevant to the needs and challenges of the agricultural, agro-food and rural sectors;

- e. Prepare resource plans for consideration by the Steering Committee to support all activities and proposed interventions;
- f. Monitor and Evaluate the performance of the advisory system;
- g. Develop technical guidelines and maintain regular coordination and communication with the Advisory Service Providers on national and EU standards, changes in legislation and other technical aspects that may influence and/or have an impact on the structure, content or quality of the advisory services offered;
- h. Provide an opinion to the Steering Committee on the effectiveness, relevance, quality and efficiency of the advisory system.

C. Service Delivery

The main Agriculture and Rural Advisory Service delivery structures will include the following main components:

- I. **Advisory Service provider(s):** The Service Provider(s) will be from the private sector and will comprise of organisations that can demonstrate to have the necessary capacity, skills and resources to deliver effectively and efficiently the anticipated set of advisory services. The provider will organise the execution of the services with the support from a pool of trained and certified advisors. In addition, the service provider (s) will provide information and analysis on new technologies and innovations; disseminate results and feed into policy-making; and provide technical support to the *Centre for Agriculture and Rural Development Advisory Services*.
- II. **Local Advisory Service Info Points:** Local organisations, both public and private shall contribute to the functioning of the system by providing first hand information (sign-posting) to farmers and advisory service clients on where they can get access to the proposed services. These “info points” will not form part of the structures involved in organisation of the system but will contribute and complement it in an indirect manner.
- III. **System Support:** In order to facilitate the various processes and coordination requirements arising from effectively operationalizing the system and service delivery it is proposed to develop an IT based solution, namely to create a Knowledge and Information E-platform. Specifically, it is proposed to design and build an open electronic and publicly accessible e-platform. The e-platform will provide a repository of information for advisers and beneficiaries of advisory services on all areas of activity. The e-platform will have two main purposes:
 - a) **Support and facilitate delivery and coordination of advisory services:** to support the management, coordination, delivery, monitoring & evaluation requirements of the advisory service system, including the training of advisors.
 - b) **Agriculture and rural knowledge e-platform:** providing a virtual space for farmers, SME’s, researchers, trainers, advisors and other relevant actors to exchange knowledge, experience, needs and opportunities to enhance business performance and enhance the use of information on research and innovation. The platform will support the creation of a network of practitioners, enabling the sharing of information, good practices, research results, news of technology, processes and practices. The platform will also act as a repository for all the information and materials, which would be accessible to any interested end user.

3.5 Key Results to be achieved

The main results to be achieved through the development of the Advisory System within the next five years (2017-2021) are anticipated to include the following:

(i) Governance structures:

- A legally established and operational Steering Committee for Agriculture and Rural Advisory Services; and
- Legally established and operational Centre for Agriculture and Rural Advisory Services.

(ii) Advisory Services delivery:

- One or multiple private advisory service providers with sufficient capacity and resources to deliver quality advisory services to end user beneficiaries;
- Integration of the agricultural universities, research bodies and other relevant institutions into the advisory and consulting system to promote the transfer of knowledge and innovations;
- An operational open electronic and publicly accessible platform for management of advisers, market facilitation and business development; technical, financial and economic knowledge; and
- Increased use and uptake of advisory services leading to a gradual expansion of existing and start-up of new SMEs in rural areas (and related investments in modernisation and efficiency).
- Improved compliance with minimum EU and local obligatory standards for both farming and agri-food sectors.

(iii) Training

- Establishment of a pool of trained and certified advisors covering a wide range of competences and skills to be able to deliver advisory services in line with the needs of agribusiness and other key stakeholders;

(iv) Education & Research:

- Improvement in the quality and relevance of agricultural education, in line with the needs of agribusiness and other key stakeholders;
- Improvement in the quality and efficiency of agricultural research, in line with the needs of agribusiness and other stakeholders;
- Diversification of the funding sources for research institutions; and
- Raising the profile & contribution of the northern part of Cyprus agricultural research institutions at international level.

3.6 Strategic Performance Targets

Key Performance Indicators to be considered to monitor and evaluate the progress with implementation of the Agriculture and Rural Advisory Services Strategy and Action Plan are proposed to include the following:

Category	Ref #	Key Performance Indicator	Target	Timeframes
Governance Structures	KPI (i)	Establishment of the Steering Committee for Agriculture and Rural Development Advisory Services	Steering Committee Management Board legally constituted	1 st Quarter 2017
	KPI (ii)	Establishment of the Centre for Agriculture and Rural Development Advisory Services	Coordination Centre legally constituted	1 st Quarter 2017
Legal	KPI (iii)	Publishing of 'Cabinet of Ministers Decision' for the establishment of an Advisory System	'Cabinet of Ministers' adoption and approval of Decree and its entry into force	1 st Quarter 2017
	KPI (iv)	Publishing of Legal Text on Advisory Services	Adoption of the Legal Text on Advisory Services by Parliament and its entry into force	4 th Quarter 2018
Advisory Services	KPI (v)	Annual Implementation Programme (AIP) in place	Annual Implementation Programme prepared by the Centre and approved approved by the Steering Committee	AIP for each of the following years 2017, 2018, 2019, 2020, 2021.
	KPI (vi)	Advisory Services Toolkit available for advisors and rural stakeholders	Advisory Services Toolkit launched and regularly maintained	2 nd Quarter 2017
	KPI (vii)	Increase in awareness on Advisory Services amongst potential users and clients	Information and Publicity activities delivered by reaching at least 5,000 rural stakeholders	By Quarter 4 2020

	KPI (viii)	Number of advices delivered to eligible advisory services clients	500 personalised advices delivered	By Q4 2020
	KPI (ix)	Accessibility of advisory services across all territory	Advisory services offered across all territory covering all eligible client profiles	By Q4 2017
	KPI (x)	Success rate of EU grant applications improved	Eligibility rate of project proposals presented for finance under EU Grant schemes increased to an average of 75%	By Q4 2020
	KPI (xi)	Compliance with local and EU standards improved	At least 300 advisory services clients informed on legal obligations and requirements	By Q4 2020
	KPI (xii)	Advisory Services IT Management System active	Procurement, development, testing and launch of IT software	By Q4 2017
Training	KPI (xiii)	Training courses for advisors available	Training providers delivering training courses for advisors contracted and training initiated	By Q4 2017
	KPI (xiv)	Skilled and certified Advisors engaged by Private Service Provider (s)	At least 40 advisors trained and certified	By Q4 2017
Education and Research	KPI (xv)	Demonstration and pilot activities available for advisors and clients	Projects and other research initiatives launched and supported	By Q4 2018
Finance	KPI (xvi)	Finance from EU Grant Schemes available for Provision of Advice and Training	EU Grant Schemes (RDP Measures 01 and 02) launched	Launch of M01 by Q1 2018 and M02 by Q1 2020

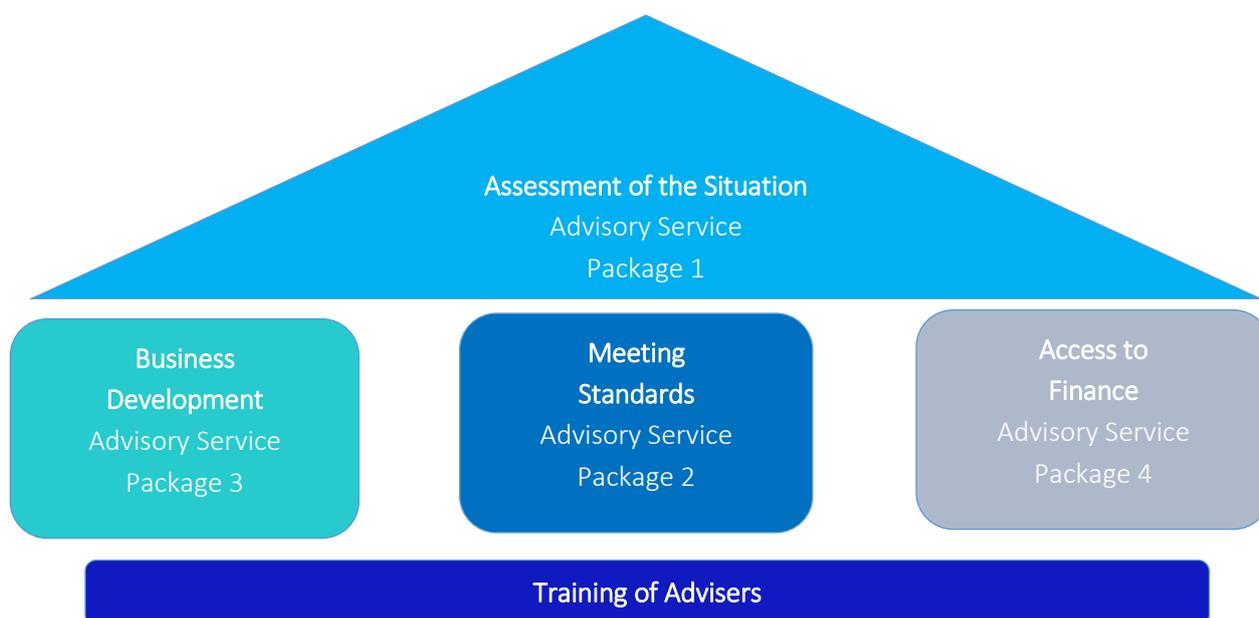
4. Implementation Framework

This section outlines the main elements of the Agriculture and Rural Advisory System (ARAS) Implementation Framework, which includes the following:

- (i) Summary of the advisory services to be offered in the short and medium term (making a distinction between immediate and longer term needs/priorities where possible);
- (ii) Proposed main organizational framework, including a clear description of the delivery mechanisms for each of the services proposed;
- (iii) Summary of advisory service support system requirements;
- (iv) Proposed legal and regulatory requirements of the service provider;
- (v) Proposed structure of financial support and other resource requirements for implementation;
- (vi) Proposed mechanisms for monitoring and evaluation of advisory service delivery;
- (vii) Proposed approaches and methods for the promotion of advisory services to target beneficiaries.

4.1 Main Advisory Services

On the basis of the SWOT Analysis (Sect 2) and the Strategic priorities (Sect 3) the main needs for advice and support are organised under four main advisory service ‘packages’. In addition, a horizontal complementary sub-measure to support the system is introduced which will aim to develop the skills, knowledge and capacities of advisers who will be delivering the specific advisory service packages.



Access to [advisory services](#) is linked with an [obligatory](#) “Assessment of the Situation” on the agricultural holding or rural enterprise (Advisory Service Package 1). Through this service the adviser will determine the specific needs of the client in relation to the other advisory service areas (Advisory Service Packages 2, 3 and 4). In addition, the [training and certification of advisers](#) will be organized as an obligatory requirement for advisers who will be delivering the services (i.e. packages 1 to 4). This service will be offered as a stand-alone action, delivered by selected training providers. An eligibility screening of both the client and the advisory needs will be undertaken prior to receiving any service.

4.2 Description of the Advisory Service Packages

The following section outlines the content of each of the four advisory service packages proposed:

4.2.1 Advisory Service Package 1 – “Assessment of the Situation”

This service is **obligatory** for anyone requesting technical and/or practical expert support to improve the economic and/or regulatory performance of their enterprise/holding. Through this service the adviser will assess the specific situation of the agricultural holding or rural enterprise to define in detail the following elements:

- (i) The “**level of compliance with the local obligatory standards**” - relevant to the entity and sector of activity. This assessment will determine if there are any shortcomings in meeting any of the obligatory operational requirements, define what these are, why they are not met, and then recommend actions by which the client can comply to these norms. This assessment will cover primary production as well as processing of agri-food products.
- (ii) The “**situation with machinery and equipment**” - including undertaking of a review of the technology employed and the conditions of existing farm/field/processing equipment and determining whether the client needs to (a) maintain (b) replace (c) purchase/install new equipment and/or machinery in line with the production type and volumes (current situation and potential performance) and the needs arising from the findings related to the conformity with standards.
- (iii) The “**type of Infrastructure**” - existing and required in order to accommodate the operations of the agricultural holding and/or enterprise. This will cover assessment of animal housing, waste collection systems, water cisterns/infrastructure, access roads, agricultural stores (tools, machinery, equipment, fertilizer, pesticides, etc.), milking and cooling equipment, on-farm processing (e.g. cheese, honey, processed meat), broadband internet, energy infrastructure, etc. Also in this case the adviser will determine if the existing infrastructure is adequate or if it needs maintenance, replacement or new installations/works to be undertaken. This will be effected taking into consideration the type or production, services offered and the minimum obligatory requirements for legal operationalization.
- (iv) The “**economic performance of the entity**” – will involve checks on the existing economic performance (i.e. costs, sales, profit, etc.) and analysis of the production potential. This will allow the adviser to formulate an informed opinion on the sustainability of the operations, the capacity of the client to invest and the areas in which greater efficiency may be achieved.

On the basis of the above, the adviser will prepare a detailed report with findings and recommendations for: (i) *Fulfilment of obligatory standards*; (ii) *Technical support for farm/business development*; (iii) *Investment requirements and funding needs*.

4.2.2 Advisory Service Package 2 – “Meeting Standards”

This package will be split into two sub-packages, as outlined below, in order to provide specific services that will address: (i) Local and EU standards and obligations for agricultural producers; and (ii) Local/EU and other standards required for processing and marketing of agri-food products (locally and internationally).

a. Sub-Package 2a – “Agricultural Standards”

This package offers technical advice on local and EU “**Obligatory Standards**” linked with public health, environment and animal welfare and EU Cross-Compliance requirements. The adviser will be guided by the findings from the Advisory Services Package 1 “**Assessment of the Situation**” to prepare a detailed action plan of what needs to be improved, how and by when. The baselines for determining these requirements are laid in local legal text and the various regulations at EU level in the case of cross compliance (NOTE: a summary of the local requirements is presented in Annex 8).

As for Cross-Compliance, requirements are not yet transposed in the local legislation neither have they been linked to direct payments or other forms of income support currently offered to farmers. However, in order to promote sustainable agriculture and approximation to EU rules, advisory services will be offered to farmers to raise awareness on the rules and requirements of food safety, animal health, plant health, climate, environment, protection of water resources, animal welfare and protection of farmland. These rules are constituted from two different components (i) the Statutory Management Requirements (SMRs) and the Good Agricultural and Environmental Conditions (GAECs).

In the EU Farmers are **obliged to maintain** their land in “good agricultural and environmental condition”. This concept includes the protection of soil against erosion, the maintenance of soil organic matter and soil structure, and the safeguarding of landscape features. The Country (EU MS) determines these parameters. In the case of SMRs, these are set by the EU and are laid down in a number of European Union directives and regulations. They concern public health, animal and plant health, identification and registration of animals, environment and animal welfare.

b. Sub-Package 2b – “Processing and Marketing Standards”

This sub-package deals with standards linked with “**Processing and Marketing**” of agri-food products and services. Standards currently differ locally and internationally. These variances originate from the fact that the EU regulations have not yet been transposed in the local legislation. Moreover, additional standards have been set by a number of countries and/or food chains in order to guarantee further food safety conditions. In this respect the services under this package will seek to raise awareness of these conditions and the requirements stemming from these rules but also inform on the various market opportunities that may arise linked to the fulfilment of these conditions.

The **national agri-food standards** are limited and mostly linked to public health and safety in majority of cases (NOTE: a detailed description of these requirements may be found in Annex 8).

In the case of EU standards these are linked to three main areas, namely food safety, animal health and plant health issues, where the EU has adopted an integrated approach with the aim of assuring a high level of food safety, animal health, animal welfare and plant health within the European Union through coherent farm-to-table measures and adequate monitoring, whilst ensuring the effective functioning of the internal market. This process is guided amongst others by: (i) the EU’s White Paper on Food Safety; (ii) The European Parliament and the Council Regulation on transmissible animal diseases (“Animal Health Law”) in March 2016; (iii) Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law; (iv) Marketing standards by sector and product as defined in Regulation (EU) 1308/2013 of the European Parliament and of the Council establishing a common organization of the markets in agricultural products; (v) Regulation (EC) No 834/2007 on Organic Farming.

Advice on additional international *Agri-Food Standards* will also be provided, however this will be limited to mentoring on the processes and procedures that are to be followed in order to achieve that particulate certification. The advisory services will not deal with the certification process or subsidise any costs arising from this. Such standards may include British Retail Consortium (BRC) Global Standards, ISO standards, HACCP and Global Gap.

This advisory service sub-package is intended to address *specific sub-sectoral reform and development needs* oriented towards improving accessibility to existing and new markets, both locally and abroad. Thus, advisory services will not be offered to single individuals but only to farmer's organisations, producer groups, cooperatives and agro-processors in order to ensure better impact and effectiveness of the services offered.

4.2.3 Advisory Service Package 3 – “Business Development”

This package comprises of an extensive set of technical services organized under several sub-packages linked to existing (or potential) funding measures and mechanisms that contribute to the improvement in income and livelihoods of farmers and their families, community development and business revival. In this regard, advice will be oriented towards strengthening and potentially widening of the economic base of rural businesses to contribute to a more sustainable and diversified rural economy that responds to market demand. The services under this package will serve to encourage potential applicants develop successful project ideas that will provide benefits, improve access to or widen the available range of services, products and facilities in the local community as well as the wider population. These sub-packages cover the following areas:

- (i) Sub-Package - Farm Modernization
- (ii) Sub-Package - Agri-Food Processing and Marketing
- (iii) Sub-Package - Basic Services and Village Renewal
- (iv) Sub-Package - Forestry
- (v) Sub-Package - Agri-Environment
- (vi) Sub-Package - Organic Farming
- (vii) Sub-Package -Setting up of Producer Organizations/SME's

Each sub-package will be constituted of a structured set of services linked to the nature of each sub-package. Advice can start on a voluntary basis with consideration for obligatory service for specific measures namely Agri-Environment and Organic Farming in order to mitigate the risks arising from non-compliance, which will affect the error rate of programme implementation. As most of these measures are not yet active it is proposed that advisory services offered under this package are rolled out in parallel with the availability of these measures for potential beneficiaries. This will allow advisers to be trained on the latest conditions and requirements of these measures. Coordination with the “ministry” and other financing authorities is required in order to plan effectively the roll out of such services.

At the moment the “Setting up of Producer Organizations/SME's” lacks a financing mechanism. This will be essential to secure the effectiveness of the advisory service and to encourage the formation of such bodies, a requirement and a need identified during the definition of the SWOT. The following are an indicative set of advisory services that can be offered under each of the sub-packages respectively:

Advisory Sub-Package	Advisory Services offered
Farm Modernization	<ul style="list-style-type: none"> • Application of new farming practices • Introduction of new technology • Farm Management and book keeping • Animal and Plant Disease surveillance • Nutrient management • Water management • Pest control • Renewable Energy and efficient use of resources • Agricultural diversification
Agri-Food Processing and Marketing	<ul style="list-style-type: none"> • Application of new technologies and processes • Development of new products • Storage and handling
Basic Services and Village Renewal	<ul style="list-style-type: none"> • Diversification from agricultural to non-agricultural activities – advice on requirements, opportunities, planning and finance • Community development initiatives – facilitation, awareness raising, management planning • Cooperation
Forestry	<ul style="list-style-type: none"> • Forestry management plans including “fire risk prevention” and “Bio-diversity management and conservation”
Agri-Environment and Climate Change (AECM)	<ul style="list-style-type: none"> • Commitments and obligations for every AECM sub-measure programmed under the 2014-2020 RDP
Organic Farming	<ul style="list-style-type: none"> • Planning of Conversion from Conventional agriculture • Ensuring maintenance of Organic certification
Setting up of Producer Organizations/SME’s	<ul style="list-style-type: none"> • Facilitation of group formation • Preparation of annual working programmes • Marketing Strategies • Business planning for SME start-ups

The services above will serve as a precursor for investment by raising awareness on funding opportunities and mechanisms in place and the development of project ideas and plans. Advisers will provide detailed recommendations to the client on the investment needs, options and obligations.

4.2.4 Advisory Service Package 4 – “Access to Finance”

Currently a number of public investment support programmes exist. These comprise of EU Grants, and aid provided by other donors. Each of these programmes supports a variety of beneficiaries and investment types in agriculture and rural development. The current geo-political situation had a toll on these programmes and limitations are in place on what is eligible. This has created complexity around the application process, as an applicant needs to have a very good understanding of each programme, the possibilities for finance and the different eligibility conditions for each of these. At the moment there is no possibility for combining different funding sources through a single application process.

This complexity leads to a natural process of singling out those projects and applicants that require a “mix” of finance to be able to approach their investments in a holistic manner. A combination of supplies, services and works is frequent for agriculture and rural development projects something, which is not allowed under one single programme. This problem is amplified by the absence of a dedicated “Central Helpdesk” (coordination between PMU and “ministry”) through which applicants can obtain all the information required. For this reason, advisory services play a very important role. The strategic objectives and priorities for agriculture and rural development can only be achieved if the investment support is targeted in an integrated holistic approach. Support under this advisory service package is split in two sub-packages and geared towards advice on investment needs and requirements, support to access funds and the implementation of the projects contracted as follows:

a) Advisory Service Sub-Package 3a – Preparatory Support for Finance

Under this package the services relate to advice to potential applicants to prepare applications for requests to finance their project ideas and plans. The services offered will comprise of the following activities and steps:

Assessment of the project idea to determine eligibility, feasibility and cost effectiveness. In case the project is determined as eligible and feasible the services will continue to:

- (i) Prepare application forms and dossiers in line with the guidelines and templates of the respective calls for proposals;
- (ii) Guide applicants on the supporting documentation required and the source where to collect these;
- (iii) Verify completeness and validity of the supporting documentation presented;
- (iv) Prepare a project business plan/cost benefit analysis (as required in the respective call for proposals);
- (v) Support applicant in case of requests for additional information, clarifications or further documentary support;
- (vi) Facilitate and support applicant with financing institutions to access credit for financing the project.

The services will not cover elements such as designs for construction or reconstruction, collection of quotations and advise on suppliers. This will be strictly prohibited to avoid conflicts of interest.

b) Advisory Service Sub-Package 3b – Post-Contract Project Management

Once a project is selected and contracted the beneficiary may ask for advisory services to assist in the proper implementation of the project in line with the contractual obligations. The services in this case will include the following:

- (i) Ensuring procurement is effected as per selected quotations and specifications therein;
- (ii) Maintaining a project file with all correspondence and documentation;
- (iii) Assisting during controls and audits on the project;
- (iv) Preparation of payment claims for reimbursement of project costs;
- (v) Preparation of requests for approval to change contract, including preparation of detailed explanation and justification of the changes proposed.
- (vi) Reporting as required by the Contracting Authority/ies.

4.3 Approach to Deliver the Advisory Services

Every advisory package will require a specific approach in which the service is organized and delivered, in order to guarantee its effectiveness, whilst ensuring rational use of resources. Two approaches will be employed, namely advice delivered as a *one-to-one* (i.e. personalized service between the adviser and the client) or as a *group advice* (i.e. between adviser and a group of clients that have a common need). On the basis of the advisory service packages the following approach to the delivery of services will be employed:

Ref	Advisory Service Package	Personalized one-to-one advice (Adviser to individual client)	Group advice (Adviser to a number of clients)
Pack 1	Assessment of the Situation		
Pack 2	Meetings Standards		
Sub-Pack 2a	Agricultural Standards		
Sub-Pack 2b	Processing and Marketing Standards		
Pack 3	Business Development		
Sub-Pack 3a	Farm Modernization		
Sub-Pack 3b	Agri-Food Processing and Marketing		
Sub-Pack 3c	Basic Services and Village Renewal		
Sub-Pack 3d	Forestry		
Sub-Pack 3e	Agri-Environment		
Sub-Pack 3f	Organic Farming		
Sub-Pack 3g	Setting up of Producer Organizations/SME's		
Pack 4	Access to Finance		
Sub-Pack 4a	Preparatory Support for Finance		
Sub-Pack 4b	Post- Contract Project Management		

4.4 Training of Advisers delivering the Services

As part of the Advisory System a parallel action will be programed in order to train advisers engaged by the advisory service provider to ensure a quality based and informed advice based on the latest information and knowledge.

The effective transfer of best practice and knowledge to the operational level is dependent on a highly skilled and well-informed advisory service. Support for training of the advisers engaged in all aspects of the advisory system will ensure that the most up to date and relevant information and skills are employed in the delivery of the advisors' services to the respective clients.

The beneficial role that training for agricultural advisers' plays is the guarantee of a competitive and vibrant agriculture as well as ensuring a sustainable approach to farming and rural development practices. Enhancing the skills of advisers will effectively complement and support other areas of intervention under the RD funding programmes and other possible public intervention and ensure the achievement of greater value for money.

Training will be an obligatory requirement enshrined as part of the system and which will be a main factor for approving the advisory service provider (s) capacity to deliver the services. On an annual basis the advisory service provider (s) will need to present the certificate of attendance of all the advisers it intends to make use of as part of the Annual Implementation programme. The advisers who fail to attend or not complete the training will not be eligible to deliver any of the services proposed.

Participation in continuous professional development activities will allow advisers to enhance their knowledge base on an on-going basis and ensure that they are familiar with the latest techniques and regulatory requirements in a rapidly changing agricultural industry and environment. It will promote the development of knowledgeable, professional and competent advisers, and thereby enhance the quality of service provided to advice recipients. This in turn will underpin more efficient and effective practices feeding into more competitive and environmentally efficient farming, forestry and other rural business development practices. Specifically, it will contribute to:

- i. The preservation of professional competence;
- ii. Enhancement of existing knowledge and skills, and;
- iii. Development of new knowledge and skills.

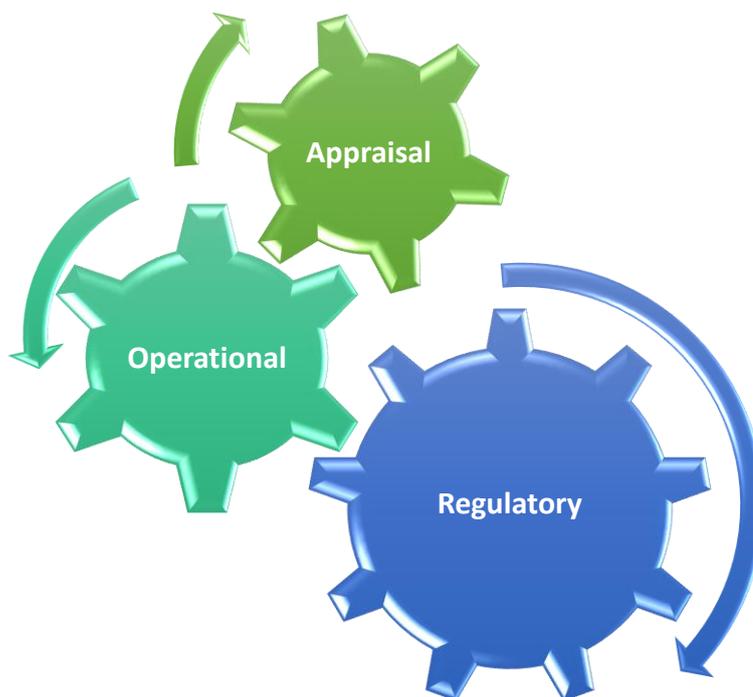
Additionally, the success (uptake, diversity of projects, value added projects, results and impact) of EU grants, the RDP and other aid programmes will depend on suitably qualified advisers dispensing up-to-date advice to potential measure beneficiaries. Thus, this action will contribute to a wide range of rural development and agriculture objectives.

Training should only be delivered by those providers that are not involved in the provision of advisory services (Packages 1-4) and which will be selected following a call for applications to choose the best offer in terms of curricula, expertise, approaches and value for money.

4.5 Mechanics of the System

The Advisory system will comprise of three main parts or functions, namely the (i) Regulatory Function; (ii) Operational Function; and (iii) Appraisal function:

Chart 3: Advisory System Mechanics



These functions are outlined below including an explanation of how they will work, who will be responsible and how they are interlinked.

4.5.1 Regulatory Function

This function deals with the *certification of the Advisory Service Provider (s)* to act as the operator of the advisory services. The responsible body to undertake this function is the *Steering Committee*.

This process entails the screening of the *Advisory Service Provider(s)* for capacity to fulfil the minimum requirements (See Section 3.6) in terms of adequately trained advisors, operational resources, and capacity to cover all sectors and advisory needs and ability to reach and provide the services across the whole territory. This process is critical to ensure consistency, coverage and quality of the service and will be undertaken on a yearly basis. The *Advisory Service Provider* will have to prepare an *Annual Implementation Programme*, which includes all the information for the Steering Committee to check and verify. In case the *Advisory Service Provider* meets all the minimum conditions then the Steering Committee authorizes the provider with a permit to operate for that calendar year. The granting of a permit for a particular year (or on setting-up) does not automatically grant the right for a lifetime permit.

4.5.2 Operational Function

(i) Planning and Coordination

The management and operations of the system will be entrusted to the Centre for Agriculture and Rural Advisory Services who in turn will ensure effective coordination and collaboration with both the Steering Committee as well as the Advisory Service Provider(s). The Centre will set up its office in the moa and will be responsible to coordinate, manage, and monitor all the services delivered by the team of advisers contracted by the Advisory Service Provider(s). Appropriate administrative support will be provided for this structure to deal with the day-to-day operations.

(ii) Delivery of Advisory Services

The Advisory Service Provider(s) will have the responsibility to undertake an information and publicity campaign to raise awareness of the services available, where these can be accessed and how amongst potential clients. This process is an on-going one and the Advisory Service Provider(s) will have to provide as part of the AIP a comprehensive communication plan. Through this process potential clients will be encouraged to approach the Advisory Service Provider(s) to request further information or technical support.

Provision of service must always start with a written request by the client to the service provider. The request should take the form of a simple application, which contains the details of the requesting part and indication of the type of service/s required.

This information will be registered in an *Advisory Services Information Management System* that will be developed by the FAS Project and entrusted to the Advisory Service Provider(s) with limited access to both the Centre and the Steering Committee. The Advisory Service Provider(s) will be obliged to use the system and undertake any further maintenance and enhancements as required. See Annex 10 for further details. The Advisory Service Provider(s) will then process information in order to:

- i) Establish the eligibility of the client to receive the service;
- ii) Match, identify and mobilize adviser/s with technical expertise meeting the client's profile and needs;
- iii) Schedule a personalized appointment with the adviser;
- iv) Plan and ensure logistic support for the delivery of the service (e.g. vehicles, fuel, materials, etc.)

The advisers will be obliged to follow the services outlined for each respective package (1-4) and at the end of every service prepare a detailed report on the undertakings. For this purpose detailed guidelines, manuals and templates should be in place in order to ensure a systematic approach to the delivery of advice, which is consistent and easy to monitor.

This information and other details will be recorded in the Information Management System to enable the Steering Committee, the Centre and the financing authorities to monitor the services, undertake quality control checks, process payment claims and to feed the monitoring and evaluation system with the required data and information.

Payment claims will be prepared by the Advisory Service Provider(s) and will be addressed to the payment authorities of the respective funding programmes or instruments (See Section 3.8).

In addition, one of the main requirements for the certification of the Advisory Service Provider(s) is to ensure that the advisers are adequately trained and experienced. In this regards the management of the respective providers are responsible to ensure that every adviser engaged with them receives regular training on the fields they are advising on. In case the service provider is granted financial support from public funds then it is important that adequate accounting procedures are developed. In order to ensure sound financial management dedicated bank accounts must be created whilst regular bookkeeping and audit trails of all financial transactions should be maintained. The management will also be responsible to ensure that reporting obligations are fulfilled and that all data is regularly recorded and maintained in order to respond to any information requirements.

(iii) Delivery of Training to Advisers

This service will initially be organized by the FAS project till there is sufficient capacity within local training providers to deliver such a service. The FAS project will deal with the identification of a pool of local experts that are not engaged by the public sector and that have various skill sets complementary to the anticipated advisory services. Extensive training will be provided covering both theoretical and practical sessions at the end of which there will be a certification process to ensure that only those experts that hold the necessary skills and knowledge to deliver top-notch services are involved in the advisory system. Once there is sufficient confidence that local training providers have the necessary capacity and hold sufficient expertise to deal with this task a call for proposals supported from the EU funded Advisory Services Measure (RDP 2014-2020) may follow. In this respect training providers will be selected to organise and deliver regular training to advisers that are engaged by Advisory Services Provider(s). The management body responsible from financing this service will coordinate this process.

4.5.3 Appraisal Function

The appraisal function (monitoring, control and evaluation) is constituted of different layers, each of which entrusted to a particular actor within the proposed system.

The overall responsibility sits with the *Steering Committee* with the on-going assessment of the effectiveness and efficiency of the system and services. The *Centre* will be responsible to collect all the relevant information, process and report to the *Steering Committee* on a regular basis in respect of the provision of advice.

The training providers appointed to deliver training to advisers will also need to provide monitoring data in relation to development of skills and knowledge activities. Details about the monitoring and evaluation framework are provided as part of Section 3.9. This process is very important to revise and refine the type of services on offer, the priorities for advice, the level of financial support required and the operational requirements for service providers.

4.6 Minimum Obligatory Requirements for Delivery of Services

It is anticipated that there might be more than one provider of advisory services from the private sector. Nevertheless, irrespective of the origin of the expertise (as this should also apply to a public advisory service) the Advisory Service Provider (s) will be obliged to follow a set of conditions that will be stipulated in a new legal text for Advisory Services.

This will be a pre-condition that any Advisory Service Provider needs to demonstrate prior to granting of any access to funding. These conditions will be scrutinised by the Steering Committee on an annual basis as part of an Annual Implementation Programme (AIP) that needs to be prepared by the Advisory Service Provider. In case of EU funded components the EU Programme Support Office shall undertake checks independently than those of the Steering Committee. In principle, the minimum operational requirements (eligibility) will be verified on the basis of the following conditions:

4.6.1 Human Resources

- i) The Advisory Service Provider must demonstrate that it has sufficient staff (administrative and technical) to cover all the operations foreseen in a smooth way (central office and territorial coverage of operations).
- ii) The list of advisers who will be used to deliver the services must be notified to the Steering Committee (or EUPSO) as part of the Annual Implementation Programme. The authorities will verify eligibility in relation to the type of qualifications and trainings received;
- iii) In case there is a need to replace advisers, the Advisory Service Provider may do so by notifying the Steering Committee or EUPSO respectively. It must however be ensured that the minimum qualification requirements are respected and that the overall number of advisers as stated in the Annual Implementation Programme is maintained. Compliance with these requirements will be verified through on-the-spot controls undertaken by the “financing bodies” prior to authorize payments to the Advisory Service Provider(s).
- iv) Indicative training plan for advisers.

4.6.2 Management and Operational Resources

Capacity of the organization to provide the advice: The Steering Committee will assess the capacity of the Advisory Services Provider (s) on an annual basis. The assessment will be based on the Annual Implementation Programme. The programme shall include as a minimum information on the following:

- The internal set-up and structure of the Advisory Service Provider;
- The Internal rules for coordination and implementation of advisory activities
- Detailed inventory of operational resources and facilities to deliver the services e.g. transportation, premises, equipment, IT, etc.;
- Communication plan to reach potential recipients of advice

4.6.3 Qualifications and expertise

All advisers must have a University Degree (BSc or higher) in one of the following: agriculture (agronomy and/or livestock production), economy or management, which have to be proven by copies of original certificates.

At least 1 year of practical experience in providing advise, training, consultancy on agriculture and/or rural development related matters or in the management of EU grant programmes.

4.6.4 Training of Advisers

Advisers will be obliged to attend training offered as part of the integrated approach to the system. The Centre within the “ministry for agriculture” will inform the Advisory Service Provider of the contracted training providers for the training of advisers, so as to ensure participation of all the advisers in the training courses on offer.

A certificate of attendance will be provided to each adviser completing the training. The Steering Committee and/or EUPSO will verify this as part of the approval process of the list of advisers on a yearly basis.

4.7 Legal Framework

4.7.1 Legal Basis

The legal basis for the regulation of the Agriculture and Rural Advisory System should be established through primary legislation. A draft proposal of the legal text is provided in Annex 9.

As a transitional arrangement the moa with FAS project support will prepare and approve a Council of Ministers decree to allow for the establishment of the main governance, operational and advisory service delivery structures.

4.8 Financing the System and Services

4.8.1 Financing requirements

To operationalize the proposed Agricultural and Rural Advisory System, a set of financing needs must be provided. In principle 4 main areas or budget lines are required as follows:

- (i) *Cost of Setting-up and operating the Steering Committee and the Centre for Agriculture and Rural Development Advisory Services:* covering all direct costs for operations including secretariat support and administration. No fees are anticipated to be paid for members of the Steering Committee. However, expenses incurred to allow participation in all required meetings should be reimbursed.
- (ii) *Cost of Setting-up and Operationalization of the Advisory Service Provider(s):* covering all costs directly linked to the setting up of the office,, administrative cost, staff salaries, insurance, hardware, rent, utilities, communication, etc.)
- (iii) *Cost of the advice provided:* cost incurred by the Advisory Service Provider (s) to provide the advice (e.g. expenses of private advisers, management costs, travel cost, training materials, cost related with the place where the advice is delivered, etc.).
- (iv) *Cost of training of advisers:* costs incurred in organizing and delivery of training to the advisers (e.g. cost of trainers, travel cost, material prepared for the training, costs related with the place where the training is delivered, etc.).

4.8.2 Funding sources

The funding of the system and services is complex as there is no single source that covers all the 4 budget lines envisaged. In order to cover all the expenditure multiple sources of funding will need to be utilized. After a thorough analysis of the funding options for the forthcoming period (up to 2020) it transpires that the following financial instruments and mechanisms exist:

(i) EU Grants: The EU Grants⁷ are available through the RDP measures for 2014-2020. An Advisory Services Measure has been programmed through which support for provision of advice and training of advisors is envisaged. Initially the draft measure did not have any provision to cover setting up and operational costs. Refinement of the measure was made in cooperation with TAEIX and FAS project experts in order to cover this expenditure and align the measure with the proposed approach in the Strategy. Currently finance is subject to PRAG Grant regulations and the process for application, contracting and implementation will be under the responsibility of EUPSO supported by the PMU.

(ii) Turkish Aid: Turkish Aid is accessible through a separate programming document, which is developed on an annual basis. Support can be made available under the 3rd component of the programme namely that earmarked for non-profit organizations. The support is limited to non-profit generation activities and focuses on capacity building and training.

(iii) FAS Project (EU funded): The FAS Project has very limited resources, which are also condensed around a very short project lifetime. Nevertheless, support for the development of an advisory system including provision for capacity building, including, training and certification of a pool of local private advisors, the support for establishment of advisory system management and coordination structures, piloting of advisory systems and development of IT platforms for system monitoring and management, knowledge development and exchange are envisaged.

(iv) Local funds: The moa has dedicated budget lines for the operations of the ministry departments, amongst which tasks include the provision of information, training and advise to farmers. Furthermore, the expenses relative to the setting up and operations of the Steering Committee and the Centre will have to be financed from this source as these do not qualify as eligible expenditure under any of the programmes.

The following table summarises the eligibility of the financing needs under the respective financial instruments and includes remarks on the conditions observed so far.

⁷ 2013 EU Aid Programme for the Turkish Cypriot Community

Financing need	EC Grants		Turkish Aid		FAS Project		Local (Public Funds)	
	Eligibility	Conditionalities	Eligibility	Conditionalities	Eligibility	Conditionalities	Eligibility	Conditionalities
Setting-up and Operationalization of the Steering Committee and the Centre	X		x			Limited to support in development of rules and procedures and limited trainings		Eligible upon publication of a 'Ministerial Decree'
Setting-up and operationalization of the Advisory Service Providers		Eligible however details need to be elaborated in the final version of the 2014-2020 RDP	x	Eligible beneficiaries must be already in operation at least 3 months before the launch of the call.		Limited to development of IT Platform and training on management and operations	X	
Cost of the advice		Eligible however details need to be elaborated in the final version of the 2014-2020 RDP	x	Not eligible	x	Not covered except for some pilot actions	x	
Cost of training of advisers		Partially. Mainly limited by current design of advisory services measure in 2014-2020 RDP and the EU Aid Programme, which sets co-financing at 80%.		Eligible on the condition that no public bodies are involved in the organisation set-up. Grants available on an annual basis and limited to 75% co-financing up to a maximum of 200,000 TL		Limited due to project lifetime, resources and scope.	x	

4.8.3 Reimbursement of Eligible Costs

This section will focus on the delivery mechanisms linked with the administration of the EU grants being the main source of funding identified for covering the main budget lines of “provision of advice and training of advisers”.

The financing of the Steering Committee and of the Centre will have to be covered from local funds and will be regulated by means of a dedicated Ministerial Decree, whilst actions pertaining to the EU funded FAS Project are regulated by the rules and procedures of EU technical assistance support.

Under the 2013 EU Aid Programme for the Turkish Cypriot Community, support is envisaged for *“The promotion of social and economic development including restructuring, in particular, concerning rural development, human resources development and regional development”*. One of the areas for achievement of this priority is *“Assistance to strengthen Farm Advisory Services”*. A grant scheme is intended to support suitable associations or agricultural organisations in providing such services. As stipulated in the programme⁸ the type of actions eligible are the provision of support, advice and training to farmers. Funding is co-financed at the rate of 80% by the EU whilst the other 20% is expected to come as private contribution. An indicative allocation of funds was set at 1.5 ME. The lifetime of the programme and, in particular, the grant is linked with the date of the validation of the budgetary commitment, which is December 2014 and expires 6 years after, that is December 2020.

The PRAG Grant Framework will govern the management and execution of the Grant. Two main options exist for the reimbursement of eligible costs, which can be either based on actual costs incurred by the grant beneficiary or on the basis of simplified cost options. A combination of both is also possible to cover different categories of costs.

It is important to mention that before consideration for launching the EU Grant for supporting the provision of advisory services, it is being recommended that this takes place only and once it is established that there is sufficient capacity and commitment within potential beneficiaries (private organisations) to guarantee good quality services, its organisation as well as sound financial management of the EU funds. This is critical in order not to jeopardise progress registered with the implementation of this strategy as well as the trust and perception of end advisory recipients. The FAS project plays a very important role in building this capacity and in establishment of effective procedures and systems.

4.8.4 Approach proposed

The Grant should have two separate components, that is, one dedicated to the “Provision of Advisory Services” and another one covering the “Training of Advisors”.

In the case of **“Provision of Advice”** the grant will cover the setting-up and service provider operational costs coupled with the costs for provision of advisory services. It is being recommended that the approach should be programmed in line with the guidelines for Simplified Cost Options set in the PRAG Grant Guidelines and further detailed in the Guidance on Simplified Cost Options (SCOs) published by DG REGIO in line with the provisions of Articles 67 and 68 of Regulation (EU) No 1303/2013, Article

⁸ 2013 EU Aid Programme, Project 2

14(2)(4) of Regulation (EU) No 1304/2013 and Article 19 of Regulation (EU) No 1299/2013). This follows recommendations proposed by the European Court of Auditors in order to ensure reduced error rates in calculation of eligible costs as well as the importance of having reasonable and equitable costs.

Two types of SCOs should be applied, which are a Flat rate and a Standard Unit Cost. The Flat rate will cover indirect expenditure required to deliver advisory services and will be calculated at the rate of 15% of the total staff cost (direct cost) required to deliver the services. Application of this rate does not require any calculation requirement. If the rate is increased to the maximum allowed rate of 25% then detailed calculations are required.

In the case of standard unit costs this should be based on quantification of the costs directly associated with the delivery of the services, which will be staff costs, travel and materials. Every advisory service will have this set of calculations and the unit rate will be established on the basis of historical data, statistical or market research, or accounting data, available from the beneficiary.

A detailed equitable and verifiable methodology must be prepared which will be independently assessed and certified by EUPSO.

These standard rates must be used to execute the reimbursement of eligible costs for the provisions of advice.

In the case of **“Training of Advisors”** the use of Simplified Cost Options is also recommended for the same reasons explained above. Two options can be used namely Lump Sums or Standard Unit Costs.

If Lump sums are used a fixed rate is set to cover, for example, one training and which will include the minimum number of participants. Proof that the event was held and the minimum number of participants has attended will need to be provided. The disadvantage with this approach is that in case the minimum number of participants is not met the whole amount is not paid to the beneficiary. In the case of standard unit costs a fixed rate per participant/trainee is set in advance. This will include costs of staff (trainers), premises, materials, travel, etc. The advantage of this approach is that the beneficiary is paid proportional to the number of trainees. The Contracting Authority, as part of the Call for Proposals, must publish the rates (Lump sum or Standard unit cost).

4.8.5 Limitations and changes required

When reviewing the financial environments influencing the Grant, namely the EU Aid Programme, the 2014-2020 RDP, the PRAG regulations and the EC Simplified Cost Options Guidelines, a number of issues affecting the management, execution and impact of the Grant have been identified.

In the case of the EU Aid Programme the support is intended for *“a small number of suitable associations or agricultural organisations”*. On the other hand, in its mapping exercise of advisory service providers, the FAS project has found that there is no one single organisation that hosts all the requisites to be considered as a *“suitable”* organisation. This has led to a rethink of the approach, aiming to invest more technical assistance resources (such as the FAS project) to ensure sufficient skills and capacity of local organizations to be in a position to deliver effectively the services without putting at risk any of the EU funding. This will require additional resources to be invested in mentoring, training, awareness raising, piloting, etc for the development of an Advisory System overall.

Furthermore, the support, advice and training supported under this programme is limited to farmers. As explained earlier in this Strategy, the needs articulated in the SWOT and Strategy are diverse and deal with a range of rural stakeholders including farmers, agro-processors, rural communities, SME's, etc. This limitation should be addressed through first and foremost approximation of the current RDP Measure (M02) with the sister measure supported by EU Regulation 1305/2013. In addition, the approach of developing an **Integrated Advisory System** should see the complementary use of the Training and Knowledge Development RDP measure (M01) to address specific information and training needs not covered by the advisory services measure.

In EU MSs both measures are used to improve the sustainable management and the economic and environmental performance of farms and forest holdings and SMEs operating in rural areas.

The maximum rate of EU co-financing is set at 80%. Based on EU experiences from the 2007-2013 EAFRD programme implementation it was reported⁹ that the uptake of measure 114 "Use of Advisory Services" was very low. By the end of 2013, 50% of the total programmed expenditure was not utilised amounting to 169.5ME. In addition, only 19% of the anticipated target number of farmers expected to receive support was registered. One of the main reasons reported was that the co-financing level of the measure was set at 80% with the farmers having to fork out the remaining 20%. The EC has taken note of this and for the 2014-2020 programming period this rate has been increased to up to 100% (Public contribution).

This issue also applies for the "Training of Advisors" support, whereby, unless addressed the current framework invokes that the advisory service provider will need to contribute 20% of the total cost of the training received.

In this case the EU Aid Programme includes a clause that states that the "maximum possible rate for EU co-financing may be raised up to 100% in accordance with Art 192 of the Financial Regulation if full funding for the action is essential". The increase in co-financing is critical otherwise the risk is that only those entities that can afford to pay can receive support and not necessarily those who require it most.

In the case of the draft RDP 2014-2020, several changes to the Advisory Services Measure are required in order to ensure consistency with the proposed approach defined in this Strategy. This includes adjustment of the services, approach and financial mechanisms stipulated in the draft measure.

With regards the PRAG Grant Rules a number of clarifications and further guidance are required from respective EU authorities with regards the application of simplified cost options. The current PRAG Guidelines cover those cases when it is the beneficiary proposing standardised rates but does not have provision to when it is the contracting authority who is pre-setting standardised rates in advance of the call.

Finally, the payment for both provision of advice and training of advisors should be based on a reimbursement of costs on the basis of the number of services delivered. This means that no pre-financing or advance payments are required but that regular periodical payments (such as every quarter) should be affected. This is critical, as none of the potential Advisory Service Providers will have the necessary capital or collateral to secure pre-financing or bank guarantees. In addition, regular tranches of payments will provide the service provider with the necessary capital to cover all of its costs

⁹ ENRD May 2014, Progress Snapshots, Measure 114 –Use of Advisory Services

on time, without any need for loans, which would incur payment of interest, a cost that is not eligible under the EU grant mechanisms.

4.9 Monitoring and Evaluation Framework

The monitoring and evaluation of the Advisory System will be executed within the general framework for monitoring and evaluation of the funding programmes supporting the implementation of the system and services. For this purpose, effective and efficient coordination of data collection and processing is required.

4.9.1 Responsibilities and coordination

(i) The Centre for Agriculture and Rural Development Advisory Services will have the primary responsibility for the monitoring and evaluation of the system. This should complement and contribute to other monitoring and evaluation activities of the RDP, including also the coordination of finance of the other funding instruments in place.

In particular it will be responsible to:

- Set monitoring indicators and ensure regular collection of data;
- Analyse monitoring data and report on progress to the [Steering Committee](#) on an annual basis;
- Plan and conduct in-depth reviews and evaluations of the system and services.

(ii) The Advisory Service Providers will be entrusted with the following responsibilities:

- Set a system for internal monitoring of the progress and quality of the advisory services;
- Establish a system for collection of data on monitoring indicators specified by the Centre;
- Maintain monitoring database on advisory services operations;
- Submit information on monitoring indicators according to template and schedule agreed with the Centre;
- Conduct and report on customer satisfaction surveys;
- Support evaluation activities, organised by the EU and Steering Committee.

(iii) Training providers have the responsibility to:

- Collect and report monitoring data on training of advisers actions and outcomes;
- Collect, analyse and report feedback information collected from the participants in training.

(iv) The Paying Institutions/bodies have the responsibility to:

- Provide financial data on payment claims and payments made to the advisory services and training providers.

4.9.2 Monitoring indicators

The monitoring of the system will focus on continuous collection, analysis and reporting of information on:

- Uptake of the services;
- Type of advisory services provided;
- Number of supported beneficiaries and their level of satisfaction with the services provided;

- Effect of the advisory system on the number, quality, diversity and success of the submitted projects.

The monitoring system will collect information on indicators related to:

- Inputs, outputs and immediate results of the system;
- Awareness about the opportunities for support.

A detailed set of indicators and their definition is provided in Annex 6.

4.9.3 Collection and verification of monitoring data

The data and information gathering will vary between those indicators related to provision of advisory services and those associated with the training of advisers.

(i) Provision of Advisory Services: The Advisory Service Provider will have the overall responsibility to collect, validate and verify monitoring data related to implementation of the advisory services (Packages 1-4). For this purpose the Advisory Service Providers will maintain a monitoring database – separate database or as part of its Management Information System (MIS). The monitoring database will include as a minimum:

- Data on the profile of the beneficiary (e.g. legal status, location, economic activity, holding/Enterprise size, gender, age, etc.);
- Advisers and type of advice;
- Projects supported for application or contract management by the advisory services.

The data on the monitoring indicators must be collected for each and every client. In addition, the Advisory Service Providers will conduct *customer's satisfaction sample surveys* to collect information on the client's opinion on the quality and efficiency of provision of the advisory services.

(ii) Training of Advisors: Both the training providers and the financing (payment) bodies will be responsible for collection of data on monitoring indicators related to training of advisers. The data will be collected from payment claims and submitted to the Centre.

4.9.4 Submission of monitoring data

(i) Provision of Advisory Services: The Advisory Service Provider will be responsible for the preparation and submission on a quarterly basis of monitoring data tables to the Centre. Quarterly data will be cumulated by Centre and used for the preparation of monitoring reports to the Steering Committee on an annual basis. In addition, the Advisory Service Provider will submit by the end of each calendar year a report on the results of the customer's satisfaction survey.

(ii) Training of Advisors: Data on monitoring indicators will be collected by the training providers and the financing (payment) bodies and submitted quarterly to the Centre.

4.9.5 Evaluation activities and topics

The evaluation activities of the Advisory System will assess:

- The continuous relevance of the services to the needs of the agriculture and rural sectors;
- Efficiency of the implementation and management processes;

- Effectiveness of the services in:
 - i. Increasing knowledge on local and EU standards;
 - ii. Improvement of farming practices, community development and businesses renewal;
 - iii. Supporting preparation and management of good quality and diverse investment projects;
 - iv. Development of the advisory services capacity;
- Impact on modernisation of agriculture and alignment with EU standards.

The evaluation will take part of the annual assessment and appraisal of the performance of the Advisory Services Providers by the *Steering Committee*.

4.9.6 Communication and awareness raising

Critical to establishing the credibility of the new agriculture and rural advisory system will be the establishment of a clear understanding of the objectives and the framework for the overall structure, system, the specific services and ways to access them, the approaches and methods to be used to ensure quality and minimum standards, the monitoring and evaluation processes etc.

There is also a need to raise general awareness amongst target beneficiaries and establish a general understanding of the importance of the future system and to promote the opportunity for mutual partnerships and direct involvement of organisations in the management and development of the system involving both recipients and providers of advice.

The above objectives will be linked to the branding of the advisory system and its advisory network which will aim to position the Agriculture and Rural Advisory System as a modern, trusted, neutral, dependable source of information and advice to farmers and rural enterprises.

These objectives will be framed within an *ARAS Communications Plan* which will combine a range of communication channels, and targeted electronic and print media communication tools, aimed at providing the opportunity for target clients to establish access to the service, develop two-way communications and provide the opportunity to ask questions and obtain detailed answers to their enquiries. The Communication Plan will be initiated with a number of pilot actions in the first stages but will ultimately aim to cover the whole of the territory. Where possible, promotional campaigns and events will be linked to key agriculture and rural public events (e.g. seasonal agriculture shows, rural cultural events etc.).

5. Transitional Arrangements

In this section are summarized a number of proposed transitional arrangements which will allow for the gradual implementation of the ARAS strategy and complementary actions:

5.1 Public advisory service provision:

The ARAS Strategy proposes the establishment of a Steering Committee, which will be chaired and managed by the “ministry of agriculture, natural resources and food”. Importantly, it is neither practical nor desirable that the ministry includes representatives from all departments within this structure. It is therefore proposed that a *‘Centre’ acting as a coordination structure* be established within the moa, to coordinate and monitor the implementation of the advisory system plans.

The ARAS Strategy further outlines the need to establish a network of suitably qualified private sector advisers who will be eligible to be funded and provide advice to farmers and rural businesses through the new advisory system. It will be an important part of the transitional arrangements that all advisers seeking to be funded will be required to meet *minimum technical standards* to be set and certified by the regulatory bodies to be established to monitor service provision. No adviser, whatever their status, will be eligible to participate in service delivery or trainings without having completed the necessary minimum training and certification processes. Transitional re-training programmes will be designed to ensure that all public sector funded advisers attend and complete such training and certification courses. Furthermore, there will be a need to ensure a clear demarcation between inspectorate and advisory functions requiring the identification of staff that will be entrusted to perform advisory services and who can work with and/or in support of training and capacity building activities.

5.2 Private advisory service provision:

As above, regardless of the professional background and/or experience of existing private sector advisers, each adviser applying for funding will be required to complete the necessary minimum training and certification processes. Transitional *re-training programmes* will be designed to ensure that all private sector advisers attend and complete such training and certification courses.

5.3 Policy and legal framework

The establishment of a new agriculture and rural advisory system will take time due to certain human, financial and technical resource constraints. As such the design of new legal text on advisory services should be designed to include a number of time-bound, transitional clauses. This approach will ensure the gradual, incremental establishment of the service and enforcement of various minimum standards over time. Whilst certain policy actions are outside of the scope of the ARAS Strategy it will be important to consider the parallel introduction of certain critical changes in policy in order for the impact of the new advisory service to be realized. This will include (but not be limited to): the introduction of a more balanced set of targeted farm support payments that encourage more economically efficient production and farm management practices; the establishment of certain minimum good agricultural and environmental practices (in line with EU requirements); the adjustment of current legal text governing farmer groups, cooperatives and other legal entities to align them with European practices.

5.4 Technical Assistance:

It is envisaged that further targeted technical assistance support will be required to both establish and make fully operational all of the required infrastructure of the ARAS. This will include support for institutional and management capacity building (particularly for the new public-private governance structures, the need to build capacity and systems for the efficient application and execution of services (potentially using simplified cost options), the targeted ‘training-of-trainer’ programmes, the reorganization of education and training curricula; the restructuring and reprioritizing of agricultural research and other related implementation needs and requirements. This may require new project design support and or restructuring of existing technical assistance provision, subject to funding and official approvals.

5.5 Financial resources:

Certain funding gaps may be possible to be fulfilled, subject to adjustment in the current framework for the provision of grant funds in support of the sector. This is anticipated to include, as a minimum:

- Adjustments in the scope of the draft advisory services measure to be funded under the new RDP to allow for funding of 'set-up costs' for new providers of advisory services, the services proposed under the ARAS including the details and approach on delivery of services.
- Adjustments in the scope and complementarity of donor aid support for farm and off-farm investments and other village level community based support services and support for training and further development of advisory services.

6. Overall Action Plan (2017-2021)

Main actions / Sub-actions	Outcomes	Lead Implementing body	Collaborating partner(s)	Timing of actions																			
				2017				2018				2019				2020				2021			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Intervention area 1: Strategic management - Agricultural and Rural Advisory Services Management Board (ARASMB)																							
1.1 Preparation and approval of relevant by laws for ARASMB establishment, membership and operation	(i) A legally established and operational ARASMB established	MoA	FAS Project, EUCC, EUPSO																				
1.2 Preparation of operational procedures for ARASMB	(i) Clear operational procedures of ARASMB developed	MoA	FAS Project, EUCC, EUPSO																				
1.4 Quarterly progress reports on ARAS Strategy Implementation	(i) Quarterly progress reports	MoA	FAS Project, EUCC, EUPSO																				
1.3 Quarterly meetings of the ARAS Management Board	(i) Meeting agendas, minutes and records of decisions/ follow up actions	MoA	FAS Project, EUCC, EUPSO																				
Intervention area 2: Operational Management (Subcommittees)																							
2.1 Preparation of by laws for establishment of subcommittees	(i) Legally established and operational subcommittees for management, oversight and monitoring (a) Agriculture and Advisory service (b) Vocational training @ Education and Research	MoA / Other key ministries	FAS Project																				
2.2 Formation of temporary working group(s) to facilitate establishment of all ARAS sub-committees	(i) Working group formed; (ii) Framework and membership of each sub-committee developed and approved	MoA	FAS Project																				
2.3 Establishment of Agriculture and Rural Advisory Service (ARAS) subcommittee	(i) Legally established and operational subcommittee for management, oversight and monitoring of Agriculture and Advisory Services	ARASMB	FAS Project																				
2.3.1 Setting up standards for the advisory service	(i) Quality standards set up for advisory service practitioners	ARAS	FAS Project																				
2.3.2 Setting up certification procedures for the advisory service	(i) Quality certification set up for the advisory service	ARAS	FAS Project																				
2.3.3 Setting up performance indicators to ensure quality	(i) Measurable and easy monitored set up for the advisory service	ARAS	FAS Project																				
2.3.4 Preparation of progress reports	(i) Demonstration of progress made on Strategy implementation	ARAS	FAAS Project																				
2.3.5 Conduct quarterly meetings	(i) Identification of problems encountered and recommendations provided	ARAS	FAS Project																				
2.3.6 Prepare resource plans and provide recommendations	(i) Feasible and balanced resource plans prepared	ARAS	FAS Project																				
2.4 Establishment of Vocational Training Subcommittee	(i) Legally established and operational subcommittee for management, oversight and monitoring vocational training	ARASMB	FAS Project																				

3.1 Legal documentation for establishment of Agriculture and Rural Resource Center (ARRC)	(i) The legal base for establishment of ARRC prepared	MoA	FAS Project																	
3.1.1 Establishment of Agriculture and Rural Resource Centre (ARRC)	(i) An operational Agriculture and Rural Resource Center (ARRC) established	MoA	FAS Project																	
3.1.2 Staffing and equipping of ARRC main office	(i) A fully operational ARRC office established																			
3.1.3 Establishment of Rural Advisory Service Support Network and	(i) An operational Agriculture and Rural Advisory Service support network with 5 district contact points established	MoA	FAS Project																	
3.1.4 Staffing and equipping of regional offices	(i) Five Contact Point Offices in each district established and fully operational	MoA	FAS Project																	
3.1.5 Training of staff on operational procedures	(i) ARRC staff has a clear understanding of responsibilities and operational procedures	MoA	FAS Project																	
3.1.6 Capacity building activities (Training, study tours)	(i) ARRC staff has developed skills to advocate and lobby interests of members (ii) Position papers prepared on various issues respTrainingsibilities and operational procedures	MoA	FAS Project																	
3.2 Establishment of E platform to: (a) Support and facilitate delivery and coordination of advisory services; (b) Transfer agricultural knowledge to beneficiaries; (c) Facilitate market	(i) Operational electronic platform to management of advisors, market facilitation, business development, technical & finance knowledge sharing	FAS Project	MoA																	
3.2.1 Procurement process for E platform establishment	(i) An E platform procurement process accomplished in line with PRAG rules	FAS Project	MoA																	
3.2.2 Software design and test		FAS Project	MoA																	
3.2.3 Launch of E platform	(i) A software design to respond to the needs and services that the platform will provide is completed	FAS Project	MoA																	
3.2.4 Development of a management and coordination system for delivery of advisory services	(i) A management and coordination system for delivery of advisory services is in place to respond to	MoA	FAS Project																	
3.2.5 Develop the requirements for the training of advisors	(i) An elaborated set of requirements for the training of advisors is in place	MoA	FAS Project																	
3.2.6 Establishment of a system for delivery of service reports by advisors	(i) Procedures and modalities developed for deployment of reports by service providers	MoA	FAS Project																	
3.2.7 Establishment of a system for knowledge information and access to research and demonstration results	(i) A knowledge for sharing information and access to knowledge established	MoA	FAS Project																	
3.2.8 Establishment of a system allowing access to market information for farmers and processors	(i) Mechanisms and modalities are in place for sharing market among market participants	MoA	FAS Project																	
3.2.9 Establish the system and modalities for traders to set up and execute agreements	(i) Mechanisms to allow traders to set up and execute agreements are in place and functioning	MoA	FAS Project																	
3.2.10 Establish a system that can be used to Advisors to submit their financial claims and receive payment	(i) Mechanisms and modalities to allow advisors to submit and claim their financial invoices established	MoA	FAS Project																	
3.3 Preparation and delivery of obligatory Service Packages: 1: "Assessment of the Situation"	(i) All necessary preparations to introduce and deliver Service Package 1 accomplished	FAS Project	MoA																	

7. Strategy Risk Assessment and Mitigation Plan

There are a number of risks that have been identified which may impact upon the implementation of the Agriculture and Rural Advisory System Strategy. The table below provides a summary of these risks, assesses their level of probability and potential impact and proposes ways in which each risk may be monitored and potentially mitigated:

#	Identified Risk	Impact	Monitoring & Mitigation Plan
1	<i>Policy Framework:</i> Inconsistencies and imbalances in the policy support provided to certain sub-sectors when considering regional comparative advantages; lack of Good agriculture practices or incentives provided to improve agri-food product standards.	HIGH	Adjustments in policy framework to increase alignment with sector competitiveness and comparative advantages; Introduction of code of Good Agriculture Practices and linkages with future subsidies and/or investment support payments.
2	<i>Economic Framework:</i> Current economic and trade conditions deteriorate, undermining agri-food domestic and international markets and trade expansion opportunities.	MEDIUM	Establishment of new niche market opportunities; Improvements in targeted sub-sector productivity; Support for actions that facilitate reductions in pre- and post-harvest losses (through better farm management practices and investments).
3	<i>Socio-economic Framework:</i> Lack of government support to improve rural services and infrastructure; increasing levels of rural-urban migration and loss of rural youth.	MEDIUM	Support for new public-private partnerships; support for new community-led local initiatives; targeted support for young farmers and youth projects.
4	<i>Legal Framework:</i> Proposed legal framework for the regulation of advisory services is too restrictive; Limitations on formation of farmer groups, cooperatives and other legal entities, preventing the establishment of new agri-food input and output marketing channels and mechanisms; other legal constraints to form community-based groups prevent the establishment of new rural partnerships.	MEDIUM	New draft legal text is prepared on Advisory Services which ensures the establishment of a systemic platform and wide-ranging options and diversity in the advisory services providers market.
5	<i>Institutional Framework:</i> Current overlapping and fragmented advisory services provided through various departments is maintained and prevents the establishment of a more holistic and integrated advisory services system.	HIGH	Development of a consensus and action plan on institutional changes to be introduced within the ministry to amalgamate advisory support services; support and training for remaining staff in line with new and/or emerging legal texts.

#	Identified Risk	Impact	Monitoring & Mitigation Plan
6	<i>Financial Framework:</i> Budget available to support advisory service provision; investment and credit.	HIGH	Development of cost-benefit analysis to support proposals and justification of new funds.
7	<i>Technological Factors:</i> Lack of farmer awareness of the need to invest in new technology to increase productivity and quality of agri-food products; Lack of investment capital to support upgrade of technology.	MEDIUM	Increase in awareness of farmers and agri-food; Linkage of investment support from public and donor funds to upgrade of technology.
8	<i>Human resource capacities:</i> Lack of available, qualified staff to support public advisory service provision or oversight; lack of training courses/ suitable training institutions to support capacity building of advisory service network.	HIGH	Support for development of a training-of-trainers programme; support for development of training oversight board and guidance on new vocational and other training initiatives.

PART 3: SUPPORTING ANNEXES

- ANNEX 1:** Relevant Sector Statistics
- ANNEX 2:** Institutional assessments
- ANNEX 3:** Stakeholder assessments and consultation processes
- ANNEX 4:** Comparative analysis of advisory services
- ANNEX 5:** Bibliography
- ANNEX 6:** Monitoring and Evaluation Framework
- ANNEX 7:** Glossary of Terms
- ANNEX 8:** National Obligatory Standards for agricultural producers and processors
- ANNEX 9:** Draft Legal Text and Rationale on ‘Establishment of ARAS’
- ANNEX 10:** Concept note on establishment of an E-Platform