



GOVERNMENT OF THE REPUBLIC OF MACEDONIA
MINISTRY OF AGRICULTURE, FORESTRY AND WATER ECONOMY

ANNUAL REPORT
ON
THE IMPLEMENTATION OF THE IPARD PROGRAMME 2007-2013
For the period 1 JANUARY 2016 – 31 DECEMBER 2016
(In compliance with Art. 68 of the Sectoral Agreement)

CCI No: 2007MK06IPO 001

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Identification sheet

Programme	IPA for Agriculture and Rural Development (IPARD)
Country code	MK
Programming period	2007-2013
Programme id	2007MK06IPO 001
Programme title	NATIONAL PROGRAMME FOR AGRICULTURE AND RURAL DEVELOPMENT

Annual Implementation Report	2016
Reporting period	from 1st of January – 31st of December, 2016
Date approved by the IPARD Monitoring Committee	30 th of June, 2016

This is the seventh annual implementation report to be produced on the National Programme for Agriculture and Rural Development under the Instrument for pre-accession assistance for rural development for the programming period 2007-2013 (hereinafter “the IPARD Programme”) and covers the calendar year 2016.

This report is prepared in compliance with the provisions of Article 68 of the Sectoral Agreement (SA) between the Government of the Republic of Macedonia and the Commission of the European Communities, ratified by Law and published in the Official Gazette no.165 from 30.12.2008.

The report is prepared by the IPARD Managing Authority (MA) at Ministry for Agriculture, Forestry and Water Economy (MAFWE) based on the monitoring and data collection system (hereinafter referred to as “Monitoring system”) and with contribution from the IPARD Agency and the National Fund, Ministry of Finance.

As part of its responsibilities the IPARD Monitoring Committee (MC) must consider and approve all annual implementation reports prior to their submission to the European Commission.

Executive summary

The IPARD Programme 2007-2013 as basis for the implementation of the Council Regulation (EC) No. 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA) has been approved by Commission Decision C(2008)677 of 25.02.2008.

The start of IPARD Programme implementation is preceded by the conferral of management of aid by the EC, which was granted to the relevant institutions in Republic of Macedonia with a Commission Decision No. C 2009/987/EU on the 18.12.2009 for



Measure 101- Investments in agricultural holdings to restructure and to upgrade to Community standards, **Measure 103** -Investments in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to Community standards and **Measure 302** -Diversification and development of rural economic activities 302.

In the total period of implementation eight modifications of the IPARD Programme have been approved by the EC. The last eighth modification was approved with a Commission Decision C (2016)7396 from 11.11.2016.

In 2016 IPARD there were no public calls for measures under the IPARD Program due to the high number of applications received on the two public calls from 2015.

Since the start of the IPARD Programme on the all 12 public calls, 3087 applications in total have been submitted in the IPARD Agency. Until 31.12.2016 of the total 3087 applications, 1369 (19.166.004€ EU funds) contracts are concluded, 1718 applications are rejected, 738 projects are paid (6.892.894€ EU funds), and 176 contracts (3.842.837 € EU funds) are cancelled. Ongoing IPARD projects are 455 with co-financing value EU part only of 6.934.344€

From all submitted applications on all 12 public calls, 2532 are for Measure 101, half of them or 1266 have resulted in signed contracts for co-financing of 9.669.697€ EU funds, 424 contracts have been realized and paid with amount of 4.437.518 €. During their implementation, 141 contracts were terminated and 432 contracts are still on-going with amount of 3.606.789 €.

For M103 in total 65 projects with co-financing amount of 7.500.600€ EU funds were contracted and 37 contracts in amount of 3.244.705 € were paid.

Total 38 projects with amount of 1.995.707€ EU funds were contracted and 8 contracts in amount of 275.241 € were paid in the Measure 302.

In total 176 contracts were canceled by the IPARD Agency or by the beneficiaries with total amount co-financing of €3.842.837.

In 2016 the IPARD Agency signed the largest number of contracts since the start of implementation, i.e 560 contracts with highest amount of EU support of 8.559.820€. Highest amount has been paid to the final beneficiaries also. The contracting process was finalized in 2016 for all received applications for co-financing under IPARD 2007-2013.

For all of the three measures majority of successful IPARD projects are coming from the Pelagonia region (374), followed by the Vardar region (187), East (63) and Southeast (62). But in the measure 103, the most supported projects come from South-East and East region, by nine in each region.

As for the implementation of the IPARD Programme most critical issues still remain the human resources capacities and the time frame for processing the applications. Since the



number of applications received on public call is significantly increased the current staff is challenged to meet the deadlines determined by law for processing the applications and the claims for payment.

While processing the claims for payment in 2016 the Agency encountered problems/difficulties from the beneficiaries in providing the necessary documentation.

Specific problem areas can be seen in respecting deadlines and stipulations stated in the contract for co-financing, providing proof for origin of the materials and the equipment, timely and correctly update of the accounting records.

MA in January 2016 has delivered to IPARD Agency an Action plan for activities envisaged in Measure Technical Assistance for year 2016 (APTA). The action plan was approved by the IPARD Monitoring Committee on 17.02.2016.

First activity, which was organization of meeting of the IPARD Monitoring Committee, was conducted with procedure under 2 500 Euros according to the PRAG procedures for public procurement. The procedure resulted in an Agreement for financial support signed with IPARD AGENCY worth 1,554€. This activity was not successfully realized (no final payment toward MAFWE) because of the disputed article 2 of the Contract signed with IPARD AGENCY, i.e. deadline for payment for implementation of the activity is identical with the deadline for implementation of the activity, and IPARD AGENCY has rejected the application for reimbursement of funds for implementation of the activities delivered by the MA.

The eighteenth meeting of the Monitoring Committee on IPARD 2007-2013 was held on December 7, 2016.

Pursuant to the provisions of the Commission Implementing Regulation (EU) No. 447/2014 and the Framework Agreement for IPA II, NAO on 25.05.2016 with Letter No. 10-3270/1 submitted official request for being entrusted with budget implementation tasks for indirect management related to the following measures contained in the Multi-Annual Rural Development Programme 2014-2020:

- **Investments in Physical Assets of Agricultural Holdings,**
- **Investments in Physical Assets Concerning Processing and Marketing of Agricultural and Fishery Products,**
- **Farm Diversification and Business Development and**
- **Technical Assistance Measure.**

With Letter No. Ares (2017)499409 – of 30.01.2017 sent by DG Agri, EC considers that the authorities in the Republic of Macedonia have satisfactorily addressed the main issues communicated in the letter of observations Ares(2016)249476 and that the structures and procedures set up for IPARD II fulfill the minimum conditions referred to in art 13(4) of the Framework Agreement. Consequently, entrustment to manage the abovementioned



measures under IPARD II can be granted by means of concluding a Financing Agreement. The Financial Agreement has been signed by both parties, the European Commission and the Government of the Republic of Macedonia in March 2017.

At the time of the preparation of this report the first call for applications for using funds under IPARD 2014-2020 was published. The call for applications was opened on 24.04.2017 for all three measures: “Investments in Physical Assets of Agricultural Holdings”, “Investments in Physical Assets Concerning Processing and Marketing of Agricultural and Fishery Products” and “Farm Diversification and Business Development”. The call we be closed on 21.07.2017.



Abbreviations

Art.	Article
BP	Business Plan
DG AGRI	Directorate General for Agriculture and Rural Development
EC	European Commission
EU	European Union
FR	Farm Register
GDP	Gross Domestic Product
GVA	Gross Value Added
Ha	hectares
IPARD	Instrument for pre-accession assistance for rural development
IPARD Agency	Agency for Financial Support in Agriculture and Rural Development
M 101	Investments in agriculture holdings
M 103	Investments in processing and marketing
M 302	Rural diversification
M 501	Technical Assistance
MA	Managing Authority
MAFA	Multi-Annual Financing Agreement
MAFF	Multi-Annual Financing Framework
MAFWE	Ministry of Agriculture, Forestry and Water Economy
MC	Monitoring Committee
MIPD	Multi-annual indicative planning document
MoF	Ministry of Finance
MoESP	Ministry of Environment and Spatial Planning
NAO	National Authorising Officer
NBRM	National Bank of the Republic of Macedonia (Central Bank)
NGO	Non-Governmental Organisations
NF	National fund
No.	number
PRO	Public Revenue Office
SA	Sectoral Agreement
SAI	State Agriculture Inspectorate
SSO	State Statistical Office
TPE	Total Public Expenditure
TPP	Technical Project Proposal



SECTION 1: Changes to General Conditions

1.1. Political and Institutional Framework

Political crisis that started in 2014, continued in 2015 and 2016, and had affected the Macedonian economy. At the end of 2016, early Parliamentary elections were held. The new government was formed in June 2017. The period of political uncertainty and the prolongation of the establishing a new government has been challenging on many levels and slowed down the normal functioning of the institutions and processes including some aspects of the implementation of the programme.

In November 2016, the Commission has published the regular progress report for Republic of Macedonia which states that the activities for new IPARD measures 2014-2020, Investments in rural public infrastructure and Advisory service whose implementation was initially planned for 2016-2017 needs to be intensified. Also it is stated that despite the efforts to improve the implementation of the IPARD Programme and the increased number of applications, around EUR 16.2 million in EU funds remained unused in 2015. The IPARD Agency also needs to improve the processing of files, with transition from manual in software processing and solve the lack of staff and high turnover of staff. More effective usage of IPARD funds 2014-2020 should be the focus in the next period.

1.2. Socio-economic conditions in 2016

Macroeconomic Situation

Data and reports published by relevant institutions show that the economy remains stable, but the pace of growth again is rated as unsatisfactory affected by increased political uncertainty. The growth rate of real of GDP 2016 was 2.4% compared to 3.7% in 2015. Denar continues to remain stable and unemployment rate decreased from 26,1% in 2015 to 23.7% in 2016.

Table 1: Macroeconomic indicators per years

	2010	2011	2012	2013	2014	2015	2016 ¹
GDP in million € (current exchange rate)	7.109	7.544	7.585	8.150	8.562	9.0611	9.8622
GDP (per capita in €)	3.459	3.665	3.680	3.948	4.141	4.3771	-
GDP real growth rate (in %)	3,4	2,3	-0,5	2,9	3,6	3,81	2,42
Inflation (in %)	3,0	2,8	4,7	1,4	-0,5	-0,3	-0,2
Average exchange rate (denar/€)	61.51	61.53	61.53	61.58	61.62	61.61	61.60
Unemployment rate (in %)	32	31,4	31,0	29	28	26.1	23.7

¹Data are estimates based on realistic data



Export of goods and services in mill. €	2.535	3.215	3.124	3.235	3.747	4.088	4.329
Import of goods and services in mill. €	4.137	5.053	5.071	4.983	5.505	5.801	6.107
Balance of trade in mill. €	-1.602	-1.838	-1.947	-1.748	-1.758	-1.714	-1.777
Balance of trade in % of GDP	-22,5	-24,4	-25,7	-21,4	-20,5	-18,9	-18,0

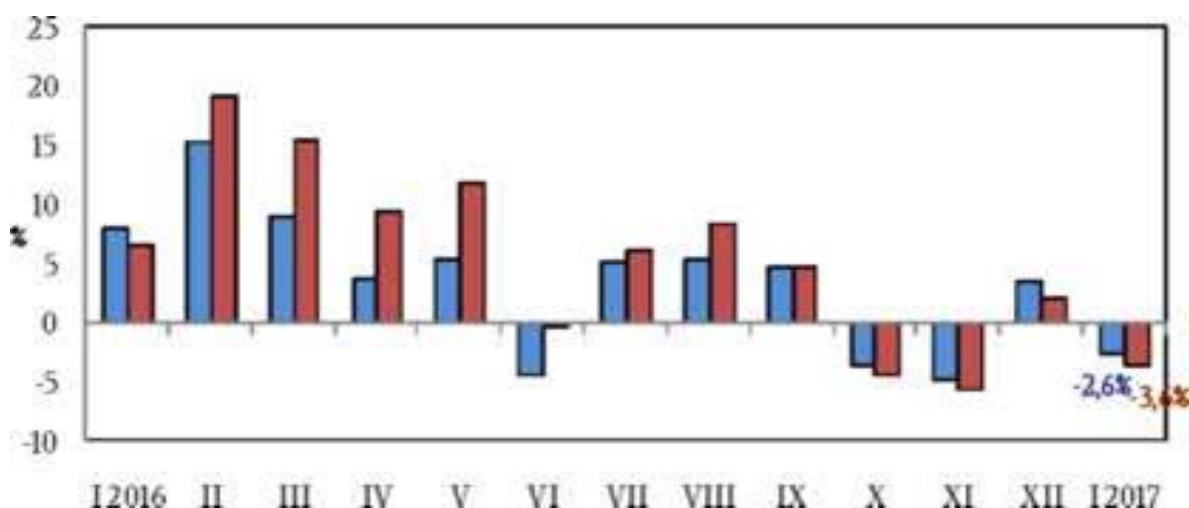
Source: Ministry of finance

Industrial output in January 2017 dropped by 2,6% compared with January 2016. The decline is mostly due to the decrease of production in processing industry by 3,6% and contribution to the total output of -3,0 percentage points.

The largest positive contribution to the annual change of industrial production has production of machinery and equipment (2,4 percentage points), while the largest negative contribution production of clothing (-2,1 percentage point).

The number of workers in the industry in January 2017 increased by 0,4%.

Figure 1: Industrial production



Source: SSO

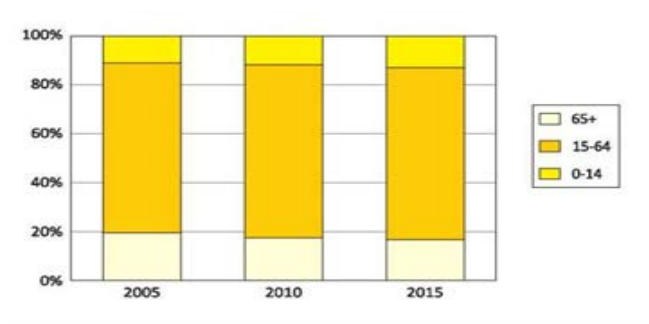
1.3 Demographic situation

According to the assessment of the population (as of 31.12.2015), the Republic of Macedonia has 2.071.278 inhabitants which is 13.994 persons or for 0,7% more than in 2010 and 32.764 people or 1,6% more than in 2005. In the period from 2005 to 2015 shows continuous increase in immigrant foreigners in the country.

In terms of age structure, the Macedonian population is aging. From 2005 to 2015, the share of young population (0-14 years) in total decreased from 19,4% to 16,7% and the share of the elderly population (65 and over) increased from 11,1% to 13,0%.



Figure 2: Population by age groups



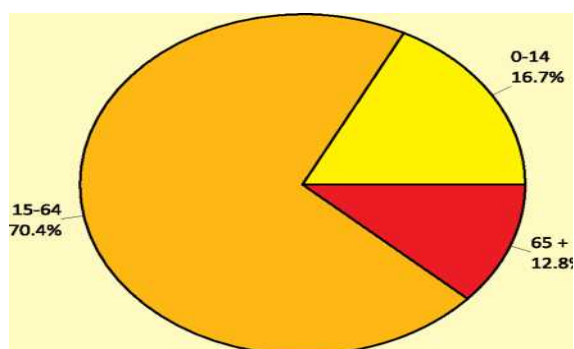
Source: SSO

The demographic indicators at the regional level show differences that point to a disproportion in the territorial distribution of the population. The Skopje Region, as the most densely populated, has almost ten times higher density than the Vardar Region, which is the least densely populated.

There are also differences in the age structure of the population. The highest share of young population (0-14) is registered in the Skopje, Polog and the Northeast Region, while the highest proportion of old population (65+) is observed in the Pelagonia, Vardar and the East Region. The indicators of the average age of the population also confirm this situation.

Differences are also visible in the number of births and deaths. In the Pelagonia, Vardar and the East Region, as a result of the unfavorable age structure and the low fertility, the number of deaths exceeds the number of births.

Figure 3: Structure of total population by age groups, 2015



Source: SSO



1.4 Agriculture production and economy²

Agriculture along with hunting, forestry and fisheries with share of 10.0% in the overall Gross Domestic Product (GDP) in 2015 was the third largest economy sector, right after the sectors of services and industry. Food, beverages and tobacco participated by 40.0% in total consumption per household.

Economic Accounts and value of agriculture production

According to the data of the State Statistical Office, gross value added in agriculture for 2015 was 51.860 million MKD and in comparison with 2014 it increased by 2,5%. An increase was also recorded in the output of the agricultural "industry" by 1.8% compared with 2014. Crop production, having a 69,4% share in the total production, grew by 1.7% compared with 2014. Livestock production, accounting for 21,5% of the total production, increased by 2,6% compared with 2014. Intermediate consumption recorded a 0,8% increase in 2015 compared with 2014. In 2015, nominal and real income in agriculture from production factors per labour unit registered a decrease of 2,6% in nominal income and 3,3% in real income from production factors.

Agricultural land and farm structure

According to SSO data, 1.264 million ha or 49% of total area is agricultural land (cultivated land and pastures), 38% are under forests while about 13% are water and other surfaces.

Table 2: Agricultural land area (in 000 hectares)

Indicator	2008	2009	2010	2011	2012	2013	2014	2015
1. Agricultural land	1.064	1.014	1.121	1.120	1.268	1.261	1.263	1.264
1.1 Cultivated land	521	513	509	511	510	509	511	514
1.2 Arable land and gardens	424	420	415	415	414	413	413	415
1.3 Orchards	14	14	14	14	15	15	15	16
1.4 Vineyards	22	21	21	21	21	22	23	23
1.5 Meadows	61	58	59	61	60	59	60	60
2 Pastures	542	500	611	608	757	751	751	750
3 Ponds, reedbeds and fish ponds	1	1	1	1	1	1	1	1

Source: SSO, 2016

Agricultural land in 2015 is increased by 0,1% in comparison with 2014. Cultivated land represented approximately 514.000 ha or approximately 41% of total agricultural land. From the total cultivated land approximately 81% are occupied under arable land and gardens, 3% under orchards, 4% under vineyards, while the meadows represents 12% from total cultivated land. Pastures are represented on 750.000 ha or 59% of total agricultural land in the Republic of Macedonia.

² At the time of the reporting the available data on agriculture production and economy was for 2015 (except for trade)



Agricultural production

The crop production structure in the country is broken down into five main groups: production of cereals, industrial, forage, horticultural crops, orchards and vineyards. The structure of sown area under cultivation and horticultural crops (total 278.000 ha), accounting for approximately 58% of cereals, 18% of vegetable crops, 14% of forage crops and 9% of industrial plants. Orchards occupies an area of 16.000 ha or 4%, while vineyards about 22.918 ha (according SSO) or 4% of total cultivated land.

According to the 2015 SSO data in comparison to 2014, there is a trend of decrease in the cultivated area under the cereals by 1% (to area of 159.434 ha), industrial crops decreased by 6% (to 21.690 ha) due to the decreased area under tobacco. The forage crops are sown in the area of 31.989 ha with slight increase of about 4% in comparison of 2014. Vineyards present 22.918 ha, with slight increase for 192 ha or about 1% compared to previous year.

In 2015 the total number of sheep was counted at 733.510 heads remaining at almost the same level as the last years and registered cattle were 253.442. In 2015, there was an increase in the number of pigs in 2015 by 6% and the domestic production of 174.568 registered pigs covers around 90 % of the market demand for fresh pork.

The total number of poultry in 2015 was 1.76 million, compared to 2014 being decreased by 178.134 heads or 9%. The eggs production is primary activity of the Macedonian poultry industry. 1,35 million heads out of the total, belongs to the number of laying hens. The number of bee families in 2015 was 73.960 which is a range to previous year.

Employment in agriculture and rural areas

The labor force in agricultural sector in the Republic of Macedonia is mainly comprised of labor work on the individual farm level. The main part of the rural population is engaged in agricultural activities (primarily within the households) and rarely with other non-agricultural activities where possibilities exist. The average paid salaries in agriculture are among the lowest level compared with other economy sectors.

Table 3: Average net salary by employee

Description	2010	2011	2012	2013	2014	2015
Agriculture, forestry and, fisheries	14 280	14 781	15 830	15.394	15.843	15.821
Crop and livestock, hunting and connected services	12 387	13 013	13 838	14.182	14.717	14.977
Forestry and forest exploitation	18 812	18 485	19 771	17.991	18.487	17.984
Fisheries Aquaculture	11 898	12 468	14 878	16.911	11.377	11.809

Source: SSO, 2016

General trade and trade with agro-food and fishery products

In 2015, the overall trade (industrial + agro-food products) (export + import) compared to 2014 increased by 6,7%. The total export (industrial + agro-food products) observed in the



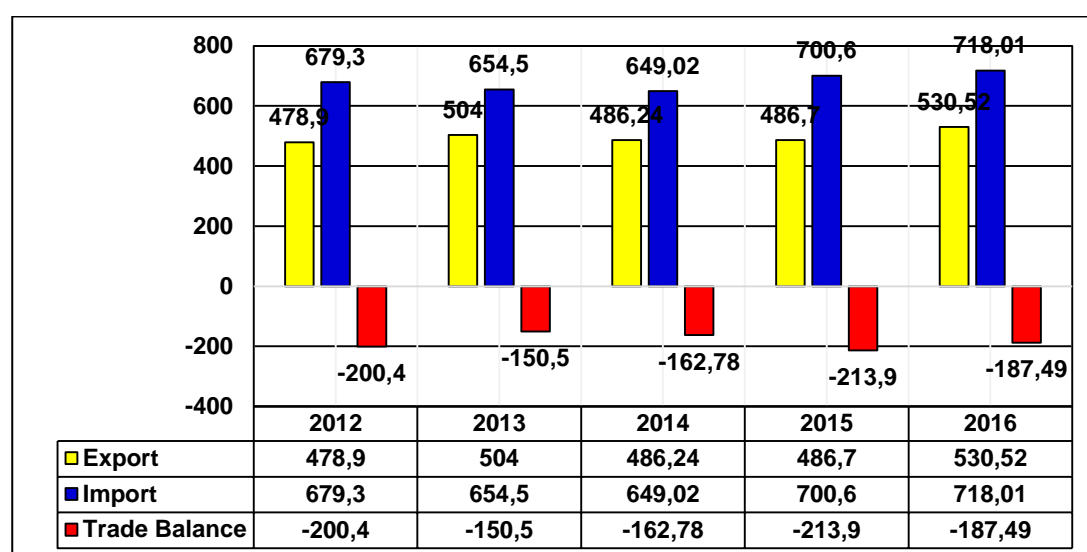
same period was higher by 8,8%, as same as the total import, but for lower rate of 5,3%. As to the export of agro-food products for the respective period, it remained on the same level (€486,2 million in 2014 to €486,7 million in 2015), while the agro-food import was bigger by 7,9% (from €649,02 million to €700,6 million).

In 2016, the overall trade (industrial + agro-food products) (export + import) compared to 2015 increased by 6,2%. Compared to 2015, the total export (industrial + agro-food products) in 2016 was higher for 6,8%, and the total import by 5,7%. The export of agro-food products in the same period increased significantly by 9% (from €486,7 million in 2015 to €530,5 million in 2016), almost 4 times more than the increase of the import (by 2,4%, from €700,6 million to €718 million).

The share of export of agro-food and fishery products in total export from Republic of Macedonia in 2016 was on the same level as in 2015 - 12,25%, while the share of import of agro-food and fishery products in total import into Republic of Macedonia decreased from 12,13% in 2015 to 11,76% in 2016.

The trade deficit in 2015 was much higher then in the previous year by 31,4% and amounted € 213,9 million, the highest figure in the period. In 2016 due to the significant growth of the export it went down by 12,3% and amounted € 187,5 million.

Figure 4 : Development of Macedonian agricultural trade (in million €) 2012-2016



1.5. Changes in national and sectoral policies

National rural development support policy

Amendments to the Law on Agriculture and Rural Development are aimed at arranging and recording the process of purchase of agricultural products which introduced new measures for rural development - investment and restructuring of agricultural holdings, aid for investments for the restructuring of agricultural holdings and investments processing and marketing that have been published in the Official Gazette of the Republic of Macedonia ", 53/16 and 163/16.



Agricultural activity

Law on agricultural activity, has been amended in line with the new Law on general administrative procedure, which resulting in the simplification of the procedure for collection of documentation by the applicant (Official Gazette "No. 39/16).

IPARD related legislation

On the IPARD relevant legislation, the following acts have been enacted and changes have been implemented:

- Sectoral Agreement between the Government of the Republic of Macedonia and the European Commission, setting out the provisions for the management and implementation of union financial assistance to the Republic of Macedonia under the Instrument for pre-accession assistance in the policy area 'agriculture and rural development' (IPARD) (OG No 38/2016 from 29.02.2016)
- Regulation on the procedure for allocation of financial support for rural development measures financed by the IPARD 2014-2020 (OG no. 64/2016)
- Program for implementation of funds from the EU pre-accession assistance for agriculture and rural development for 2014-2020- IPARD II (OG No. 177/16)
- The Law for the IPARD Agency establishment was amended in order to comply with the new Law on Administrative Procedure (OG No. 39/16).

Veterinary policy

In the reporting period, the Food and Veterinary Agency has conducted a number of activities related to harmonization process of the EU legislation.

As regards alignment with the Law on general administrative procedure (OG No. 53/2016), during 2016 were adopted amendments of the laws covered by the food safety and veterinary policy, as follows:.

- 1.) Law amending the Food safety Law (OG No. 39/2016);
- 2.) Law amending the Feed safety law (OG No. 53/2016);
- 3.) Law amending the Law on animal protection and welfare (OG No. 53/2016)
- 4.) Law amending the Veterinary Health Law (OG No. 53/2016);
- 5.) Law amending the Law on veterinary medicinal products (OG of 21.03.2016);
- 6.) Law amending the Law on identification and registration of animals (OG No. 53/2016); and
- 7.) Law amending the Law on animal by products (OG No. 53/2016).
- A total number of 28 safeguard decisions were adopted during 2016 for protection of both animal and public health from certain food-borne, animal and zoonotic diseases due to outbreaks notified in certain countries or regions. A part of the



above mentioned decisions were amended based on diseases' situation reported in the EU Animal Disease Notification System (ADNS) as well as OIE WAHIS system.

- The Food and Veterinary Agency, during 2016, also has continued the process of alignment of the national legislation governing specific issues covered by the food safety and veterinary policy with the relevant, in particular recently adopted, EU legislation. Therefore, the following secondary legislation was adopted and published in the "Official Gazette of RM":
- 1.) Book of rules on specific purity criteria and requirements for food additives approved for use in foods (OG No. 20/2016);
- 2.) Book of rules on specific requirements on food of animal origin (OG No, 28/2016);
- 3.) Decision amending the Decision concerning list of feed and food of non-animal origin subject to increased level of official controls on imports in the Republic of Macedonia (OG NO. 47/2016);
- 4.) Decision laying down special conditions applicable to the import of guar gum originated in or consigned from India due to contamination risks by pentachlorophenol and dioxins (OG No. 52/2016);
- 5.) Book of rules on extraction solvents used in the production of foodstuffs and food ingredients, specification of their conditions of use in production of foodstuffs and food ingredients and maximum residues' limits of extraction solvents in final products and maximum residues' limits of extraction solvents in flavourings from natural flavouring materials (OG No. 59/2016);
- 6.) Decision on an increased level of official controls on feed and food of non-animal origin for import into Republic of Macedonia (OG No.114 /2016) and
- 7.) Amendments to the Decision on an increased level of official controls on feed and food of non-animal origin for import into Republic of Macedonia (OG No. 161/2016).

1.6 National support schemes

Program for Financial Support of the Agriculture 2015 and 2016

According to the legal provisions, in 2016 AFSARD continued with the payment of funds under the measures from the Program for Financial Support in the Agriculture 2015. Under this Program, AFSARD reimbursed MKD 6,217 billion (€101 million euros), out of which 43% (€ 44 million euros) were paid in 2015, while the remaining 57% (57,1 million euros) of the total paid amount under this Programme was reimbursed in 2016.

In the period from 01.01-31.12.2016 the total amount of funds paid from the Program for financial support in the agriculture was MKD 5.491.251.531,00 (€89.288.643,00 euros).



Program for Financial Support of the Rural Development

Regarding the Program for Financial Support of the rural development 2015, in the period from 01.01-31.12.2016, AFSARD has paid € 20.531.371,00 for the following measures:

- Helping young farmers to start agricultural activity – total €104.383,00
- Investments in the modernization of the agricultural holdings – total €3.575.730,00
- Investments in forestry sector - total €5.545,00
- Investments in infrastructure for development of the agriculture, forestry and water management – total €4.376.984,00
- Economic association of agricultural holdings for conducting common agricultural activity – total €38.455,00
- Financial support of agricultural activity in LFA – total €474.399,00
- Help for preservation of the rural areas and their traditional features – total €144.670,00
- Conservation of biological diversity in plant and animal husbandry– total €97.470,00
- Organic production – total €784.258,00
- Improving the quality of life in the rural areas – total €5.243.465,00
- Renovation and development of the villages– total €2.655.406,00
- Preservation and enhancement of the traditional values in rural areas – total 2.497.981,00
- Technical Assistance in agriculture and rural development – total €532.625,00

Under the Program for financial support of rural development 2016, in the period 01.01-31.12.2016 AFSARD has paid €3.097.510,00 under the following measures:

- Helping young farmers to start conducting agricultural activity – total €423.796,00
- Investments in the modernization of the agricultural holdings – total €378.872,00
- Investments in infrastructure for development of the agriculture, forestry and water management – total €774.799,00
- Economic association of agricultural holdings for conducting common agricultural activity – total €18.120,00
- Conservation of biological diversity in plant and animal husbandry– total €97.470,00
- Technical Assistance in agriculture and rural development – total €941.765,00
- Innovation Fond – total €244.614,00
- NCF for the 1st component of the IPA structural funds – total €218.074,00



SECTION 2: Progress of the IPARD Programme Implementation

2.1 Summary of the strategic framework of the IPARD Program 2007-2013

The strategy, objectives and measures oriented towards the achievement of sustainable development of the agricultural sector and rural areas are outlined in the IPARD Programme follow the objectives framework set for in the IPA Council Regulation 1085/2006 and subsequent EU Implementing Regulation 718/2007.

The main purpose of the overall aid that comes through IPARD program is modernizing, strengthening of agriculture, rising to a higher level of production with achieving effectiveness and efficiency in order of being competitive on the markets of Central and Southeast Europe. And all that to be accomplished by achieving European standards of quality and environmental protection, food safety and protection of public health and the enforcement of agricultural economy that will be able to resist all natural and economic changes and challenges.

All these principles are prerequisites that are requested and should be based on investments in the measures of the Programme.

Indicators to assess the impact of the EU support include, inter alia:

- Improved income of the IPARD beneficiary;
- Increased added value of agricultural products through improved and rationalized processing and marketing of products;
- Increased participation of local actors in the development and implementation of rural development strategies;
- Increased income of the beneficiary rural population through the development and diversification of on-farm and/or off-farm activities;
- Compliance of the food processing establishments with EU standards;
- New employment opportunities created through the development and diversification of on-farm and/or off-farm activities;

Complementing the overall objectives framework, the IPARD Programme constitutes a strategy which aims at tackling specific shortcomings in the agriculture development and rural areas, with consecutive concerted solutions to priority problems grouped in sub-sector actions per measure.

Thus, IPARD is programmed to reach the following specific objectives:

- Improving the technological and market infrastructure of commercial agricultural holdings and food processing industry aimed at increased added value of agro-food products and achieved compliance with EU quality, health, food safety and environmental standards;
- Improved quality of life of the rural population, increased income and creation of new employment opportunities;



The corresponding priority development areas of the IPARD Programme are as follows:

a. Priority axis 1: Improving market efficiency and implementation of the Community standards

This axis covers activities in the primary production and processing industry.

Measures implemented under this priority axis are as follows:

- Measure 101 “Investments in agricultural holdings to restructure and to upgrade to Community standards”, and
- Measure 103 “Investments in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to Community standards”

b. Priority axis 3: Development of the Rural Economy

The priority axis 3 puts its main focus on the investing in development and diversification of economic activities in rural areas, assisting the rural population in building on and off-farm economic activities, creating additional income sources and job opportunities. From this axis the following measure is being implemented:

- Measure 302 “Diversification and development of rural economic activities”

In addition to the above measures, the IPARD also envisages the possibility to introduce other areas of intervention such as support to producer groups under Priority axis 1, preparatory actions for the implementation of agro-environmental measures and development of local development strategies, similar to the LEADER approach under Priority axis 2, and improvement in training and investments in rural infrastructure as measure options under Priority axis 3.

Change to the amount of funds by axis and measure is made with the eighth modification of the Programme. The 8th modification of the IPARD Programme 2007- 2013 was prepared and approved by the IPARD Monitoring Committee on 03.06.2016. The proposed amendments were due to the de- commitment of funds from allocation of 2012 and transfer of funds from measure 103 to measure 101 (as requested by IPARD Agency) . The eight modification of the IPARD Programme 2007- 2013 was approved by EC Decision Ref. Ares C (2016) 7396 from 11.11.2016.

The current status of allocation by axes and measures is presented in the following table.

Table 4: Financial allocation by axes and measures

Axis/Measure	TPE	Private funds	Total investments
(1)	(2)	(3)	(4=2+3)
Priority Axis 1 - Improving market efficiency and implementation of Community standards	18.807.465	14.757.845	33.565.310
M101: Investment in agricultural holdings	10.211.443	6.161.823	16.373.266



-in the areas affected by floods	6.074.430	2.024.810	8.099.240
-In the areas not affected by floods	4.137.013	4.137.013	8.274.026
M103: Investments in processing and marketing of agricultural and fishery products	8.596.022	8.596.022	17.192.044
Priority Axis 3 - Development of rural economy	1.984.375	1.984.375	3.968.750
M302: Diversification and development of rural economic activities	1.984.375	1.984.375	3.968.750
Measure 501: Technical Assistance	272.500	0	272.500
Total	21.064.340	16.742.220	37.806.560

Source: IPARD Programme 2007-2013 (8th modification)

In 2016 out of all 12 public calls, the last four are still active. For all received applications the administrative procedure has been finalized.

Since the start of the IPARD Programme implementation on the all 12 public calls, in total 3087 applications have been submitted to the IPARD Agency. Until 31.12.2016 of the total 3087 applications, 1369 contacts are concluded, 1718 are rejected, 738 are paid, and 176 are cancelled.

Table 5: Overview of implementation of IPARD per public calls in €

	Public call	Applications		Contracted		Paid		Terminated		On-going	
		No.	EU funds	No.	EU funds	No.	EU funds	No.	EU funds	No.	EU funds
1	01/2009	133	6.940.020	27	1.478.341	19	876.509	8	381.714		
2	01/2010	112	4.812.189	36	1.566.754	23	687.296	13	773.866		
3	01/2011	74	2.839.450	40	1.626.633	12	301.919	28	1.305.607		
4	02/2011	60	2.107.178	23	727.257	12	444.875	11	269.476		
5	03/2011	92	3.337.185	27	196.766	20	138.527	7	50.151		
6	01/2012	67	2.905.494	14	242.288	12	216.498	2	17.638		
7	02/2012	61	2.155.157	11	51.777	9	22.916	2	28.663		
8	01/2013	401	7.125.268	173	1.770.218	157	1.216.100	16	496.922		
9	01/2014	394	7.476.340	213	2.236.985	172	1.576.582	38	299.610	3	360.793
10	02/2014	439	5.789.381	244	3.125.440	186	1.403.383	47	205.175	11	1.516.882
11	01/2015	833	7.517.601	418	4.088.909	113	843.226	4	1.4015	301	3.231.667
12	02/2015	421	5.661.281	143	2.054.636	3	229.634			140	1.825.002
Total		3.087	58.666.543	1.369	19.166.004	738	7.957.465	176	3.842.837	455	6.934.344

Source: Monitoring system

As of 01/2013 public call the number of applications increased drastically as a result of the fourth modification of the IPARD Programme, so in the last five public calls were submitted 2488 applications, out of which 1446 are for tractors.

Still, the remaining 1042 submitted applications for other types of investments in these five calls are nearly triple from the 321 applications, submitted in the previous seven calls



when tractors were not supported by the Program. We can conclude that beside for tractors, the general interest for this Measure has increased.

Table 6: Overview of submitted, contracted and paid applications per measure

Measures	Submitted	Rejected	Approved	Cancelled	Paid	% of paid
	1	2	3	4	5	5/1
M101	2532	1266	1266	141	693	27.3%
M103	193	128	65	22	37	19.1%
M302	362	324	38	13	8	2.2%
Total	3087	1718	1369	176	738	23.9%

Source: Monitoring system

The most interest is shown for the measure 101, in which 2.532 applications were submitted. 27, 3% of submitted applications were successful and paid. Beside the huge effort that MA has done for applications quality improvement, only 23, 9 % of the total received applications were realized.

Table 7: Application's quality indicators

Total number of applications submitted	3087
Number of signed contracts	1369
Number of paid contracts	738
Number of cancelled contracts	176
Number of on-going contracts	455
% of approved applications (approved / submitted)	44,3%
% of termination of the contracts (terminated / approved)	12,8%
% of paid projects (paid / (approved-terminated))	61,8%

Source: Data provided by the Monitoring system (2016)

Compared with 2015 (26,2%), the rate of approval (approved / submitted) was increased and amounted 44,3%.

2.2 Implementation data for 2016

In terms of implementation of the IPARD Program 2007-2013, in 2016 the IPARD Agency signed the largest number of contracts since the start of implementation, i.e. 560 contracts with highest amount of co-financing 8.559.820€. Also in 2016 the highest amount of co-financing has been paid toward the final beneficiaries.

From the public call 02/2014 IPARD Agency signed one contract from the measure 101 in an amount of 62.838 € and 1 contract in the measure 103 in the amount of 1.350.163 €. From the public call 01/2015 IPARD Agency signed 412 contracts for measure 101 in amount of 4.291.295 €, 1 contract for application of the measure 103 in an amount of



105.598 €, and 2 contracts for applications submitted measure 302 in the amount of 18.487 €.

For the public call 02/2015 IPARD Agency signed 129 contracts for co-financing under measure 101 in the amount of 562.925 € (EU funds), 6 contracts for investments co-financed by measure 103 in the amount of 1.468.402 €, and 8 contracts in measure 302 in the amount of 700.113 €.

During 2016, the IPARD Agency did not publish any public call for under the IPARD Programme.

The most common reasons for annexes in 2016 were due to changes of the type/model of items which are a part of the investment and the change of the supplier.

During year 2016, the IPARD Agency received 402 claims for payment. The Agency approved/ executed 286 claims for payment, 12 claims for payment were rejected and 65 contracts were cancelled. The remaining of the 402 received claims for payment are still in process

Also, in the year 2016, the Agency has issued 3 decisions for recovery of funds.

The total approved amount for payment in 2016 is 4.117.440 €.

1. Received claims for payment in 2016

- 386 claims for payment were received for M101
- 8 claims for payment were received for M103
- 8 claims for payment were received for M302

2. Approved claims for payment in 2016:

- 269 claims for payment were paid for M101
- 12 claims for payment were paid for M103
- 5 claims for payment were paid for M302

3. Total approved amount for payment:

- For Measure 101, 2.400.235 €.
- For Measure 103, 1.455.758 €.
- For Measure 302, 261.447 €

In total: 4.117.440 €.

560 projects was concluded with total amount of 6.668.186€ EU part, during 2016, out of which 71 were terminated with an amount of 659.054€. The Agency in this year has paid 286 projects in value of 3.152.981€ which is significantly higher compared to 2015 implementation when 227 contracts, with total amount of 1.821.247€ EU have been paid toward the final beneficiaries.

**Table 8: Review on projects realized in 2016 (in €)**

	Contracted			Terminated			Paid		
	No	National part	EU part	No	National part	EU part	No	National part	EU part
M 101	542	980.945	3.936.114	66	103.923	311.771	269	535.160	1.865.076
M 103	8	731.040	2.193.122	1	32.390	97.169	12	363.940	1.091.818
M 302	10	179.649	538.950	4	83.371	250.114	5	65.361	196.086
Total:	560	1.891.634	6.668.186	71	219.684	659.054	286	964.461	3.152.980

Source: Monitoring system (cumulative 2016)

2.3 Qualitative analysis of progress per priority axes and measures

PRIORITY AXIS 1

2.3.1 MEASURE 101 – Investments in agricultural holdings

Measure budget: €16.373.266

The measure is intended for investments in primary production, with ultimate goal of modernizing it, achieving European standards to improve competitiveness and reduce costs per unit, which would result in increased profitability.

From all submitted applications on all public calls, 2532 or 82% are for Measure 101. In total 1266 contracts are concluded out of which 424 contracts have been realized and paid. During their implementation 141 contracts were terminated, while 432 contracts are still on-going.

Table 9: Overview of the implementation of M 101 per public call

	Public call	Received requests	Approved contracts	Paid contracts	Terminated contracts	Ongoing contracts
1	01/2009	58	15	10	5	0
2	01/2010	67	25	18	7	0
3	01/2011	39	24	9	15	0
4	02/2011	30	16	8	8	0
5	03/2011	52	25	19	6	0
6	01/2012	34	11	10	1	0
7	02/2012	41	10	9	1	0
8	01/2013	334	167	154	13	0
9	01/2014	347	202	167	35	0
10	02/2014	388	229	177	47	5
11	01/2015	789	413	112	3	298
12	02/2015	353	129	0	0	129
	Total	2532	1266	693	141	432



Source: Data provided by the Monitoring system (2016)

For the farmers, vegetable production, vine and fruit production are the most interesting sectors to apply for support under IPARD. They have submitted 2494 applications in these sectors. The highest quality of implementation can be noticed in fruit production sector with 345 successfully implemented IPARD projects.

Table 10: Data on applications per priority sector in M101

	Submitted	Approved	Canceled	Completed
Meat production	49	12	5	3
Milk production	78	8	2	3
Vegetable Production	998	472	26	196
Vineyards	460	245	36	146
Orchards	936	529	72	345
no location	11			
	2532	1266	141	693

Source: Data provided by the Monitoring system (2016)

Largest number of submitted applications is in the open field production sector, but the completion of the projects is unsatisfactory (out of 472 approved projects, only 196 have been completed).

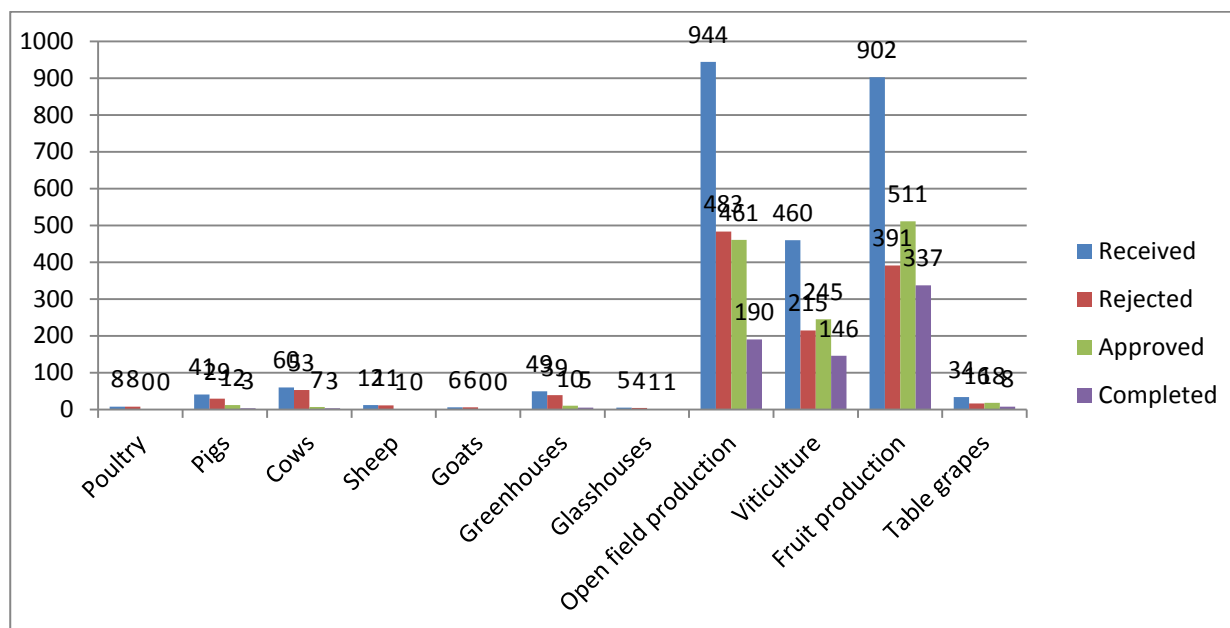
Table 11: Data on applications per subsectors sector in M101

	Received	Rejected	Approved	Canceled	Completed
Poultry	8	8	0	0	0
Pigs	41	29	12	5	3
Cows	60	53	7	1	3
Sheep	12	11	1	1	0
Goats	6	6	0	0	0
Greenhouses	49	39	10	4	5
Glasshouses	5	4	1	0	1
Open field production	944	483	461	22	190
Viticulture	460	215	245	36	146
Fruit production	902	391	511	71	337
Table grapes	34	16	18	1	8
No type of production	11	11			
	2532	1266	1266	141	693

Source: Data provided by the Monitoring system (2016)



Figure 5: State of applications per sector in M101



Source: Data provided by the Monitoring system (2016)

In this measure the most wanted type of investment are tractors and moto cultivators ; out of the total 2532 submitted application in M101 1415 were for tractors (55,8%). Those applications were submitted in the vineyard, orchards, and vegetable sectors. Out of the submitted applications, 722 or 51 % were approved and 368 were paid.

For the first time ranking has been applied in the processing of the applications for tractors due to the limited funds available. Namely, the tractors as eligible investment have been only included in the fourth modification but with limitation up to 20% of allocated funds under the measure 101. The selection criteria have been applied for the applications for tractors received on the public call 01/2015, while for public call 02/2015 all tractors have been rejected.

On Public Call 01/2015, 483 applications were submitted for tractors, out of which 179 were eligible but rejected because of the applied ranking. Partially, there are 21 applications for which a contract was concluded only for the other machinery worth 79.641 EUR. The total amount requested for co-financing, which is rejected because of the ranking in Public Call 01/2015 is 2.724.255 EUR. In the same call, contract for 283 tractors were signed, with total support of 3.568.208EUR..

In Public call 02/2015, 209 applications for tractors were submitted, out of which 164 applications were completely rejected, while for 45 contracts have been signed with amount of 288.051 EUR only for co-financing other machinery that was part of the application .

Table 12: Type of investment per priority sector in M101

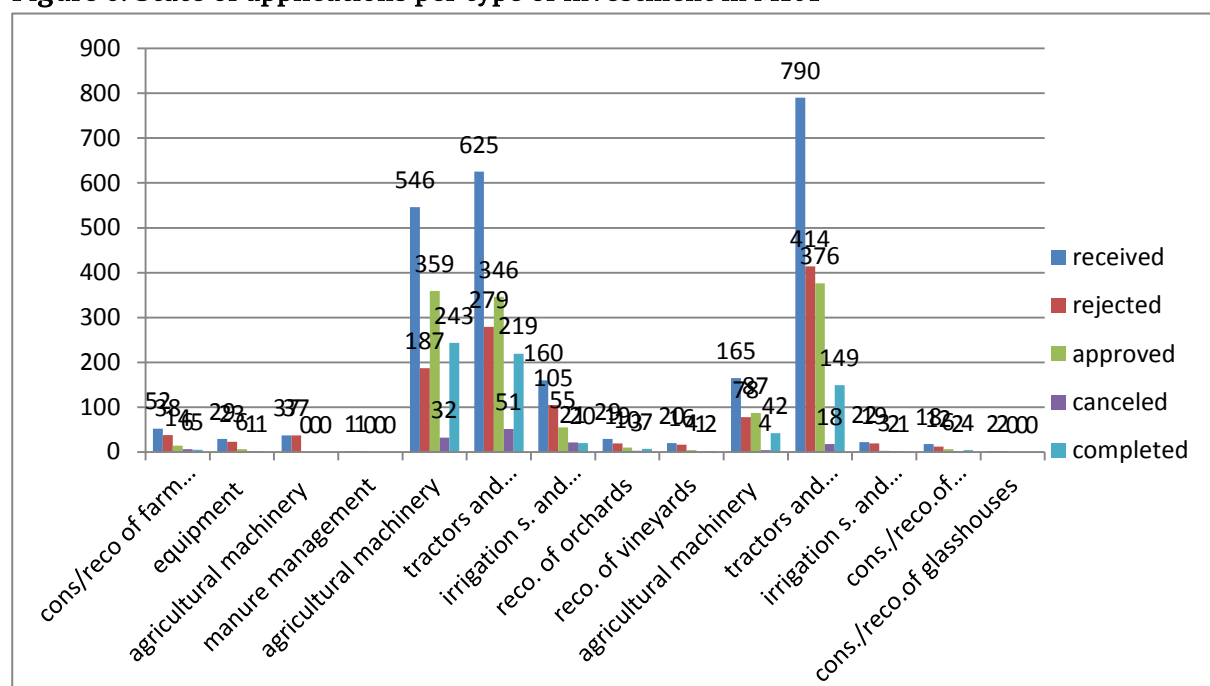


Sector	Type of investment	Received	Rejected	Approved	Canceled	Paid
Milk/Meat	construction/reconstruction of farm buildings	52	38	14	6	5
	equip.for modernization of feeding and watering	29	23	6	1	1
	agricultural machinery and equipment for cultivation	37	37	0	0	0
	equipment for manure management	1	1	0	0	0
Fruit and Vine	agricultural machinery and equipment	546	187	359	32	243
	tractors and motocultivators	625	279	346	51	219
	irrigation system/equipment	160	105	55	21	20
	reconstruction of orchards	29	19	10	3	7
	reconstruction of vineyards	20	16	4	1	2
Vegetables	agricultural machinery and equipment	165	78	87	4	42
	tractors and motocultivators	790	414	376	18	149
	irrigation system and equipment	22	19	3	2	1
	constr./reconstr.of greenhouses	18	12	6	2	4
	constr./reconstr.of glasshouses	2	2	0	0	0
	no type	36	36			
	Total	2532	1266	1266	141	693

Source: Data provided by the Monitoring system (2016)

Considerable interest has been noted in demand of the supporting agricultural mechanization and equipment where 748 applications were submitted in all sectors together, 446 were approved and 285 or 38% of the submitted claims for payments were paid. These data suggests that situation with basic agricultural mechanization in the country is an issue and further analyses are to be undertaken.

Good interest was shown for purchase of irrigation systems, where 21 projects were released, and paid. However, this is a poor rate of implementation if we take into account the fact that 182 applications were submitted and 124 were approved.


Figure 6: State of applications per type of investment in M101


Source: Data provided by the Monitoring system (2016)

Compared with 2015 (28.6%), the rate of approval (approved / submitted) in the M 101 is increased and amounted 50%. We can notice good improvement in in the quality of applications. The proposed/ paid investments in this measure are with low value (due to the fact that majority are tractors or small machinery and mechanization) . The average value of approved financial support in M101 is 9.922 € per project.

Table 13: Indicators of quality of the implementation of Measure 101

Indicators of quality of the implementation of Measure 101	
Total number of applications	2532
Number of contracts	1266
Number of paid projects	693
Number of terminated contracts	141
Number of on-going contracts	432
% Approval rate (approved / submitted)	50%
% Rate of termination of contracts (terminated / contracted)	11.1%
% Payment of contracts (paid / (contracted -terminated)	61.6 %

Source: Data provided by the Monitoring system (2016)

The rate of cancelation was 11.1% i.e. 141 agreements of the total contracts signed in this measure were canceled. The vast majority or 87 of the contracts were terminated due to failure to submit a request for payment by project holder. Regarding these contracts, the MA in the past period made a survey with these applicants, but only in 16 cases , for which



contacts were provided. Generally the most common reason mentioned, is the financial situation.

In 38 cases the Agency has determined irregularities and has canceled those agreements. Six of them were terminated due to circumvention of the rule of three bids, six investments were commenced before the signing of the contract, two failed to achieve EU standards and two had capital ties between suppliers. In 17 cases the spot control has determined breach of contract or the investment is implemented differently than leaned in the project.

In terms of output indicators in relation to the sectors for this measure, the results are satisfactory only in the number of applications received, i.e. 93,7 percent of the envisaged goal is fulfilled.

Table 14: Output indicators M101

Indicators	Goal	2016	% of realization
Received applications	2,700	2532	93.7%
Approved applications	2,160	1266	58.6%
Number of supported holdings	2,160	693	32%
Number of supported entities in flooded areas	350	49	14%
Total amount of investment	37.8 Mio. EUR	22.3 mil €	59%

Source: Data obtained from Monitoring system (2015)

Compared with the previous year other indicators show gradually increasing results, or 33, 5% were approved in 2015, while 58, 6% are in 2016 and paid 19, 6% in 2015 opposed 32 % in 2016. In flooded areas 49 entities were supported. Total eligible expenditure for 1266 approved projects at the end of 2016, is 22.278.827€ or 59%.

Table 15: Specific indicators by projects paid M101

Indicator	goals	2016
Number of reconstructed vineyards	0,5-5 ha	115
	5-10 ha	27
	10-20 ha	3
Number of reconstructed orchards	0,5-5 ha	202
	5-10 ha	126
	10-20 ha	7
Number of constructed / reconstructed fixed greenhouses	0,3-1 ha	4
	1-3 ha	
Market share of constructed / reconstructed glasshouses in the total area under glass	App. 5%	0%
Market share of projects, including post-harvest activities in the total number of projects under Measure 101	App.8%	0
Participation of assisted farms that have introduced improved animal welfare the total number of livestock holdings in the priority sector	App.4%	3
Participation of assisted farms that have improved hygiene requirements of milk in accordance with the requirements of the	App.4%	3



Community of the total number of cattle livestock holdings - dairy cows, sheep or goats		
Participation of assisted farms that have improved practices for manure storage on the farm of the total number of livestock farms - cattle, sheep, goats, pigs and poultry	App. 4%	N/A
Participation of young farmers in the total number of assisted farmers	app.18%	362/693= 52.2%
The participation of women in the total number of assisted farmers	App.15%	370/693=53.3%
Participation of assisted farms which are located in mountain areas in the total number of supported farms	App. 15%	N/A

Source: IPARD program and data monitoring system, MAFWE, SSO, 2105

Analyses show that we can be satisfied with the percentage of supported young farmers, i.e. 52.2% of the paid projects are managed by them. The same results are observed in achieving the goal in supporting women farmers. Out of 693, more than half (53.3%) or in total 370 completed projects are realized by women. Unsatisfactory is the achievement of the goals in glasshouse/greenhouse production and postharvest activities.

2.3.2 MEASURE 103 – Investments in processing and marketing

Measure budget: €17.192.044

The measure aims to improve conditions for the processing and marketing of agricultural products and to fulfil EU requirements on hygiene, food safety, quality, environment, animal welfare etc. The support under this measure is also designed to enhance the performance of production of agro-food in terms of quality standards through rationalization of installed capacity, their efficient use and to eliminate the defects in the supply chain that are manifested in specific markets.

Specific goals of this measure:

- ✓ To promote focused investment to strengthen the supply chain of dairy products and sub-sector fruits and vegetables through the establishment or modernization of local collection networks, facilities for receiving, storing, storage, sorting and packaging of agricultural products.
- ✓ To contribute the improvement and optimization of production flows, processing and marketing of agricultural products, in terms of investment in the modernization of existing production technology to improve product quality, marketing products and improve environmental standards
- ✓ Promotion of investments for the modernization of certain operations in slaughterhouses and Wine Sector for investment in the modernization of technological lines and equipment for systems of quality control.
- ✓ investment in direction of harmonizing standards with the standards of the European Union as an investment for environmental protection

Out of the total applications received 193 applications (6,2%) were submitted for Measure 103, resulting in 65 signed contracts, 22 contracts canceled and 37 contracts paid.

**Table 16: Overview of the implementation of M 103 per public call**

	Public call	Received requests	Approved contracts	Paid contracts	Terminated contracts	Ongoing contracts
1	01/2009	41	11	9	2	0
2	01/2010	25	11	5	6	0
3	01/2011	13	9	3	6	0
4	02/2011	11	6	4	2	0
5	03/2011	14	2	1	1	0
6	01/2012	15	3	2	1	0
7	02/2012	6	1	0	1	0
8	01/2013	14	2	1	1	0
9	01/2014	12	4	2	2	0
10	02/2014	16	7	6	0	1
11	01/2015	11	3	1	0	2
12	02/2015	15	6	3	0	3
	Total	193	65	37	22	6

Source: Data provided by the Monitoring system (2016)

The processing industry had the highest interest for the fruits and vegetables sector, where 109 applications were submitted, out of which 38 were concluded and 17 were completed and paid.

The data for reasons for rejection of applications received on the public call 02/2015 shows the following:

- Applicant did not respond to the “Notification for completing the application” sent by the Agency- 5 applications. These applications were submitted empty and did not even contain the basic information about the applicant and the investment.
- Applicant canceled the application with a signed statement - 2 applications
- Application is rejected because the applicant (legal entity) is not in the range of SME- 1 application.
- Responsible person of the legal entity that was applicant had a ban/security measure for performing activity

Table 17: Data on applications per priority sector in M103

	Submitted	Approved	Canceled	Completed
Meat production	22	9	4	4
Milk production	33	12	1	11
Fruits and vegetables processing	109	38	16	17
Wine production	25	6	1	5
No type of production	4			
	193	65	22	37

Source: Data provided by the Monitoring system (2016)

Thirteen enterprises invested in modernization of fruit and vegetables processing and four in fruit and vegetable collection centres. In the milk sector nine realized projects are

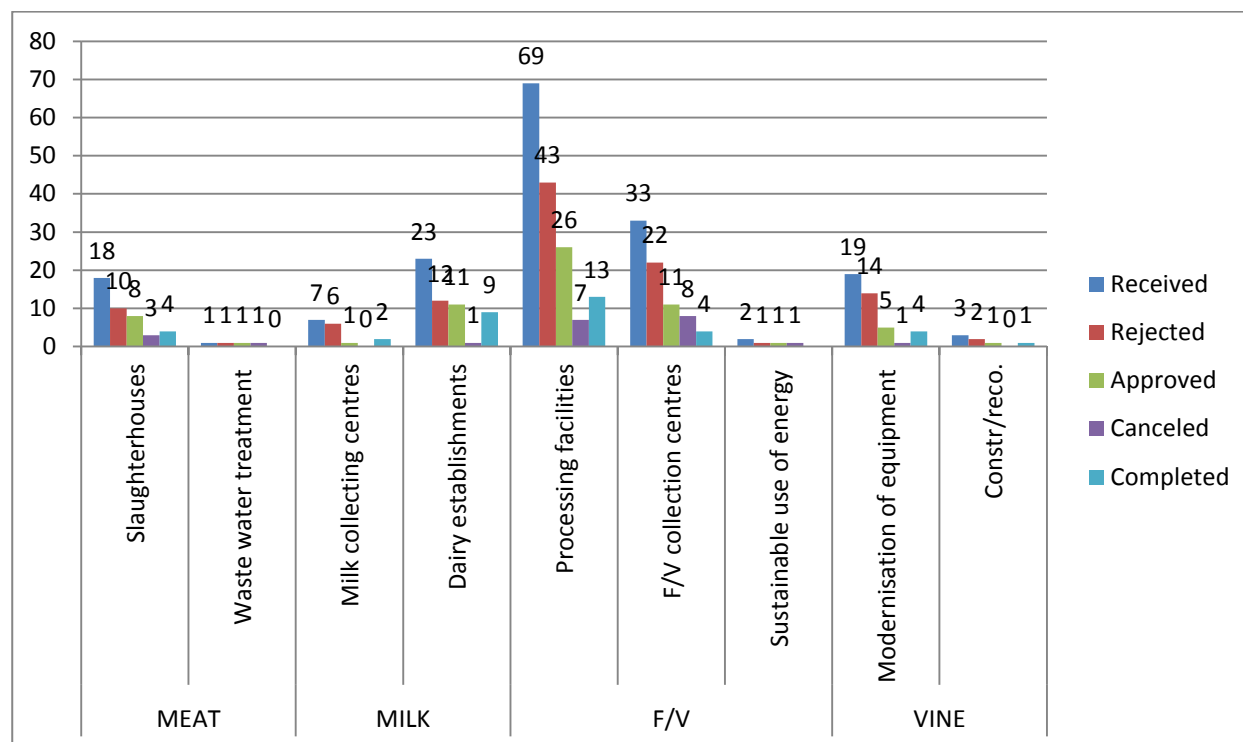


for modernization of the dairy establishment and two for constructions of milk collecting centres.

Table 18: Data on applications per priority sector in M103

Sector	Type of investment	Received	Rejected	Approved	Canceled	Completed
<i>Meat</i>	Establishment/modernisation of slaughterhouses	18	10	8	3	4
	Investment in waste water treatment	1	1	1	1	0
<i>Milk</i>	Constructions of milk collecting centres	7	6	1	0	2
	Modernisation of the dairy establishments	23	12	11	1	9
<i>F/V</i>	Modernization of processing	69	43	26	7	13
	Modernization of fruit and vegetable collection centres	33	22	11	8	4
	Environmental protection standards and sustainable use of energy	2	1	1	1	0
<i>Vine</i>	modernization of production	19	14	5	1	4
	Constr.and improv.of immovable property	3	2	1	0	1
No type of investment		18	18	0	0	0
Total		193	129	65	22	37

Source: Data provided by the Monitoring system (2016)


Figure 6: State of applications per type of investment in M103


Source: Data provided by the Monitoring system (2016)

33,6 % of the submitted applications were approved, but the concern that remains is cancelation of projects which is 33,8%. Six projects are still on-going.

Table 19: Indicators of quality of applications Measure 103

Total number of submitted requests	193
Number of approved contracts	65
Number of paid contracts	37
Number of terminated contracts	22
Number of ongoing contracts	6
% on approval of applications (approved / submitted)	33.6%
% on the termination of contracts (terminated / approved)	33.8%
% on payment of contracts (paid / (approved-terminated))	86%

Source: Data provided by the Monitoring system(2015)

Out of 22 canceled projects, in 9 cases 3 independent offers rule was not respected in 2 cases the investment was started before the contract was signed ; 6 investors did not submit request for payment; one of the investor purchased second hand equipment; an investment was not compliant with the contract; in one case, according field control, difference in part on the underlying investment was established; one beneficiary cancels the contract; and one case with other reason.



In terms of achieving the indicators, satisfying is only the number of applications received which is exceeded for three applications. Realization of other goals is far from expected. Only over a third of the anticipated number of applications was approved and only 21.7%, were realized.

Table 20: Output indicators for M 103

Indicator	Goal	2016	% of implementation
Received applications	190	193	101.5
Approved applications	170	65	38.2
Supported companies	170	37	21.7
Total amount of the investment	37.9 Mio. EUR	20Mio. €	58.8%

Source: Data provided by the Monitoring system(2015)

Total eligible expenditure for 65 approved projects at the end of 2016, is 20.001.597 € or 58.8 %. The average value of approved financial support is 153.858 € per project.

Table 21: Specific indicators by paid projects M103

Indicators	Goal	2016
Modernized enterprises of the total number of registered enterprises in priority sectors covered by this measure	approx. 80%	65 of 540 registered operators with food (12%)
Reconstructed slaughterhouses comply with Community standards out of the registered slaughterhouses	approx. 90%	4 of 21 registered slaughterhouses (19%)
Supported manufacturers of dairy products to improve the hygiene of the production out of the total number of registered manufacturers of dairy	approx. 70%	10 of 80 registered producers of milk and milk products(12.5%)

Source: Data provided by the Monitoring system,SSO,FVA(2015)

PRIORITY AXIS 3

2.3.3 MEASURE 302 – Diversification of rural economy

Measure budget: € 3.594.544

The main objective of this measure is to contribute to creating new jobs and maintaining existing jobs through the development of micro-businesses, which will raise the level of economic activity in rural areas.

Assistance under these activities is also to achieve improved quality of life in general in the rural areas.

Specific goals of Measure 302 are:

- ✓ Support of additional sources of sustainable income for farms by promoting specific and specialized value-added products
- ✓ To preserve and develop traditional crafts
- ✓ To maintain agricultural activities in rural areas through the provision of specific services



- ✓ To maintain and implement activities that are specific to rural tourism

Priority sectors of agriculture for support under this measure are investments for creation and development of micro and small economic businesses in rural areas related to food processing, as well as activities that are not related to food production, introducing new alternative activities in farming, providing agricultural services, crafts and rural tourism. The measure supports investments only in rural areas.

Out of total applications received, 11, 7% or 362 applications were submitted for measure 302, which resulted in only 38 contracts for co-financing. Eight contracts were paid and 13 were terminated.

Table 22: Overview of the implementation of M 302 per public call

	Public call	Received requests	Approved contracts	Paid contracts	Terminated contracts	Ongoing contracts
1	01/2009	34	1	0	1	0
2	01/2010	20	0	0	0	0
3	01/2011	22	7	0	7	0
4	02/2011	19	1	0	1	0
5	03/2011	26	0	0	0	0
6	01/2012	18	0	0	0	0
7	02/2012	14	0	0	0	0
8	01/2013	53	4	2	2	0
9	01/2014	35	7	3	1	3
10	02/2014	35	8	3	0	5
11	01/2015	33	2	0	1	1
12	02/2015	53	8			8
	Total	362	38	8	13	17

Source: Data provided by the Monitoring system (2016)

More than 76% of applications are related to the non-agricultural sectors and rural tourism activities (278). Five projects were realized in sub measure 3021 - Group of investments for establishment and upgrade of non-agriculture production activities in rural areas, while three were realized in sub measure 3022 Introduction of alternative agriculture production systems.

Table 23: Qualitative analysis per priority sector in M302

Sector	Submitted	Rejected	Approved	Paid	Cancelled	Ongoing
Non-agricultural activities	136	116	20	5	6	9
Crafts	29	25	4	0	2	2
Agriculture services	10	4	3	0	3	0
Alternatively Agriculture	34	29	5	3	0	2
Rural tourism	142	136	6	0	2	4
Without type	15	15	0	0	0	0
Total	366	325	38	8	13	17



Source: Data provided by the Monitoring system(2015)

Compared to previous year, some improvement was noticed; therefore ten more contracted were concluded and 5 more were finished.

The data on rejection reasons received from the Agency for public call 02/2015 shows that more than half of the applications were empty. Main reasons for rejection are following:

- Applicant did not respond to the “Notification for completing the application” sent by the Agency- 31 applications. These application were submitted empty and did not even contain the basic information about the applicant and the investment
- The applicant submitted additional documents required by the Agency, but still some documents were missing or contained errors -9 applications. In most of these applications, applicants encountered problems with the offers, Land title document, business plan, construction permits etc.
- Applicant canceled the application with a signed statement- 3 applications
- Applicant submitted application under public call 02/2015 even though the previous investment was not finalized-1 application
- Application is rejected because the applicant (legal entity) is not in the required range of SME- 1 application

Table 24: Indicators of quality of the implementation of Measure 302

Indicators of quality of the implementation of Measure 302	
Total number of applications	362
Number of contracts	38
Number of paid projects	8
Number of terminated contracts	13
Number of on-going contracts	17
% Approval rate (approved / submitted)	10.4%
% Rate of termination of contracts (terminated / contracted)	34.2%
% Payment of contracts (paid / (contracted -terminated)	38.1%

Source: Data provided by the Monitoring system(2016)

Beside the low percentage of approved applications, there is a high percentage, more than 38% of terminated projects.

More than a third of the concluded contracts are terminated.

Reasons for termination of contracts are:

- 6 violated the rule of three offers
- 1 equipment differs from that in the contract
- 1 Started implementation before signing a contract
- 3 has not submitted a request for payment
- 2 Breach of contract



Achieving the objectives in terms of common EU indicators for monitoring in Measure 302 is achieved only in terms of "number of applications received," where the goal is exceeded. There is some improvement in approved applications; where for 40% of received applications are concluded contracts. Given that this is the last year of implementation and that the percentage of conversion is 3, 1%, cannot be satisfied with the situation. 17 ongoing contracts give hope for better realization.

Table 25: Output indicators M302

Indicator	Goal	2016	% of implementation
Total number of received applications (per sectors)	229	362	158
(3021) Establishing and upgrading of non-agricultural productive activities in rural areas	63	169	268
(3022) Diversification of agricultural income	23	34	147
(3023) Provision of agricultural services in rural areas	10	2	20
(3024) Promoting rural tourism activities in rural areas	133	142	106
The total number of approved applications (by sector)	95	38	40
(3021) Establishing and upgrading of non-agricultural productive activities in rural areas	35	27	77.1
(3022) Diversification of agricultural income	12	5	41.6
(3023) Provision of agricultural services in rural areas	5	0	0
(3024) Promoting rural tourism activities in rural areas	43	6	13.9
The total number of users (by sector)	95	8	3.1
(3021) Establishing and upgrading of non-agricultural productive activities in rural areas	35	5	8.4
(3022) Diversification of agricultural income	12	3	25
(3023) Provision of agricultural services in rural areas	5	0	0
(3024) Promoting rural tourism activities in rural areas	43	0	0
The total amount of investment, in million €	7.2 €	5.3€	73.6

Source: Data provided by the Monitoring system(2015)

In terms of specific indicators, percentage of realization is very low to give some figure; however, due to compliance of quality analysis, they are shown in the table below:

**Table 26: Specific indicators by projects paid in M 302**

Measure specific Indicator	Target	2016
Number of new micro-small enterprises established and active in rural areas	95	5
Number of projects for diversification of economic farm activities	52	3
Number of new jobs in rural areas	to be monitored	N/A
Number of beds in rural tourism modernised and created	43	N/A

Source: Data provided by the Monitoring system(2015)

2.4 Financial costs per measures

The financial allocation by axis and measures has already been shown in Table 2 of this report, however in the text that follows will be shown the dynamics of allocation of IPARD funds.

Out of the 1369 concluded contracts with a total amount of 19,166,004€ EU funds, even 50.4% are from M 101 (1266), where the sum amount 9.669.697€.

It is noticeable that the contracted amounts are higher, almost in all sectors, than the amounts projected in the financial plan of the programme. In the not flooded areas within measure 101, 25,3 % were paid more than projected sum.

Table 27: Financial implementation of per IPARD priority axis and measures (in EUR)

Priority axis	Total public expenditure	EU contribution					
		Indicative financial plan	Contracted	Cancelled	Paid	% of contracted	% of paid
Priority axis 1	33.565.310	14.713.041	17.170.297	3.253.880	7.682.223	116.7	52.2
Measure 101	16.373.266	8.266.025	9.669.697	1.625.301	4.437.518	116.9	53.6
Flooded areas	8.099.240	5.163.266	2.110.730	0	547.604	40.8	10.6
Not flooded areas	8.274.026	3.102.759	7.558.967	1.625.301	3.889.914	243.6	125.3
Measure 103	17.192.044	6.447.017	7.500.600	1.628.579	3.244.705	116.3	50.3
Priority axis 3	3.968.750	1.488.281	1.995.707	588.958	275.241	134	18.4
Measure 302	3.968.750	1.488.281	1.995.707	588.958	275.241	134	18.4
Technical assistance	272.500	218.000	1.554	1.554	0	0.7	0
Total	37.806.560	16.419.722	19.167.558	3.844.392	7.957.464	116.7	48.4

Source: Monitoring system (cumulative 2016)



Within the Technical assistance measure one contract was concluded with amount of 1.554€. Those funds were meant for the IPARD Monitoring Committee organization, but that contract was canceled due the mistake in the contract. More details will be given in the point for Technical assistance measure.

Measure 101

The average paid amount per project in the M101 is increased compared with last year (6.067€) and now amounted 8.413€.

In the fruit and vegetables sectors, exceeding the planned amount for contracting as well and payment sum is noticed, 34% more that planed amount, was paid in the orchards i.e. total 1.662.419€, and 23.3% more in the vegetables or total 1.630.752€.

Table 28: Implementation of M101 financial targets

Group of investments		% of the measure 101	EU funds planned	EU funds contracted	TPE	EU funds paid	% of budget implem.
1011	Vineyards	20%	1.653.205	1.427.495	946.558	709.917	42.9
1012	Orchards	15%	1.239.904	2.653.655	2.216.337	1.662.419	134
1013	Vegetable	16%	1.322.564	4.114.472	2.088.024	1.630.752	123.3
1014	Milk production	22%	1.818.525	742.989	451.833	338.875	18.6
1015	Meat Production	23%	1.901.186	731.086	127.406	95.555	5
1016	Cereals	4%	330.641	0	0	0	0
Total		100%	8.266.025	9.669.697	5.830.158	4.437.518	53.6

Source: Monitoring system (cumulative 2016)

Whereas that 141 contracts with sum of 1.625.300€ were terminated, out of contracted projects, still 432 are ongoing with amount of 3.606.789€ that should be paid until end of 2017.

The lowest realization is in the meat sector where were paid just 5% of planed funds.

Measure 103

The average paid amount per project in the M103 is increased compared with last year (86.115€) and now amounted 116.926 €.

In the wine, fruit and vegetables sectors have overcoming at planned budget, but not in the other sectors.

Table 29: Implementation of M103 financial targets

Group of investments		% of the measure 103	EU funds planned	EU funds contracted	TPE	EU funds paid	% of budget impleme.
1031	Wine Production	3%	193,411	683.312	699.307	524,480	271.1



1032	Fruit and Vegetable Processing	11%	709,172	5.530.075	2.778.232	2.083.674	293
1033	Milk processing and Dairy Products	20%	1,289,403	533.173	506.229	379.672	29.4
1034	Meat Products	50%	3,223,508	754.040	342.505	256.879	7.9
1035	Milling and cereal products	16%	1,031,523	0	0	0	0
	Total	100%	6.447.017	7.500.600	4.326.273	3.244.705	50.3

Source: Monitoring system (cumulative 2016)

Despite the unsatisfactory results in the other sectors, within the measure, compared with previous year, some improvements are noticeable. While percentage of realization in previous year was 15.1%, this year is 50.3%.

Measure 302

The average paid amount per project in the M103 is increased compared with last year (26.385 €) and now amounted 45.873 €.

During 2016, five more projects were paid, so total eight projects were paid with amount of 275.241€, what is 18, 4% out of planned funds.

Table 30: Implementation of M302 financial targets

	Group of investments	% of the M 302	EU funds planned	EU funds contracted	TPE	EU funds paid	% of budget impleme.
3021	Establishment and upgrade of non-agriculture production activities in rural areas	29%	431.602	1.318.393	252.307	189.230	43.8
3022	Diversification of agriculture income and provision of agriculture services in rural areas	20%	297.656	108.281	114.680	86.011	28.8
3023	Group of investments for provision of agriculture services in rural areas	15%	223.242	87.784	0	0	0
3024	Promoting rural tourism activities in rural areas	36%	535.781	481.249	0	0	0
	Total	100%	1.488.281	1.995.707	366.988	275.241	18.4

Source: Monitoring system (cumulative 2016)

Out of total paid amount, 189.230€ were in sub measure “Establishment and upgrading of non-agricultural productive activities in rural areas”, and 86.011€ were in “Diversification of agriculture income and provision of agriculture services in rural areas” i.e. alternative agriculture.



In the rural tourism sector, 481.249€ are approved, but the difficulties in the implementation of projects are evident.

2.5 Financial implementation in 2016

560 projects was concluded with total amount of 6.668.186€ EU part, during 2016, out of which 71 were terminated with an amount of 659.054€. The Agency in this year has paid 286 projects in value of 3.152.981€ which is significantly higher compared to 2015 implementation when 227 contracts, with total amount of 1.821.247€ EU have been paid toward the final beneficiaries.

Table 31: Review on projects realized in 2016 in €

	Contracted			Terminated			Paid		
	No	National part	EU part	No	National part	EU part	No	National part	EU part
M 101	542	980.945	3.936.114	66	103.923	311.771	269	535.160	1.865.076
M 103	8	731.040	2.193.122	1	32.390	97.169	12	363.940	1.091.818
M 302	10	179.649	538.950	4	83.371	250.114	5	65.361	196.086
Total:	560	1.891.634	6.668.186	71	219.684	659.054	286	964.461	3.152.980

Source: Monitoring system (cumulative 2016)

2.6 Geographical analysis

Geographic analysis for the IPARD program and support for regional development of the Republic of Macedonia is made according to statistical regions (NUTS 3) and municipalities.

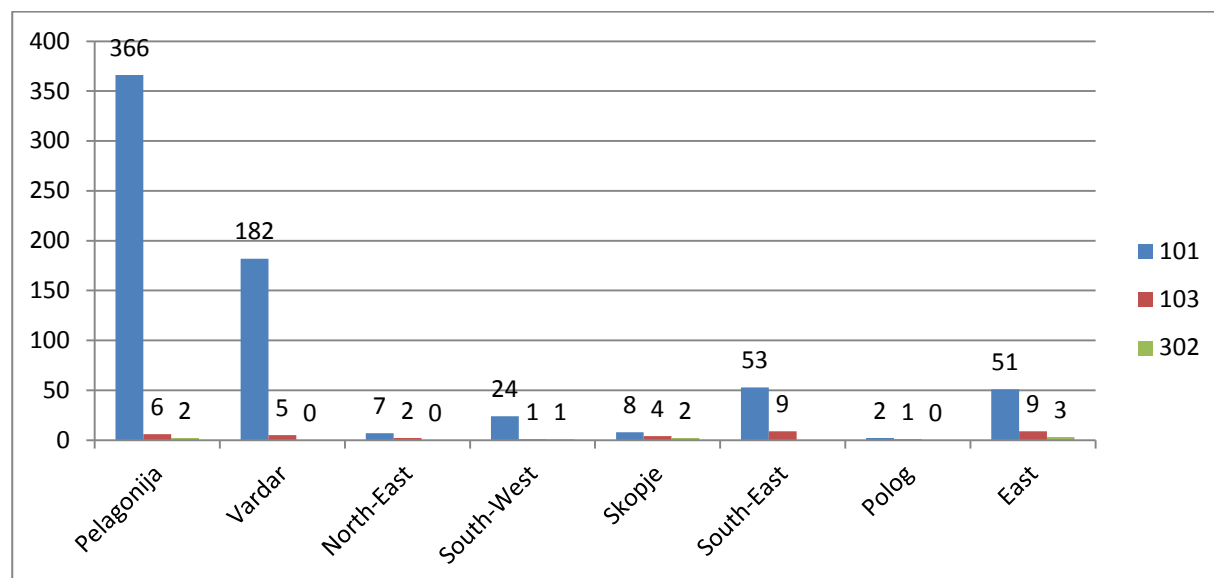
For all of three measures highest number of supported projects is coming from the Pelagonia region (374), followed by the Vardar region (187), East (63) and Southeast (62). But in the measure 103, the most supported projects come from South-East and East region, by nine in each region.

Table 32: Number of supported projects by regions and measure

	Pelagonija	Vardar	North-East	South-West	Skopje	South-East	Polog	East	Total
101	366	182	7	24	8	53	2	51	693
103	6	5	2	1	4	9	1	9	37
302	2	0	0	1	2	0	0	3	8
total supported	374	187	9	26	14	62	3	63	738

Source: Monitoring system (cumulative 2016)

In the measure 302, three supported projects are from East region, two from Skopje and Pelagonija and one from South-west region.


Figure 7: Number of supported projects by regions and measure


Source: Monitoring system (cumulative 2016)

In measure 101 have been paid the highest amount, but the difference with the measure 103, is not so great, if we keep in mind that the difference in the number of projects is quite high (693/37). As it was already mentioned, in the measure 103 projects have higher average value. However in the measure 103 the biggest amount is paid in the East region, followed by Vardar and South-East.

Table 33: Paid amount by region and measure

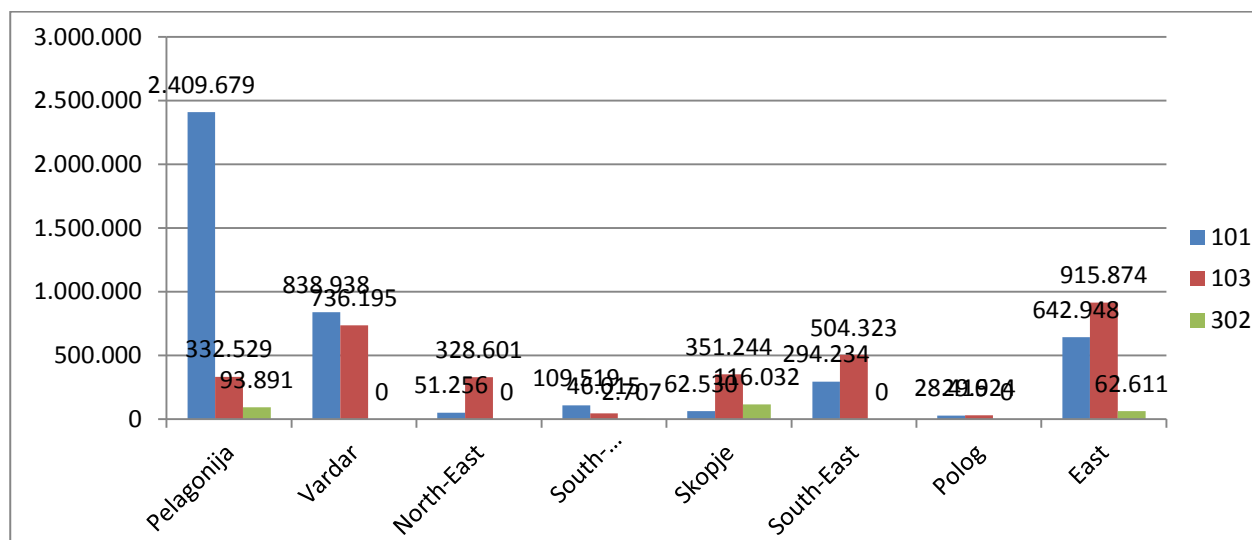
	Pelagonija	Vardar	North-East	South-West	Skopje	South-East	Polog	East	Total
101	2,409.679	838.938	51.256	109.519	62.530	294.234	28.416	642.948	4.437.520
103	332.529	736.195	328.601	46.015	351.244	504.323	29.923	915.874	3.244.704
302	93.891	0	0	2.707	116.032	0	0	62.611	275.241
total supported	2.836.099	1.575.133	379.857	158.241	529.806	798.557	58.340	1.621.433	7.957.465

Source: Monitoring system (cumulative 2016)

In the measure 302, two projects from Skopje region are with bigger average value than 3 in East region.



Figure 8: Value of supported projects by regions and measure



Source: Monitoring system (cumulative 2016)

SECTION 3: Activities of Quality Assurance and Implementation Effectiveness

3.1 Monitoring, Programming and Evaluation

3.1.1 Monitoring and data collection

In compliance with the responsibilities undertaken from the Implementing Agreement between the MA and the IPARD Agency, the IPARD Agency reported on regular basis about the implementation of IPARD Programme.

The exchange of data is done through the Monitoring and evaluation tables for IPARD Programme as well as with other prepared reports upon request of MA, which consisted data that were not included in the Tables but were relevant for the implementation of the Programme.

In 2016, the IPARD Agency with the defined deadline and on a regular basis delivered to the MA the monitoring tables for implementation of the IPARD Program which include information for physical and financial indicators, reports from the performed controls, identified irregularities and additional requests for reports, defined in the Implementing Agreement.

The collection of the data and preparation of reports was maintained manually in excel.

During 2016, IPARD Agency records all transactions, parallel in excels and SAP software and in the manual forms as well. As soon as we are convinced that all reports generated



threw the SAP are true and accurate, SAP software will be used as only tool for accounting in IPARD Agency and all financial indicators will be withdrawn from the system.

3.1.2 Programme modifications

The eight modification of the IPARD Programme 2007-2013 was undertaken in 2016. The proposal for the 8th modification, that included adjustment to the financial tables to take into account the de-commitment of funds from 2015 as well as reallocation of funds from measure 103- *“Investments in processing and marketing of agricultural products to restructure and to upgrade to Community standards”* to measure 101 – *“Investments in agricultural holdings to restructure and to upgrade to Community standards”*, was approved by the IPA II Committee in July 2016. The EC Directorate-General for Agriculture and Rural Development adopted the official decision approving the last modification of IPARD 2007-2013 in November 2016(Ref: C(2016) 7396 of 11 November 2016).

3.1.3 Evaluation activities

Currently, preparation of tender documentation for procurement of services for ex post evaluation of IPARD 2007- 2013 is in progress and the same will be financed through the Technical Assistance Measure under IPARD 2014-2020. This activity was initially envisaged in the Action plan for Technical assistance measure from 2007-2013 (APTA 2016), which was adopted by the IPARD Monitoring Committee on 17.02.2016, but the same was not realized as in the IPARD Programme 2007-2013 in the financial tables for TA, funds for the evaluation of programme were not allocated, only to be included later with the 8th modification of the Programme which was adopted in late autumn 2016. Taking in consideration the short time frame to realize the public procurement and to undertake the ex-post evaluation and pay until 31.12.2017 it was decided, the ex post evaluation to be realized with funds from IPARD 2014-2020.

On the basis of the evaluation results already available as well as the guidelines received from EC, the ex-post evaluation shall cover the utilization of resources and the effectiveness and efficiency of the IPARD Programme, its impact and its consistency with the ex-ante evaluation. It shall cover factors contributing to the success or failure of implementation, the achievements of the IPARD Programme and results, including their sustainability. It shall draw conclusions relevant to the IPARD Programme and to the enlargement process.

The ex post evaluation of IPARD 2007 – 2013 shall incorporate activities to analyse and present the following:

- Degree of utilisation of resources;
- Effectiveness of the programme;
- Efficiency of the programme;
- Socio-economic impact of the programme;
- The programme’s impact on the Community priorities;
- Factors contributing to success or failure of the programme;



- The Common Evaluation Questions (above).

All analyses and assessments listed, should allow the evaluation team to formulate a general opinion on the coherence, relevance, efficiency, effectiveness, potential impact and sustainability of the IPARD I programme. It is up to the evaluation team, if deemed necessary, to include more questions / analyses / assessments to formulate a general opinion. The Managing Authority may also request more analyses/assessments during the evaluation work if deemed necessary.

3.1.4 The use of Technical Assistance

MA in January 2016 has sent to the IPARD AGENCY Action plan for activities envisaged in Measure Technical Assistance 2007-2013 for year 2016 (APTA). The action plan was approved by the IPARD Monitoring Committee on 17.02.2016 and has foreseen activities for:

- Organization of the meetings of the IPARD Monitoring Committee and
- Organization of the Campaign for publicity and information of the IPARD Programme 2007-2013.

First activity, which was organization of meeting of the IPARD Monitoring Committee, was conducted with procedure under 2 500 Euros according to the PRAG procedures for public procurement. The procedure resulted in an agreement for financial support signed with IPARD AGENCY worth 1.554€. This activity is not realized because of the disputed article 2 of the Contract signed with IPARD AGENCY, i.e. deadline for payment for implementation of the activity is identical with the deadline for implementation of the activity, and IPARD AGENCY has rejected the application for reimbursement of funds for implementation of the activities delivered by the MA. After the meetings and consultations between relevant institutions regard to future proceedings of public procurement, IPARD AGENCY has change the form of the Contract and this problem is solved. The other activities in the APTA were not implemented, the printing of a book with IPARD successful projects was considered as an unnecessary expense and for the event organization the market research was not successful.

In parallel MA has been preparing for TA activities in the scope of the IPARD Programme 2014 – 2020. The activities which will be financed from the measure are listed in the draft APTA for 2017. These activities include publicity and communication campaign, ex-post evaluation of IPARD Programme 2007 – 2013 and organization of MC.

3.1.5 IPARD Programme 2014-2020

The official response to the EC request for a preliminary re - accreditation is received on 18.1.2016 by letter no. PRE / 2015/007 / for Request for being entrusted with budget implementation tasks for the specific measures under the IPARD Programme 2014-2020,



No.(2016) 249476. The answer contains findings and recommendations related to the submitted package for re-accreditation, based on which IPARD structure and NF should act accordingly and revise the relevant procedures and documents. The revised package with an official request for assignment of tasks for implementing the budget was submitted to EC by NAO on 25.05. 2016.

The first public call for the financial support from the IPARD 2014-2020 was published on 24.04.2017, and is ongoing. The call is announced for all three measures:

- Measure "Investments in physical assets in agricultural holdings;
- Measure "Investments in physical assets in the processing and marketing of agricultural and fishery products";
- Measure "Diversification of farm and business development".

Initial findings indicate great interest from users for all three measures.

In accordance with internal procedures MA undertook a range of activities for the publication of possibilities for use of IPARD funds.

As regarding the measure "Rural Infrastructure" which was not included in the abovementioned request for budget implementation tasks for indirect management, on 16.01.2016 the NAO has sent request to IPA Audit Authority for an independent compliance assessment for budget implementation tasks for indirect management for the measure in accordance with Framework Agreement, Article 6 (2).

The project "Introduction of new IPARD Measures to (Leader and Advisory Services) to be implemented under IPARD II", was finalized in in July 2016. The project duration was 18 months. Leader and Advisory Services draft measure fiches have been prepared and sent by the Managing Authority (MA) to Directorate General for Agriculture and Rural Development (DG AGRI) for consultation and commenting. Draft Implementation procedures for both measures have been developed. Guidelines materials and documentation have been finalized for both measures and in the case of advisory services, specific guidelines for National Extension Agency (NEA) advisors were also prepared. The communication with DG Agri on the measure fiches and the supporting material is ongoing and the measures will be included with the first official modification of IPARD 2014-2020.

3.2 Encountered problems in implementation and activities undertaken

3.2.1. IPARD Agency activities undertaken

Most critical issues still remains the **human resources capacities** and the **time frame for processing the applications**.

In regard to issues that the human resources in the IPARD Agency are not sufficient to comply with the requirements in terms of capacity, Agency on regularly basis was informing the Government of the Republic of Macedonia about the needs for new employments. The last information was prepared upon request from the Government of the Republic of Macedonia to the institutions competent for implementing the assistance



from the IPA instrument in July 2016, about the needs for new employments in the Agency determined with the WLA and Plan for employment for 2016. The information stated that the Agency is in need of 49 new employments and 19 promotions for the already accredited measures from the IPARD Programme and additional 17 new employments for the needs of accreditation of the measure Investments in rural public infrastructure from the IPARD Programme. In addition to this and in cooperation with the Government of the Republic of Macedonia, through its Secretariat for Implementation of the Ohrid Framework Agreement, the Agency is in process of determining the suitability (educational qualifications and skills) of 12 civil servants employed in the Secretariat, planned to be transferred in the Agency. During the last months of 2015 and beginning of 2016, a similar process was conducted with employees from the General Secretariat of the Government of the Republic of Macedonia and 3 civil servants were transferred to work in the Agency.

Regarding the trainings for the civil servants in the Agency, in cooperation with experts engaged by the EU funded twinning project “Further strengthening of IPARD AGENCY and preparing the Agency for the programming period 2014-2020”, a training needs assessment (TNA) was carried out with the heads of sectors/units in the Agency.

In regard that there are significant delays in processing the applications and finalizing the selection and contracting phase, compared to the foreseen procedures, it is noted that the main reason for this delays is the capacity of the Agency in terms of human resources.

According to the Law for establishing the Agency for financial support in agriculture and rural development, where is stated that the Agency must reach the decision for allocation of funds (or for rejection of application) in a period of 3 months, according to analyses which has been made, this period is not adequate and has to be prolonged to six months period. This change is part of modification of stated Law which is in the Governmental procedure and still not adopted.

IPARD Agency is permanently trying to improve and speed up the process of approval of application - contracting and authorization of payment through automation of processes and is in a process of purchasing the new IT solution for whole enterprise and part for IPARD will be an integral part of software for IACS. The technical specification was prepared with help of experts from Twining project “Further strengthening of IPARD Agency and preparing for programming period 2014-2020”, and will be financed from allocations from IPA 2015. It was planned to start this procedure on the beginning of 2017. In the meantime, we are in the process of upgrading the existing software solution prepared for reporting purpose and presently used only by Sector for project approval, with modules for Sector for authorization of payments, Sector for on the spot control and Unit for execution of payment. It will remain paper based process (as it is accredited), but once entered data in the system, will be used by all sectors involved in processing and verification of applications.

Sector for project approval regarding the analyses for the delays at the level of the evaluation and contracting established that the period for approving the application is approximately 8 to 7 months. The major reason for delay is late starting with opening the application which is approximately 2,7 months due to increased workload. Also the



process for completing the application last approximately 5,2 months and the process for obtaining the reference price is approximately 3,5 months.

Regarding the analysis of the reasons for requesting additional information at the stage of applications, the Agency established that the main reason for requesting additional information is related to the Offers and suppliers which is approximately 40% of all requested additional information.

Also considerably to note is that the Agency requested additional information related to assessment of the criteria for right of use the land/building for approximately 11,3% and for Permit for construction/reconstruction (including bill of quantities) approximately 8,5% of all requested additional information.

The analysis of the reasons for requesting additional information shows that 29% of the information are requested due to correction of the submitted documents, 27% due to clarification of the submitted documents, 26% due to requesting additional supplementing document and 18% due to missing documents.

In terms of providing documents ex officio, we can inform that the Agency has access to electronic databases of the Ministry and can provided data on-line.

3.2.2. Managing Authority activities undertaken

In the end of 2015, with written consent of the Ministry of Information Society and Administration, a new Rulebook on systematization of work positions for MAFWE was adopted. Regarding Department for management of EU's pre-accession funds for rural development (IPARD) - Managing Authority, there was a change (significant decrease) in the number of the envisaged working posts, changes in the job titles and minimal changes in relation to duties and tasks in relation to the work posts. With official letter No. 11-1830/ 1 from 11th February 2016, MA submitted to NAO Workload Analysis of IPARD MA for 2016 (Employment Action Plan 2017/2018). The workload analysis shows discrepancies with the new systematization and the optimal number of employees needed for the MA to perform its basic functions and responsibilities. The differences are in the number of employees and work places i.e. the analysis shows that more Advisors are needed.

In October 2015, request for promotion/new employments (ref. 0401 -160/1) has been submitted to the Department for human resources within MAFWE. The following promotion/ employments have been requested:

- Head of Unit for Technical assistance and publicity;
- Advisor for technical preparation, implementation of procurement and monitoring of contracts;
- Advisor for Information and Publicity.

With Decision No.04- 585/ 2 from 18th January 2016, Margarita Deleva, Head of Managing Authority resigned from the position State advisor in the MAFWE. As a new Head of Managing Authority, for IPARD 2007-2013 as well as for IPARD 2014-2020, the Head of IPARD Department Biljana Kostovska has been appointed in April 2016 (Official Gazette No.68 from 06th April 2016).



The programming functions have been enforced with the three new employments. Namely 4 new employments in MA during 2015 and 2016, have been realized:

- Junior Associate for Programming in the Unit for programming and evaluation of IPARD funds (Decision 04-9577/211 from 11th September 2015);
- Junior Associate for administrative support and recording in the Unit for coordination of preparatory activities for agri-environmental measures and “LEADER” under IPARD funds (Decision No. 04- 2370/ 1 from 22nd February 2016);
- Junior Associate to support the monitoring and coordination in the Unit for Monitoring and Implementation of IPARD funds and Reporting (Decision No. 04- 2373/ 1 from 22nd February 2016);
- Junior associate for the support of programming functions in the Unit for programming and evaluation of IPARD funds (Decision No.04- 7020/1 from 13th July 2016).

The current number of employees in the Managing Authority is 18 including HoMA (out of which 16 working on IPARD accredited measures and two employees within the Unit for coordination of preparatory activities for agri-environmental measures and “LEADER” under IPARD funds which is not yet accredited under IPARD Programme).

Workload Analysis for 2017 (Employment plan for 2018/2019) has been prepared and submitted to NAO. in accordance with the final Workload analysis for 2017, MA officially requested changes in the act of systematization for IPARD Department, on 20.10.2016, while a request for promotions and new employments for the Head of Unit for programming and evaluation and Head of Unit for TA were submitted to the Department for human resources within MAFWE in the previous year. Due to the election process there was no legal possibilities for new employments/promotions.

Update on Measures for improvement of absorption of IPARD funds

- Establishment of a guarantee scheme for IPARD projects with USAID

In July 2015, an agreement for cooperation between the Government of the Republic of Macedonia and the Agency for International Development of the United States (USAID) was signed for setting up bank guarantee scheme for agriculture and rural development in the Republic of Macedonia. The guarantee fund is functions with three commercial banks and two saving houses. The bank guarantees are intended primarily for IPARD beneficiaries, but also for other investments for modernization of agricultural production and for support to small business in rural areas. The fund was fully operation in 2016 and it is planned loans in value of 20 million to be disbursed through this fund. The fund is providing up to 50% guarantee of the loan to the bank on behalf of the borrower. From the latest report received in May 2017 from USAID, the data shows that 16 loans supporting IPARD projects with total value of 64.839.402 MKD (\$1,148.256) have been disbursed with support of this Guarantee fund.

- National measure for support to interest rates of loans for IPARD investments.



In the National Program for financial support for rural development for 2016 (Official Gazette, No. 6 of 15.01.2016) a measure to subsidize interest rates on loans, designed exclusively for the IPARD investment is provided. In December 2016, IPARD AGENCY, realized the first public call for applications under this measure on which 105 applications were submitted. The processing of applications is ongoing.

3.2.3 NAO and NF activities undertaken

In order to improve the implementation of the IPARD Programme and the absorption of the funds NAO regularly monitors the functioning of the management and control system and also continuous efforts for developing adequate structural solutions to strengthen the NAO's oversight role and management capability are made.

The status and activities undertaken for improving the functioning of the system for fully decentralized implementation are presented in following part.

DOCUMENTS AND WORK PERFORMED WHICH FORM THE BASIS OF THE STATEMENT OF ASSURANCE

i. Documents on which the SoA has been established

a. Documents related to the risk management of the IPARD structures

The following documents are describing the risks identified by the IPARD structures, as well as the defined mitigation actions and implementation of the defined actions.

- Consolidated Risk Register for Component V (Action Plan) No.10-5785/1, adopted by NAO on 13.10.2016 and Consolidated Risk Register for Component V (Action Plan) No.10-1018/1, adopted by NAO on 09.02.2017;
- Minutes of meeting of the Risk Management Panel held on 19.09.2016 and Minutes of meeting of the Risk Management Panel held on 17.01.2017;
- Risk Registers of Management Structure No.10-sl dated as of 11.07.2016 and No.10-sl dated as of 05.01.2017;
- Risk Registers by the IPARD Agency No.25-1523/5 dated as of 22.07.2016 and No.25-1523/8 dated as of 26.12.2016 and Risk Registers by MA No.11-7199/1 dated as of 20.07.2016 and No.11-385/1 dated as of 12.01.2017;
- Semi-annual Report by the IPARD Agency for the first semester No.25-1523/5 dated as of 22.07.2016 and Semi-annual Report by the IPARD Agency for the second semester No.25-1523/8 dated as of 26.12.2016 for the undertaken activities for decreasing the impact of the risks based on the Risk Panel;
- Report by the Managing Authority No.11-5320/1 dated as of 05.05.2016 for the period January-March 2016, Report by Managing Authority No.11-7199/1 dated as of 20.07.2016 for the period February-June 2016, Report by the Managing Authority No.11-9857/1 dated as of 04.11.2016 for the period July-September 2016 and Report



by the Managing Authority No.11-385/1 dated as of 12.01.2017 for the period July – December 2016.

b. Reports from the verification visits carried out by the MS/NAOSO staff

Management Structure in particular the NAO support unit performed three verification visits in the IPARD Operating structure, according to the Annual Verification Visit Plan for 2016 (No.10-1534/1 dated as of 01.03.2016).

The following documents were examined:

- Final Verification Visit Report in IPARD Agency before contracting from the Public Call 02/2014 and 01/2015, Report No.10-3550/3 dated as of 06.09.2016;
 - Final Verification Visit Report in IPARD Agency on paid projects during the third quarter of 2016 part of the Declaration of Expenditures to the EC, Report No.10-493/1 dated as of 26.01.2017;
 - Final Verification Visit Report on check on effectiveness and efficiency on the management and control systems within the Managing Authority , Report No. 10-494/1 dated as of 26.01.2017;
- c. Documents related to the administrative capacities of the institutions within the IPARD structure

Each institution within the IPARD structure prepares Workload Analysis, in order to identify the optimal number of employees for the year concerned and needs for further employments in order to implement the tasks and responsibilities. The following documents express the assessment of the necessary capacities in each body and fulfillment of the identified needs.

- The Workload Analysis of the IPARD Agency for 2015 No.04-1306/2 dated as of 01.02.2016;
- The Workload Analysis of the Managing Authority for 2016 No.11-1830/1 dated as of 11.02.2016;
- Consolidated Workload Analysis for 2016 of the structures for IPA Component V-Rural Development No.10-2201/1 dated as of 01.04.2016;
- The Workload Analysis of the Management Structure for 2016 No.10-14413/1 dated as of 09.10.2015;
- Amendment of the plan for the employment of the IPARD Agency No.01-1307/2 dated as of 31.08.2016;
- Indicators for effective functioning of the management and control system.

d. Irregularity Reports

NAO receives information on the detected or suspected irregularities and follow up of the activities regarding the detected or suspected irregularities. The following documents regarding the irregularities were examined:

- Irregularity Reports and Summary table submitted by the IPARD Agency;



- Register of the irregularities;
- Irregularity Reports submitted to EC by NAO:
 - With Letter (conf.10-58/1) dated as of 31.05.2016 for the I quarter 2016: MK/2016/019/RD/1 with (conf.10-58/1) dated as of 31.05.2016, and MK/2016/018/□□ / 1 with (conf.58/1) dated as of 31.05.2016;
 - With Letter (conf.10-109/1) dated as of 31.08.2016 for the II quarter 2016: MK/2012/016/RD/7 with (conf.10-101/1) dated as of 31.08.2016;
 - With Letter (conf.10-116/1) dated as of 29.11.2016 for the III quarter 2016 informing that no new irregularities occurred during the third quarter 2016 and that no new facts concerning the previous reported irregularities have been identified. Therefore, no updates of the Irregularity Reports were sent;
 - With Letter (conf.10-21/1) dated as of 24.02.2017 for the IV quarter 2016: MK/2012/016/RD/8 with (conf.10-22/1) dated as of 24.02.2017 and MK/2012/013/RD/9 with (conf.10-23/1) dated as of 24.02.2017.
- Debtors Ledger submitted with the Payment Application for the first, second, third and fourth quarter of 2016;
- Minutes of Quarterly Irregularity panels.
- e. Documents related to planning and monitoring of implementation of the IPARD Programme

According to the established mechanism, NAO/MS regularly prepares analysis on the implementation of the IPARD Programme and monitor fulfillment of the planning documents. The following documents are describing the plan for implementation of the measures within the IPARD Programme and the achievements according to the plan:

- Procurement and Implementation Plan (PIP) - (Q1 2015 - No.38-6/80 dated as of 19.04.2016; Q2 2016 - No.38-6/145 dated as of 22.07.2016; Q3 2016 - No.38-6/170 dated as of 10.10.2016 and Q4 2015 - No.38-852/4 dated as of 22.02.2017);
- Analysis of de-commitment of funds according to N+3 rule;
- Indicators for effective functioning of the management and control system;
- Quarterly Monitoring Reports from the Managing Authority - (Q1 2016 - No.11-5337/1 dated as of 05.05.2016; Q2 2016 - No.11-7613/1 dated as of 12.08.2016; Q3 2016 - No.11-9856/1 dated as of 04.11.2016 and Q4 2015 - No.11-1669/1 dated as of 22.02.2017).
- f. Internal Audit Reports

Reports from the conducted internal audits in the IPARD structures by the Unit for Internal Audit of EU-IPA Funds were examined, as well as the Table of implementation of the audit recommendations.

- Annual Plan for Performing Internal Audit for 2016 of the Internal Audit Department of Ministry of Finance No. 23-9370/1 dated as of 14.12.2015;
- Annual Plan for Performing Internal Audit for 2016 in IPARD Agency No.32-5051/2 dated as of 15.12.2015 ;



- Annual Plan for Performing Internal Audit for 2016 in the Ministry of Agriculture Forestry and Water Economy for 2016 No.19-12461/1 dated as of 14.12.2015;
 - Internal Audit Report for the Audit on service contract - project Introduction on new IPARD measures under IPARD II carried out by the Internal Audit Unit of the Ministry of Agriculture Forestry and Water Economy No.11-826/1 dated as of 27.01.2017;
 - Internal Audit Reports from the IPARD Agency Internal Audit Department (six Final Reports and 3 Draft Reports elaborated below in the document)
 - Internal Audit Report for the Processes of financial management and control of the correctness of the Request for funds within IPA Funds Management Department carried out by the Internal Audit Department of the Ministry of Finance No.23-2669/4 dated as of 16.06.2016;
 - Statement of quality and the status of internal controls for 2016 of IPARD Agency No.32-821/2 dated as of 13.02.2017;
 - Tables for implementation of audit recommendations of NF, IPARD Agency and MA for the year 2016.
- g. Audit Authority Reports
- Annual Audit Opinion on Accounts and Statement of Expenditures for 2015 No.13-167/7 dated as of 25.04.2016 and Annual Audit Opinion for Statement of Assurance issued by NAO for 2015 No.01-183/3 dated as of 26.04.2016;
 - Audit of operation (1) for verification of the compliance of the procedures for approval of the financial support and requests for payment and eligibility of expenditures paid to the final beneficiaries in 2016 in IPARD Agency (Final report Ref. No.13-288/5 from 16th November 2016) and
 - System audit for verification of the effective functioning of the management and control system for 2016 in NAO/MS, MA and IPARD Agency (Final Report Ref. No.13-363/6 from 29th December 2016).
- h. Letters from the DG AGRI for observations and recommendations
- Letter Ares Ref. Ares(2016)3303246 dated as of 11.07.2016 - IPARD acceptance of accounts for financial year 2015, Communication according to Article 44(10) of the Sectoral Agreement concluded on 29 January 2009 (SA I) and Articles 48(2) and 49(3) of the Sectoral Agreement concluded on 23 March 2016 (SA II);
 - Commission Decision dated as of 08.09.2016 - IPARD acceptance of accounts for expenditures financed in financial year 2015;
 - Letter Ares (2016)5867274 - dated as of 11.10.2016 - Conformity clearance under Article 49 of the Sectoral Agreement concluded on 23 March 2016 (SA II), Invitation to a bilateral meeting pursuant to Article 49(3), third sub-paragraph of the SA II;
 - Letter Ares (2016)7012606 - dated as of 16.12.2016 - Enquiry PRE/2016/003/MK/, concerning the IPARD acceptance of accounts for financial year 2015, Minutes of



the bilateral meeting pursuant to Article 49(4) of the Sectoral Agreement concluded on 23 March 2016 (SA II);

Rollover from IPARD Programme 2007-2013 to IPARD Programme 2014-2020

- EC Letter of observations - Ares (2016)249476 dated as of 18.01.2016;
- NAO Letter No. 10-3270/1 as of 25.05.2016 - Official Request for entrustment with budget implementation tasks for the specific measures under the 2014-2020 Rural Development Programme for the Republic of Macedonia under the Instrument for Pre-accession Assistance (IPA II);
- EC Letter of closure - Ares (2017)499409 dated as of 30/01/2017, Enquiry No PRE/2015/007/MK on the request for entrustment of budget implementation tasks for the Republic of Macedonia under IPARD II concerning measures (1), (3), (7) and (9);
- i. Changes of the management and control system
 - IPARD Agency Act for Internal Organization Document No. 01-1006/1 and Systematization Document No. 01-1006/2 as of 26.01.2016;
 - IPARD Agency Act for Internal Organization Document No. 01-1006/11 and Systematization Document No. 01-1006/10 as of 27.09.2016;
 - Managing Authority (Letter No. 11-9427/1 from 20.10.2016) request for changes in the Act of systematization for IPARD Department to the Department for human resources within Ministry for Agriculture, Forestry and Water Economy
- j. Exceptions of the procedures

No exceptions occurred in the management and control system during 2016.

k. Internal control weaknesses

On the basis of the monitoring tools of the system, NAO established Register of internal control weaknesses, in order to follow the actions for removal of the weaknesses.

- Register of the internal control weaknesses No.10-sl dated as of 29.08.2016 and Register of the internal control weaknesses No.10-sl dated as of 10.01.2017.

Financial management

- Forecasts of Likely Payment Application for 2016-2017 sent to EC No.10-1436/1 dated as of 26.02.2016;
- Payment Application for interim payment for the first quarter No.10-2548/1 dated as of 15.04.2016;
- Payment Application for interim payment for the second quarter No.10-4418/1 dated as of 27.07.2016;
- Payment Application for interim payment for the third quarter No.10-6135/1 dated as of 31.10.2016;



- Payment Application for interim payment for the fourth quarter No.10-673/1 dated as of 31.01.2017.
- ii. **Work performed on which the SoA has been established**
 - a. Work performed related to the risk management of the IPARD structures

The Risk Management procedure is regularly performed twice a year by the Risk Management structure for Component V. The Risk Registers of all institutions involved in the implementation of Component V (Management Structure, Managing Authority and IPARD Agency) are regularly updated and the activities taken for mitigation of risks were regularly reported on quarterly basis. Two Risk Management Panels have been organized in September 2016 and the second in January 2017. After the Risk Management Panel meetings, a Consolidated Risk Register for Component V (Action Plans for mitigation of risks) were adopted by NAO, consequently officially communicated to all concerned parties.

According to the last adopted Consolidated Risk Register for Component V (Action Plans for mitigation of risks), the following risks on entity/activity level are considered as high:

- Staff turnover, lack of staff, overload of working tasks and inability to attend organized trainings;
- De-commitment of IPARD funds according to the n+3 rule;
- Accepted law suits for suffered damage and commitment by the court for payment of the damage.

Appropriate activities were defined in the Action Plan in order to mitigate the identified risks. The activities are commenced and ongoing.

b. Verification visits carried out by the MS/NAOSO staff

According to the Annual Verification Visit Plan for 2016, one verification visit in Managing Authority and two verification visits in the IPARD Agency were planned and performed. The verification visits performed during 2016 over the IPARD operating structure aimed to ensure that the processes for which the institutions are responsible are being properly carried out and to assess the functioning of the management and control system.

c. Verification visit performed in Managing Authority

The goal of the verification visit performed in Managing Authority was to perform supervision over the management and control systems and to verify that Managing Authority conducts its own activities in accordance with accreditation criteria and functions and responsibilities defined by the Sectoral Agreement. Verification visit mission was determined in order to verify that management and control system are functioning on effective and efficient manner through implementation of the project within the technical assistance measure.



The overall overview of this visit is that in general appropriate controls are applied and implemented according to the prescribed Internal Manual of Procedures. However in some specific areas a further improvement is required and the recommendations in this regard are in detail presented within the Final Verification Visit Report No. 10-494/1 dated from 26.01.2017.

No major risk findings were identified during the verification visit in Managing Authority.

Intermediate Risk Findings can be summarized as follows:

- Unused funds planed and allocated from the IPARD Program for technical assistance measure;
- Inadequate planning of deadlines for settlement of obligations to third parties in the Contract for financial support ;
- Need for changes of the authorized signatories of the account for implementation of technical assistance and
- Need for establishment electronic base of economic operators (ROSTER).

For all findings noted during VV visit, appropriate recommendations were issued and action plan is prepared with the VV Report for implementing the recommendations.

d. Verification visit performed in IPARD Agency

According the Annual Verification Visit plan for the year 2016, 2 (two) verification visits were performed in the IPARD Agency.

First verification visit (with specific scope) was performed on the administrative control on projects contracted under the second Call for Applications for 2014 and first Call for Applications for 2015. The goal of the Verification visit was to check the functioning of the management and control systems in the process of awarding support for a certain type of agriculture machinery – tractors according the approved procedures and verification of the controls in granting increased percentage of co-financing in accordance with Article 57 of Sectoral Agreement regarding to the damages suffered from the floods happened in the first quarter of 2015. Detailed description of the findings and recommendations as outcome from this verification visit is presented in the Report No. 10-3550/3 dated as of 06.09.2016. Total number of the projects checked during this verification visit was 27 projects from the Public Calls 02/2014 and 01/2015. According the risk assessment performed, the sample of projects selected for check was from measure 101 - Investments in agricultural holdings to restructure and to upgrade to Community standards.

Main findings identified during verification visit before contracting from the Calls for Applications 02/2014 and 01/2015, can be summarized as follows:

Major risk findings:

- Approved increased percentage for co-financing of 75% (public contribution) within two contracts due to damages caused by the floods, although the conditions



specified in the IPARD Programme were not met (potential financial impact was identified in 7.209,00 EUR);

- Granted financial support for equipment with different technical characteristics from those approved in the contract and
- Inconsistent approach from different Departments in the Agency through deciding on request of the beneficiary to replace the contracted equipment (tractors- IMT).

Intermediate risk findings:

- During the administrative check of the completeness and compliance of the request for financial support it is identified errors in processing the applications for financial support from the SOP.

All major and intermediate findings from this report were properly followed up by the NAO/MS on regular base through the designed system. Regarding the finding with the potential financial impact which was determined during the visit, a corrective measure by the IPARD Agency was immediately applied with signature of the Addendum of the contracts with the final beneficiaries, consequently the potential financial impact (of 443.412,30 MKD around 7.209,00 EUR) was eliminated.

The second verification visits in the IPARD Agency was performed on the paid projects in quarter III 2016 that has been declared to the Commission. The goal of these verification visits was to supervise the management and control systems, to ensure that the management and control systems are functioning on effective and efficient manner, as well as to confirm that the payments made toward final beneficiaries are in accordance with the prescribed rules for using the IPARD funds.

Detailed description of the findings and recommendations as outcome from this verification visits are presented in the Report No.10-493/1 dated as of 26.01.2017 for the verification visit in IPARD Agency on paid projects in the third quarter of 2016 part of the Declaration of Expenditures to the EC.

During this verification visits according the analysis, it was decided to be checked 5 projects from the measure/type of investment 10111, 10121, 10132 and 10322 out of 29 projects paid during the third quarter of 2016. The total amount of 3.852.049MKD (around 62.516 EUR) was covered with this verification visit out of 8.882.265 MKD (around 144.421 EUR) paid in Quarter 3, 2016 and represents 43,36%. Overall overview of the performed verification visits is that except some identified deficiencies, in general, appropriate controls are applied and implemented according to the prescribed Manual of Procedures.

Main findings identified during verification visit in IPARD Agency on paid projects in the third quarter of 2016 part of the Declaration of Expenditures to the EC, can be summarized as follows:

Intermediate Risk Finding:



- Identified discrepancies between approved costs for payment with actually performed work;

The intermediate finding from this report is still properly followed up by the NAO/MS on regular base till final implementation of the recommendation issued.

All omissions identified and recommendations given with the findings would be subject of further monitoring during the verification visits by NAO/MS on regular base, also all recommendations given during the verification visits shall be considered as possibility for improvement of the established management and control system.

e. Monitoring of the capacities of the Operating Structure

Management Structure

According to Workload Analysis of the Management Structure for 2016, it was identified that optimal number of employees for 2016 is 21 (including NAO). At the beginning of 2016 the number of employees in MS was 19 (nineteen), including NAO.

During March and September 2016, 2 (two) employees has left their working positions in the Management Structure. Both hold the position for Effective Functioning of the Management and Control System Officers within the NAO Support Office.

Therefore, the current number of employees in the Management Structure is 17 (seventeen), including NAO.

Having in mind the abovementioned, additional 4 (four) employees are needed for fulfilling the necessary positions – Assistant Head of Management Structure (managerial working post), Financial Manager in National Fund Unit and 2 (two) Junior Associate for Effective Functioning of EU Fund management and Control Systems (non- managerial working posts). Even though that position of Assistant Head of MS is managerial, it is not a core control step in the activities and the procedures of the Management Structure. This post will contribute to ensuring proper substitution policy and continuation of activities within the Department, as well as improving the management activities in MS.

According to the current situation, the occupancy rate of the working posts in the IPA Funds Management Department is 81%, having in mind that the WLA for 2016 shown need for optimal number of 21 employees.

IPARD Agency

According to the Workload Analysis (WLA) for 2016 the optimal number of employees needed in IPARD Agency for implementation of IPARD Programme was 173 employees. At the beginning of 2016 IPARD Agency numbered 97 employees designated to work on IPARD related issues.

During 2016, 2 (two) employees from Internal Audit Department were internally transferred from IPARD to non IPARD related work and 1 (one) employee (acting Head of



Department for project approval) has left the position in the Agency. Additionally one position in IT department with the changes of the systematization in the Agency was also considered as non IPARD related position (change caused with the transfer of the Unit for reference price database from IT Department in the newly created Department for databases – position Head of Department). In addition to the outflow of the employees, during 2016, 3 (three) employees were transferred to work from non IPARD to IPARD related work, out of which 1 (one) employee as acting Head of Department for project approval (as this position is managerial), and two employees in Sector for Authorization of payments. Current number of employees in the Agency is 96 employees.

According to the current situation, the occupancy rate of the working posts for implementation of the IPARD Programme in the Agency, according to WLA is 55%³.

Managing Authority

According to the Workload Analysis (WLA) for 2016 the optimal number of employees needed in Managing Authority was 21.

In 2016 there was a new appointment of the HoMA, with Decision No. 04- 585/ 2 from 18.01.2016, Margarita Deleva, HoMA resigned from the position State advisor in the MAFWE and the Head of IPARD Department, Ms. Biljana Kostovska has been appointed as new HoMA for IPARD 2007-2013 and IPARD 2014-2020 (Official Gazette No.68 from 06.04.2016).

Two new employments took place within MA during 2016:

- Junior associate for programming (Decision No.04-5702/1 from 20.05.2016) and
- Junior associate for the support of programming functions (Decision No.04- 7020/1 from 13.07.2016)

With this change the number of employees in Managing Authority at the end of 2016 was 16 (sixteen) and the occupancy rate of the working posts in the Managing Authority, according to WLA for 2016 is 76%.

According to the Act of Systematization of the MAFWE, approved by the Agency of Administration on 09.09.2015 (no. 04-6397/3), within MA, 22 posts (including the HoMA) are envisaged (for the already accredited measures and measures that shall be implemented under IPARD II Programme during 2017).

With the preparation of the WLA differences in the Act of Systematization of MAFWE and the calculations for optimal staff needed within MA were noted. In this respect the WLA for 2017 show need of increasing working posts - advisors in MA. Accordingly the number of the working posts is increased from 22 to 24. An official request for changes in the Act of Systematization No 11- 9427/ 1 from 20.10.2016 has been submitted by the Head of

³ After submitted WLA the Agency submitted correction of the status of employees in the Agency



Managing Authority to the HR department within MAFWE in order to harmonize the needs and the optimal working posts needed. The procedure for change the Act for systematization is still ongoing.

In the table below are presented the data regarding the human capacities in the IPARD structure for the year 2016:

Table 34: Human resources in NAO and IPARD Structure

Institution	Number of staff on 31.12.2015	Number of staff needed as per WLA 2016	Realized new recruitments 2016	Promotion of the staff 2016	Left the position 2016	Number of current staff	Occupancy rate	Turnover rate
NAO/NF	19	21	/	/	2	17	81%	10.5%
IPARD Agency	97	173	3	/	4	96	55%	4.12%
Managing Authority	15	21	2	/	1	16	76%	6.6%
Total	131	215	5	/	7	129	61%	5,3%

Source: NAO

f. Irregularity management

The NAO received cases of irregularities from the IPARD Agency during 2016. For the purpose of the Statement of assurance, the irregularities identified in the course of 2016, as well as the updated irregularities previously identified were analyzed.

Having in mind the reported irregularities, appropriate actions were undertaken for resolving the cases.

In the course of 2016, 22 new cases of irregularities were identified. These cases were analyzed and appropriate corrective measures were undertaken by the relevant institutions, under coordination of NAO.

The 22 new identified irregularities might be considered from the following aspects, as presented below:

- 5 (Five) cases were qualified as irregularities and 17 (Seventeen) cases were qualified as suspected fraud.
- All (22) cases are still open.



- Twenty (20) of the irregularity (open cases) were identified before payment and two (2) of the irregularities (open cases) were identified after payment was made.

Pursuant to Article 28 (2) and Article 36 of the Commission Regulation No. 1828 of 8 December 2006, NAO sent Reports on irregularities to European Commission informing on the irregularities occurred in the implementation of IPARD Programme in the Republic of Macedonia.

Table 35: Identified regularities in 2016

Irregularities identified during 2016				
Total number of irregularities	Irregularities before project approval	Irregularities before payment	Irregularities after the payment was made	Other cases (not related to applicant)
22	0	20	2	0

Qualification of irregularity	Suspected fraud	Open	Closed	Total
		17	0	
Financial Impact	Irregularity	5	0	22
	with financial impact	2	0	
	without financial impact	20	0	

Source: NAO

In addition, the irregularities reported during the previous years have been regularly monitored by the IPARD Agency and the NAO/MS. The updated irregularity reports have been prepared and properly communicated to the authorities concerned.

The Irregularity panels have been held before each quarterly submission of the Irregularity Reports to EC.

In addition with the support of the IPA Twinning Light Project “Support to effectively combat fraud and irregularities in EU funds“ the National Strategy for protecting the financial interests of the EU in Republic of Macedonia for the period 2017-2020 was drafted. The drafted Strategy defines the objectives and measures to be undertaken in the areas related to preventing, detecting, investigating and sanctions for irregularities and fraud, and recovery of EU funds to EC. The strategy defines the role of institutions related to the protection of the financial interests of the European Union and more specifically. The drafted Strategy is finalized and for the time being is under inter-service consultation.

In regard to the Debtors Ledger for 2016, 3 (three) Decisions for Recovery of Funds for overpayment have been adopted by the IPARD Agency and the procedure for recovery of funds (principal and interest) has been completed for all cases. For one case written



procedure was applied and total amount was recovered on IPARD euro account from the budget of IPARD Agency.

In regard to the debtors recorded for the IPARD projects and the status of recovery of debts, IPARD Agency sends the Debtors ledger to NAO/NF on quarterly bases. The cumulative figures of the Debtors Ledger, with cutoff date 31.12.2016 are twenty-one (21). Decisions for Recovery of Funds have been adopted by the IPARD Agency for all 21 cases, out of which the recovery of funds for all cases has been completed. The Debtors Ledger was regularly updated and communicated to DG AGRI with submission of each Declaration of Expenditure.

g. Planning and monitoring of implementation of the IPARD Programme

The analysis on implementation of the IPARD Programme, showed the following:

- Total available IPA allocations for the period 2007-2013 are in amount of 67.649.341EUR;
- Total contracted IPA funds are in amount of 19.146.268,83EUR (including the cancelled amounts);
- There were 1369 contracts signed for IPARD funds, out of which 176 contracts (in amount of 3.842.837 EUR – EU Contribution) have been cancelled.
- The total number of valid contracts for IPARD is 1.193 (in amount of 15.303.431,83EUR);
- Total disbursed IPA funds is in amount of 7.957.463,96EUR;
- The contracting rate on the level of programme (2007-2013) is nearly 28,30%, and the disbursement rate is nearly 11,76%;
- Nearly 52% are disbursed from the contracted amount (valid contracts), and
- The Plan for disbursement for 2016 is achieved round 77, 6%.

Table 36: Status of the received and approved application by 31.12.2016⁴

No. Public Call	Submitted Applications	Approved Application	Percentage of approved application
01/2009	133	27	20,30%
01/2010	112	36	32,14%
01/2011	74	40	54,05%
02/2011	60	23	38,33%
03/2011	92	27	29,35%
01/2012	67	14	20,90%
02/2012	61	11	18,03%
01/2013	401	173	43,14%
01/2014	394	213	54,06%
02/2014	439	244	55,58%
01/2015	833	418	50,18%

⁴ The data in the table are with cutoff date 31st of December 2016



02/2015	421	143	33,96
Total	3087	1369	44,34%

Source: NAO.

Having in mind the above mentioned it can be concluded that low rates of approval of the received application/contracting/disbursement are in place. The reasons and problems for the low rates were discussed on the regular management meetings held by NAO and the coordinative meetings organized by NIPAC. Also during the previous period the operating structure undertook number of measures for Increasing the awareness in the general public for the IPARD Programme as well as for Improving the quality of the applications. All this measures shall be considered under IPARD 2 as well.

h. Internal Audit

Management Structure

According to the Annual Plan for Performing Internal Audit for 2016 of the Department for Internal Audit of the Ministry of Finance (No.23-9370/1 dated as of 14.12.2015) a System Audit mission within NF/MS over the Processes of financial management and control of the correctness of the Request for funds in the IPA funds management Department was planned and realized. The abovementioned audit mission was performed in the course of April-May 2016 and the Final Audit Report was issued in June 2016 (No.23-2669/4 dated as of 16.06.2016). According to the Final Audit Report, audit findings with medium and low risk were identified. No major risk findings were identified during this audit mission. IPA Funds Management Department is regularly monitoring the process for overcoming the audit findings and undertaking the necessary activities for implementation of the recommendations. By the end of 2016 upon some findings immediate actions were undertaken and some of the recommendations were implemented.

The Annual Audit Plan for 2017 of the Department for Internal Audit within the Ministry of Finance (No.23-7875/1 dated as of 02.12.2016) envisages one audit mission within NAO/MS over the Processes of risk management and human resources in the IPA funds management Department.

IPARD Agency

Internal Audit Plan in IPARD Agency for 2016 (No.32-5051/2 dated as of 15.12.2015) was adopted. According the plan 10 audit missions were planned for 2016 out of which following 9 missions were conducted:

- Follow up audit on the implementation of the recommendations;
- Audit of project approval process and contracting for measure 103 from IPARD Program 2007-2013;
- Audit of the on the spot checks before payment from IPARD Program 2007-2013;
- Re-performance audit on the first call for allocation of funds under the measure 501 - Technical assistance from the IPARD Programme 2007-2013;



- Self-assessment Audit in the Agency for financial support of agriculture and rural development for implementation of the measure Investment in public rural infrastructure from the IPARD Programme 2014-2020;
- Audit on the process of development and implementation of the Training plans for 2016 in the Agency for financial support of agriculture and rural development.

For the following audit missions, the operational audit work is finished and following Draft reports are issued:

- Audit on the process for authorization of payments from IPARD Programme 2007-2013 (No. 32-77/2 dated as of 17.02.2017)
- Audit on the process of running of the referent prices database during implementation of the IPARD Programme 2007-2013 (No. 32-79/2 dated as of 17.02.2017)
- Audit on the process of keeping accounting records in 2016 from IPARD Programme 2007-2013 (No. 32-78/2 dated as of 17.02.2017).

The audit for the preparation for the accreditation of measures Advisory services and Leader from the IPARD Programme 2014-2020 planned for execution during 2016 was not conducted since this process for accreditation of these measures is at the initial phase. The implementation of the audit recommendation was monitored by NAO through the Table for monitoring the implementation of the audit recommendations submitted by IPARD Agency on quarterly bases. Most of the recommendations stated in audit reports were properly implemented.

According the summary of the internal audit findings by the IPARD Agency, 21% of the audit recommendations from the previous years were implemented. The remaining 79% of the audit recommendations are still in the time frame for implementation, according the time lines agreed in the reports. The implementation of these recommendations is ongoing.

The Annual Audit Plan for 2017 of the Department for Internal Audit within the IPARD Agency is adopted (No.32-786/1 dated as of 09.02.2017). The Plan envisage 7 (seven) audit missions over IPARD processes.

Managing Authority

The Sector for Internal Audit in the Ministry of Agriculture, Forestry and Water Economy performs internal audit over the Managing Authority.

According to the Internal Audit Plan for 2016 (No.19-12461/1 dated as of 14.12.2015), two audits related to Managing Authority (Department for management of IPARD Funds) were planned:

- Audit on service contract - Introduction on new IPARD measures under IPARD II;
- Audit on the work of the Unit for implementation of Technical Assistance of IPARD funds.

In the course of 2016, the Audit on service contract - Introduction on new IPARD measures under IPARD II was carried out by the Internal Audit Department of the Ministry of



Agriculture Forestry and Water Economy. The Final Audit Report was issued on 27.01.2017.

In the Audit Report as a general recommendation is noted that strengthening of the human resources in Department for IPARD is important in order to increase the efficiency and effectiveness in the implementation of IPARD measures.

From the abovementioned audits, the second audit - Audit on the work of the Unit for implementation of Technical Assistance of IPARD funds is postponed for implementation during 2017 and is planned to be conducted in the third quarter 2017. It is important to be noted that the implementation of the measure technical assistance (501) by the Managing Authority during 2016 was covered with the audit by AA and with the verification visit by NAOSO. The Annual Audit Plan for 2017 of the Ministry of agriculture, forestry and water economy (No.22-10851/1 dated as of 19.12.2016) envisages one audit mission over the Managing Authority:

- Audit on the work of the Unit for implementation of Technical Assistance of IPARD funds.

i. Audit Authority Reports

The Annual Audit Opinion on the Accounts and Statement of Expenditure (No.01-183/2) and the Annual Audit Opinion for the Statement of Assurance for 2015 (No.01-183/3) issued on 26.04.2016. The Audit Authority expressed unqualified opinion for both Statement of Assurance for 2015 and for the Statement of expenditure for FY 2015.

During 2016 the following audit missions by the Audit Authority were conducted:

- Audit of operation (2) for verification of the compliance of the procedures for approval of the financial support and requests for payment and eligibility of expenditures paid to the final beneficiaries in 2015 in IPARD Agency (Final report Ref. No.13-122/5 from 12th April 2016);
- Audit of accounts and statement of expenditures for verifications of the certified accounts and statements of expenditures for 2015 (Final Report Ref. No 13-164/6 from 25th April 2016);
- Audit of operation (1) for verification of the compliance of the procedures for approval of the financial support and requests for payment and eligibility of expenditures paid to the final beneficiaries in 2016 in IPARD Agency (Final report Ref. No.13-288/5 from 16th November 2016) and
- System audit for verification of the effective functioning of the management and control system for 2016 in NAO/MS, MA and IPARD Agency (Final Report Ref. No.13-363/6 from 29th December 2016).

Having in mind the above-mentioned audits the NAO prepared action plan containing corrective measures, deadlines and responsible institutions for implementing the recommendations. This consolidated Action Plan (Ref. No.10-968/1 as from 08th February 2016) contains all open findings from the audit reports.

The implementation of the audit recommendation was monitored by NAO through the Table for monitoring the implementation of the audit recommendations submitted by



IPARD Agency and Managing Authority on quarterly bases. Most of the recommendations stated in audit reports were properly implemented and for the rest as mentioned above corrective measures are agreed and properly followed.

In the table presented below are summarized all open findings, their significance and total number of open findings per auditee:

Auditee	Significance	Open findings	
		Number	Reference
1	2	3	4
NAO/MS	Major	/	/
	Intermediate	2	1.1./5.1.-HAO/MC,-C/P -16 1.1./ HAO/MC-AΦΠ3PP-Φ/P -16
	Minor	/	/
Total		2	
Managing Authority	Major	/	/
	Intermediate	2	1.1./5.1-TY -C/P -16 1.2./5.1-TY -C/P -16
	Minor	/	/
Total		2	
IPARD Agency	Major	2	1.1.-AΦΠ3PP-P/O-15/16 1.2. /5.1.- AΦΠ3PP-P/O -13/14
	Intermediate	7	1.2.-AΦΠ3PP-P/O-16 1.4.- AΦΠ3PP-P/O-16 1.1 - AΦΠ3PP- P/O-16 1.3./5.1 -AΦΠ3PP -C/P -16 1.3.-AΦΠ3PP-P/O-16 5.1- AΦΠ3PP-Φ/P-15 1.1. 5.1-AΦΠ3PP-C/P-16
	Minor	/	/
Total		9	
Grand TOTAL		13	

Source: NAO

Regarding the findings stated above the Audit Authority shall issue Annual Audit Report in April 2017 which shall express the status of the findings after the corrective measures undertaken from the management and operating structure.

j. Commission observations and recommendations

In the course of 2015, IPARD structures and authorities in Republic of Macedonia were not subject of monitoring missions by DG AGRI. The communication with DG AGRI was



mainly related to the IPARD financial clearance of accounts for 2014, 2015 as well as for the entrustment with budget implementation tasks for IPARD II.

Clearance of accounts procedure

During 2016 communication with DG AGRI related to the IPARD financial clearance of accounts for the FY 2014/2015 was realized. In light of this process, the final position of DG AGRI was expressed for the FY 2014 in October 2016, where is proposed exclusion from EU financing an amount of EUR 26.278,35.

The proposed amount represents amount for exclusion for community financing regarding the late payments according article 44(10) from the SA. Extensive communication and presentation of arguments regarding this issue has been exchanged during 2015 and 2016 within the frame of this procedure, but we still have different positions regarding the understanding when is the final date out from which the payment claim can be considered as complete and the three months deadline for payment to final beneficiaries should be calculated. The national authorities were at the position that the three months-deadline for payment to the final beneficiaries is calculated from the date when the last document is received in the Agency needed for considering payment claim as complete and as such enabling Agency to proceed further the procedure for payment. However we are still on different positions.

This issue continues to be discussed and resolved during the procedure for Clearance of Accounts for the FY 2015. We hope our argument and additional information provide sufficient grounds for DG AGRI to reconsider the position for both the potential financial impact and the reduction of the EU co-financing for late payments.

Also, during 2016, with the letter Ares (2016)3303246) as of 11.07.2016 the clearance of the annual accounts for the FY 2015 was initiated by DG AGRI. With the communication pursuant to Article 49(4) of the Sectoral Agreement (Ares(2016)7012606 as of 16.12.2016) DG AGRI proposed financial reductions for exceeding the three months deadline for payment to final beneficiaries in amount of 213.249.33 EUR. National IPARD authorities after this communication recalculated the amount for exclusion for community financing regarding the late payments according the methodology proposed by DG AGRI and communicated the calculations with DG AGRI. According to the last communications there are different position by DG Agri and national authorities regarding the financial reductions for exceeding the three months deadline for payment to final beneficiaries. The procedure is still ongoing.

Rollover from IPARD Programme 2007-2013 to IPARD Programme 2014-2020

Pursuant to the provisions of the Commission Implementing Regulation (EU) No. 447/2014 and the Framework Agreement for IPA II, NAO on 25.05.2016 with Letter No. 10-3270/1 submitted official request for being entrusted with budget implementation tasks for indirect management related to the following measures contained in the Multi-Annual Rural Development Programme 2014-2020:

- Investments in Physical Assets of Agricultural Holdings,
- Investments in Physical Assets Concerning Processing and Marketing of Agricultural and Fishery Products,



- Farm Diversification and Business Development and
- Technical Assistance Measure.

This package was comprised with the revised working arrangements and documents according to DG AGRI recommendations from the preliminary assessment of the Request for entrustment with budget implementation tasks. The package also included additional amendments and changes in the working arrangements which were raised from the audit findings and lessons learned from implementation of the IPARD I Programme. Amendments to the working arrangements have been assessed by the Management structure and approved by NAO.

The legal acts and the working arrangements such as: Sectoral Agreement, Decree on Determining Mutual Relations between the bodies and structures under IPARD II and Decree on the Manner and the Method of Allocation of the Financial Support for the Rural Development Measures, Internal Manual of Procedures, Decisions for designation of authorities, Statements of Readiness, Declarations and other acts and arrangements necessary for the implementation of the above-mentioned measures under IPARD II Instrument were signed and formalized.

With this request NAO confirmed that the Management Structure and the Operating Structure fulfill the requirements under points (a), (b) and (d) of Article 12(3) and those of Annex B of the Framework Agreement and Annex 2 of the Sectoral Agreement for IPA II.

With Letter No. Ares (2017)499409 – as of 30.01.2017, DG AGRI submitted Letter of Closure of this procedure. With this letter based on the evidence available, the Directorate-General for Agriculture and Rural Development (DG AGRI) considers that the authorities in the Republic of Macedonia have satisfactorily addressed the main issues communicated in the letter of observations Ares(2016)249476 and that the structures and procedures set up for IPARD II fulfil the minimum conditions referred to in art 13(4) of the Framework Agreement. Consequently, entrustment to manage the abovementioned measures under IPARD II can be granted by means of concluding a Financing Agreement. With this letter DG AGRI also reiterate some recommendations already communicated in the letter of observations Ares(2016)249476 dated 18 January 2016, for which implementation of additional measures is needed. The implementation of the recommendations formulated in Annexes 1 and 3 of this letter should be made before the proposed procedural provisions are applied. IPARD national authorities immediately after receiving this recommendation started with implementing the recommendations formulated in Annexes 1 and 3 of the Letter No. Ares (2017)499409.

k. Changes of the management and control system

During 2016, new Decision on appointing Competent Accrediting Officer (CAO) in the decentralised implementation system for management of EU Pre-Accession funds in the Republic of Macedonia was adopted with Ref. No. 42-6130/1 as of 30st August 2016. The Government of the Republic of Macedonia, on its session held on 30th August 2016, officially appointed Mr. Kiril Minoski, Minister of Finance as Competent Accrediting Officer (CAO).

Furthermore, the Deputy Prime Minister of the Government of the Republic of Macedonia responsible for European affairs, dr. Arbr Ademi is appointed as a National IPA



Coordinator for management with the Pre-accession Assistance funds IPA and IPA II from the European Union to the Republic of Macedonia (Decision No. 42-3647 as of 26th April 2016).

Management structure

No organizational changes were introduced during 2016 for Management Structure.

IPARD Agency

During 2016 organizational change has been made in the IPARD Agency. The Agency submitted changes of the Internal Acts for Systematization and Organization. The Acts officially entered into force as of 29.01.2016 with the approval/consent from the Ministry of Information Society. During September also new change was made on the Internal Acts for Systematization and Organization but this was just technical adjustments due to harmonization according national legislation. This changes doesn't implicate any influence on the rules for IPARD implementation. These changes officially entered into force as of 30.09.2016 with the approval/consent from the Ministry of Information Society (Letter for approval 12/6-524/9 as of 30.09.2016).

With the initial change of the Acts (as of 29.01.2016) the Unit for referent price database which was organizationally subordinated under the IT Department was moved into newly formed Department for registers. All of the functions of the Unit remain same. Thus, the organizational change doesn't influence on the daily implementation of the IPARD Programme.

The changes of procedures concerning Reference Price Database were initiated during 2015 (Letter No.11-2471/1 dated as of 17.04.2015) according findings noted during the audits as well as from the previous experience during implementation. The changes were communicated with DG AGRI and after their examination on the modifications concerning the Manual for the Reference Price Database; DG AGRI submitted observations to the national authorities on 25.09.2015. After implementation of their recommendations, the changes were approved by NAO with letter No. 10-4363/3 dated as of 22.10.2015. DG AGRI sent official letter with acceptance of this version 2.1 on 18.02.2016. All this concerning the Manual Reference Price Database was communicated with the last SoA for 2015.

Managing Authority

Managing Authority has officially submitted a request for changes in the Act of systematization for IPARD Department to the Department for human resources within Ministry for Agriculture, Forestry and Water Economy (Letter No. 11-9427/1 from 20th October 2016). These changes were initiated regarding the need for harmonization of working spots with the needs identified with the workload analysis. The procedure for adoption of the Act for systematization is not finalized by the date of preparing this statement.

1. Exceptions of the procedures



No exceptions occurred in 2016 in the management and control system. Modifications of the working arrangement approved by EC cover the previously exceptional situations approved by the NAO.

m. Internal control weaknesses

During 2016 two Registers of Internal Control Weaknesses were prepared. According to the activities undertaken, no weaknesses are considered closed. The last Register of Internal Control Weaknesses was updated in January 2017, consisting 5 (five) weaknesses, related to:

- Fluctuation of the staff in the IPARD Agency – identified in 2013;
- Incomplete and not updated database (registers) under the competence of state institutions (for MA) – identified in 2013;
- Turnover of managerial staff in the MA – identified in 2014;
- Practical usage of SAP system could lead to weaknesses in the accounting – weakness identified in 2014;
- Significant corrections imposed by DG AGRI due to different understanding for determined deadlines in the procedures of the IPARD Agency for calculating late payments according Article 44 from SA.

Regarding these weaknesses mitigation activities were defined appropriately, and the actions for their mitigations are ongoing.

iii. **Financial management**

1. *Financial implementation*

On 26.02.2016 (No. 10-1436/1), NAO sent to the Commission Forecast of Likely Payment Application for 2016-2017.

Based on the current status of the projects and forecast for the next period NF prepared an appropriate optimal forecast for IPA and national co-financing funds, as well as the interest generated and need for additional national co-financing due to achieving the 95% of available funds. The final Budget proposal was submitted by the NAO to the Budget Department of the Ministry of Finance in accordance with the requirements stated in the Budget Law.

On the basis of cash flow forecasts, financial projections submitted by IPARD Agency through the year and on the basis of the various analyses performed by NF, budget liquidity was analysed and appropriate measures were undertaken by the NF in order to ensure smooth implementation of the planned projections. During the 2016 the national co-financing for the IPARD Projects was properly provided.

**Table 37: Executed payments – IPA contribution in Euros for the period 2011-2016**

Measure	Executed payments - IPA contribution in Euros						
	2011	2012	2013	2014	2015	2016	Total
Measure 101	272.141,89	183.339,64	107.997,23	309.996,58	1.698.966,88	1.865.075,92	4.437.518,14
Measure 103	738.499,17	1.004.812,69	366.450,26	0,00	43.125,01	1.091.818,22	3.244.705,35
Measure 302	0,00	0,00	0,00	0,00	79.154,87	196.085,60	275.240,47
Measure 501	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Total	1.010.641,08	1.188.152,33	474.447,49	309.996,58	1.821.246,76	3.152.979,74	7.957.463,96

Source: NAO

With regard to the status of the IPARD Programme, the total contracted IPA amount is 15,303.431,83⁵ EUR and the total disbursed IPA amount is 7,957,463.96 EUR (51,93% disbursed amount out of the total contracted amount).

Table 38 Status of the implementation of the IPARD Programme

Amount in €				% compared with available budget
	IPA	NCF	Total	
Available budget (2007 – 2013)	67.649.341,00	22.549.780,33	90.199.121,33	
Contracted Budget	15.303.431,83	6.077.308,62	25,223,577,45	22.62%
Total amount of executed payments (2011 – 2016)	7.957.463.96	2.565.954.96	10,23,418.92	11.76%

Source: NAO

NAO has sent four Declarations of Expenditures that serve as Payment Applications for the expenditure incurred and revenues generated in the course of 2016. The Payment applications were submitted with the following deadlines and amounts:

⁵ Decreased for the amount of the canceled contracts EUR -3,842,837



Table 39 Payment applications/recovery quarterly

Declaration of expenditure	Date of sending DoE to EC	Payment in €		Recoveries in €		Payment request ⁶
		Public expenditure	IPARD	Public expenditure	IPARD	
Q1 2016	15.04.2016	662.158,24	496.618,68	500,76	375,57	496.243,12
Q2 2016	27.07.2016	1.823.570,63	1.368.153,81	95.220,73	3.915,56	1.364.238,25
Q3 2016	31.10.2016	144.199,06	110,435,06	0,00	0,00	110.435,06
Q4 2016	31.01.2017	1.487.511,94	1.177.772,19	43.292,07	32.469,05	1.145.303,14
Total		4,117,439.87	3.152.979,74	49.013,56	36.760,18	3.116.219,57

Source: NAO

During 2016, National Fund declared EUR 3.116.219, 57, out of which EUR 2.619.976, 45 has not been paid by the EC yet.

During 2016, refund of funds from 4 (four) Final Beneficiaries was made in the amount of EUR 22,250.05 (interest) and EUR 36,760.18 (principal) and the funds were transferred to NF Euro Account.

Taking into consideration the forecast of executed payments for the IPARD projects the de-commitment of funds from budget allocation for 2013 of IPARD Programme is estimated in amount of EUR 1.7 million.

Since 2012, Republic of Macedonia has access to SFC 2007 (System for Fund Management in the European Community 2007 – 2013). Thus, the payment applications were regularly sent through SFC 2007 by National Fund.

From the moment of payment of the pre-financing by the EC to the NF Euro Account the interest on the Community financing was transferred by the National Bank of Republic of Macedonia to the NF account. The interest on the NF Euro account was properly calculated on monthly basis, recorded in the NF accounting system and declared to the Commission with submission of the Payment Application.

2. *Off-setting*

⁶ NF and DG agri services discussed about different rate (85% IPA and 15% NCF) applied for projects in accordance with the IPARD Programme and Sectoral Agreement which are related to the investment projects carried out in regions affected from natural disasters – flood for the applications Q2/2016, Q3/2016 and Q4/2016. It was decided the difference between the co-financing rate automatically calculated by the SFC system (75%) and the real co-financing rate applied of 85 % to be will be included in the column of correction of the D1 form (column 4) as a positive correction.



Due to the debts against claims that the Commission has on the institutions of the Republic of Macedonia, the offsetting operations were carried out for the part of the amounts payments applications sent to EC. The whole amount that was offset by the Commission has been recovered (principal). Thus, the total amount that is outstanding and should be recovered from the national institutions to NF Euro Account is in the amount of EUR 16, 14 lost interest, which would have been generated if the EC funds were transferred on NF IPARD euro account.

Details of the status of amount of interest recovered are given in the table below.

Table 40 Register for recovery of interest on the base of off-setting

Institution	Ref No of the Request for recovery	Date of submission of the request	Amount requested in EUR	Recovered amount in EUR	Date of Recovery	Outstanding amount in EUR
Secretariat for European Affairs	09-33102/1	30.09.2014	16,14	0,00	/	16,14
Ministry of Education and Science	09-33099/1	30.09.2014	9.140,51	9.140,51	05.12.2014	0,00
Ministry of Labour and Social Policy	09-33100/1	30.09.2014	921,19	921,19	10.10.2014	0,00
Ministry of Local Self Government	09-33104/1	30.09.2014	540,59	516,75	27.12.2016	0,00
Total			10.618,43	10.578,45		16,14

Source: NAO

3. *Accounting*

The National Fund and IPARD Agency accounting system is in compliance with the International Public Sector Accounting Standard for Public Sector (IPSAS).

All the transaction made on the NF and IPARD Agency bank accounts were properly recorded on the accounting system of NF and IPARD Agency.

According to IPSAS, National Fund by 28th of February each year prepared the following Financial Statements:

- Statement of Financial Position;
- Statement of Financial Performance;
- Cash Flow Statement;
- Statement of changes of net asset/equity and
- Notes to the Annual Accounts.

In the process of preparation of the Annual Account of National Fund were taken in consideration the remarks and recommendation given by Audit Authority and DG AGRI in their letters for Clearance of accounts.



4. System for accounting and financial management (SAP)

The review of the functionality of the SAP system has been performed by the international third part auditing company DeLoitte. Based on the final audit report issued in April 2016 the overall assessment is that SAP support the processes in the Agency and the National Fund in accordance with the purposes and the SAP system can be used as a tool for conducting the accounting system of the National Fund and IPARD Agency. All required reports in accordance with the accredited forms are automatically generated by the system. In relations to the testing of completeness and accuracy of the data no deviations have been identified in the content of the selected samples by the audit. The IPARD Agency and the NF are working intensively to implement all the recommendations from final audit report as soon as possible. Regarding the DMS system all agreed process have been created and tested by the relevant IPARD Agency and MS staff.

On 16.12.2016 was signed a new contract for preventive and adaptive maintenance of software under which is planed, all obstacles and deficiency noted in the previous period to be overcome and all additional reports needed, to be developed in the forthcoming months.

Conclusions:

The Statement of Assurance prepared for the year 2016 is a result of continuous activities taken throughout the entire year by the NAO and Management Structure staff, respecting the written procedures in place and recording actions and outputs in the respective working documents – registers (risks, irregularities, audit findings and recommendations, internal control weaknesses, verification visits/on the spot controls) and check lists.

According to the NAO Internal Manual of Procedures, NAO will have reservations where there are significant deficiencies in a national control system and the resulting risk is material. The following factors would thus have to be cumulatively fulfilled:

- the examination of the qualitative aspects leads to a finding of significant deficiencies in a national control system as defined in point qualitative terms;
- the amount of undue payments is estimated to exceed 2% of the total payments made in the financial year in question;
- It has not been possible to counter the impact of the deficiencies by corrective measures.

Taking into consideration the preformed assessment as stated above and the criteria for expressing the reservation as stated in the NAO Manual of Procedures it could be concluded that there is no ground for qualification of the weaknesses of the management and control system as a reservation in the Statement of Assurance.

Despite of some problems encountered during the year due to build in controls and proactive measures taken by the NAO and OS, under the close monitoring and supervision of NAO it is to be confirmed that the management and control system established for IPA Component V has functioned effectively to provide reasonable assurance on the legality and regularity of the underlying transactions including, inter alia, the adherence to the principles of sound financial management.



Both the NAO/MS and the Operating Structure, continued to work for overcoming the deficiencies identified so to allow the Statement of Assurance to be without reservations.

3.3. Results from performed on-the-spot controls and identified irregularities

- I. During 2016 IPARD Agency executed administrative controls to all submitted applications. In addition reasons for rejection of application prior the signing contracts are provided:

Completeness:

- the applicant has not submitted a response within 15 days after the received Notification for completing the application;
- the applicant has submitted a response within 15 days after the received Notification for completing the application, but there were some documents missing or the submitted documents were not valid.

Eligibility:

- capital/family connection between the suppliers or between supplier and the applicant;
- proportional increase of the prices of the submitted offers (inflated prices in the offers), which indicates that the offers are not issued from independent suppliers;
- proposed investments are not eligible according to the IPARD Programme;
- in the administrative processing of the applications has been found that the choice for the best offer is made before providing the offers, which indicates that the applicant did not respected the procedure for selecting most suitable supplier, and he has first chosen the supplier and then obtained the offers.

During 2016, The Sector for project approval has cancelled five (5) contracts from measure 101 in total public expenditures of 24.567 €.

Reasons for cancelation of the contract:

- five (5) contracts from measure 101 has been canceled due to financial inability for realization of the investment.

The Sector for authorization of payments in the process of approval of payment claims rejected 12 claims and canceled 66 contracts.

The reasons for rejection of claims/cancelation of contracts are infringement of the contract, undelivered claims for payment.

Reasons for issuing Decisions for recovery of fund: infringement of the contract, overpayment, administrative mistake.

Concerning the recovery of debts in 2016, complete recovery of debt was registered for four (4) debtors.



- II. As regarding on-the-spot controls, Sector for on-the-spot Control has carried out in total:
- 535 on-the-spot controls prior approval of which:
 - 521 on-the-spot controls at investments under Measure 101
 - 6 on-the-spot controls at investments under Measure 103
 - 8 on-the-spot controls at investments under Measure 302
 - 316 on-the-spot controls prior payment, of which:
 - 298 on-the-spot controls at investments under Measure 101
 - 12 on-the-spot controls at investments under Measure 103
 - 6 on-the-spot controls at investments under Measure 302
 - 145 ex-post on-the-spot controls, of which:
 - 137 on-the-spot controls at investments under Measure 101
 - 6 on-the-spot controls at investments under Measure 103
 - 2 on-the-spot controls at investments under Measure 302

The Sector for on-the-spot control has carried out 16 on-the-spot controls for establishing hidden works during realization of investment

During the on-the-spot controls before payment at 11 beneficiaries were discovered old – second hand tractors. All tractors are from the same manufacturer same model and purchased from the same suppliers. Irregularity reports have been prepared and submitted to the irregularity officer in IPARD AGENCY. There is an ongoing investigation by the competent state authorities.

One on-the-spot control during events (after the contract is signed but before claim for payment is sent) under Measure 501 has been carried out in 2016

3.4 Work of the IPARD Monitoring Committee

The eighteenth meeting of the Monitoring Committee on IPARD 2007-2013 was held on December 7, 2016.

The representatives of the Monitoring Committee on IPARD were informed, inter alia, for progress in the implementation of the decisions / conclusions of the 17th Monitoring Committee on IPARD, regarding the IPA Monitoring Committee; implementation situation of IPARD projects; regarding the eighth modification of the IPARD Program 2007- 2013; for implementation progress in the Measure 501 Technical assistance; on the progress of activities related to ex-post (post) evaluation of the IPARD Program 2007- 2013 and about actions taken to improve the absorption of IPARD funds, guarantee fund and subsidizing interest rates for IPARD users.

3.5 Activities for publicity and information



IMPLEMENTED ACTIVITIES

1. Updating the website www.ipard.gov.mk

The new website is fully operational since the beginning of July 2016, the average number of visits in the first months was 2.000. In December 2016 more than 4000 visitors have been registered. The update is performed regularly with the data for the new programming period of the IPARD Program 2014-2020. Potential applicants on the website can find all necessary information about applying for IPARD.

2. Organization IPARD info days

As in 2016 there were no public calls under IPARD 2007-2013 the info days were focused on initial promotion of the new IPARD II Program 2014-2020 as well as presentation of the Guarantee Fund and the possibilities that are offered through this fund. In the period March to May 2016, representatives MA with representatives of the National Extension Agency visited 30 municipalities and realized info events in 45 settlements

In the period July-December 2016, the Department for pre-accession EU funds for rural development (IPARD) organized Regional IPARD info events in cooperation with the Centers for Development of Macedonia, the Economic Chamber of Macedonia and IPARD AGENCY. The events were held in Strumica, Stip, Prilep, Bitola and Skopje with focus on measures: "Investments in physical assets in the processing and marketing of agricultural and fishery products and Diversification of farms and business development"

The events were well attended and covered by local TV and radio media. One of the events was organized in cooperation with the Economic Chamber of Macedonia with a focus on the meat and dairy industry.

All public events were the same concept:

- Presentation of measures by the Department for pre-accession EU funds for rural development (IPARD)
- Presentation of the necessary documentation required for application
- Presentation of successful IPARD project with the current user (this proved to be very successful for the users where they exchanged positive experiences and encouraging participants to apply)

3. Participation in trainings, workshops and seminars

Representatives of the Department for pre-accession EU funds for rural development (IPARD) participated in the following training workshops and seminars:

- 22-25 February 2016 TAIEX Study visit for implementation of the Instrument for Pre-Accession Assistance for Rural Development (IPARD) Measure 501 Technical assistance
- May 19, 2016 NIRAS (PL) in partnership with FAPA (PL) and EPICENTER (MK), Project: Establishing new IPARD Measures Workshop for establishing a National Rural Network. Skopje Macedonia
- 7 June, 2016 Exchange of information on Instrument for implementing technical assistance of the European Commission organized in collaboration with the Directorate



General for Agriculture and Rural Development of the European Commission, the Hotel Panorama, Trg Krešimira Cosic 9, Zagreb, Croatia.

- Multi country TAIEX workshop on the use of PRAG IPARD measures for technical assistance and rural infrastructure;
- 07:06 - 06/09/2016 Implementation of measures Advisory services (farm diagnostics and national standards);
- 27-28.06.2016 The projection NIMS training workshops, introducing new IPARD measures applied under IPARD II EuropeAid / 135765 / DH / SER / MK. Hotel City Park Skopje, Macedonia;
- Strengthening of the institutional and organizational capacities of the Agency, the Managing Authority and IPARD for implementing measure LEADER and Advisory Services (Project NIMS Vienna Austria);
- 20:06 - 23/06/2016 International TAIEX Workshop on Evaluation of IPARD II Program Brussels, Belgium;
- 27.06 - 29.06.2016 Measure Advisory Services (diagnostics of farm and national standards) NIMS Project - Bitola;
- 14.07-16.07.2016 Measure Advisory Services (diagnostics of farm and national standards) NIMS Project - Bitola;

4. Appearances on national and local radio and TV stations

In the period from 01.01.2016 to 31.12 2016 were recorded several hundred published on the topic IPARD in the electronic and printed media responsible persons from MAFWE and IPARD AGENCY and the majority of the interviews were with the Minister of Agriculture, Forestry and Water Management, these statements were transmitted to all national channels: (MTV, Sitel, Alfa and Kanal 5, Telma 24Vesti, Nova TV), local television (Orbis Terra K3) electronic and printed media (Dnevnik, Utrinski Vesnik, Vecer, now, capital, etc.) and Internet portals: the Macedonian Information Agency - MIA, Courier, Telegraph, Agroalternativa and others. (Appendix 2 of the report)

5. Annual publication of a list of final beneficiaries of IPARD

The envisaged activities under the Action Plan for communication and publicity for publishing the list of end beneficiaries of IPARD program is conducted by IPARD AGENCY as the responsible body for the implementation of this activity. The list of beneficiaries that concluded by IPARD AGENCY for allocation of funds from the IPARD posted on the website www.ipardpa.gov.mk.

6. Publication of annual report on the implementation of the IPARD Program;

Annual report on the implementation of the IPARD Program 2007-2013 for 2015 was submitted to DG AGRI will be published on the website once it is officially adopted by DG AGRI while the 2016 report is under preparation and will be submitted to DG AGRI by the end of June, according to the Sectoral agreement.



7. Printing and distribution of applications for of assets from IPARD, Guideline for Beneficiaries, posting a public announcement and other documents necessary for potential users in terms of measures of IPARD.

In this period there was no public call for allocation of funds from the IPARD but did preparation and adjustments to the instructions for users and other documents for the new programming period IPARD 2014-2020 between Department for pre-accession EU funds for rural development (IPARD) and IPARD AGENCY.

8. Publication of leaflets, brochures and other informative material

According to the Action plan for communication and publicity for 2016 envisaged activity of preparing and publishing leaflets and brochures IPARD Program 2014-2020 was implemented in August In cooperation with USAID and Rural Development Network of the Republic of Macedonia. Printed 5000 brochures for measure “Investments in physical assets of agricultural holding”. The brochures are available to the general public and potential applicants through the regional offices of Ministry of Agriculture and the website ipard.gov.mk.

9. Promoting good practices IPARD projects

All information events that we organized with the Regional Centers and the Economic Chamber of Macedonia attended successful IPARD projects potential applicants informed about how to reach success IPARD project and how to overcome difficulties

10. Ongoing activities

MS is currently preparing tender dossier for the start of the competitive negotiated procedure for procurement of services for campaigns for information and publicity for IPARD 2014-2020.

4. Conclusions

The 2016 was the year of concluding the process of contracting of all applications that were received on the last public calls for IPARD under IPARD2007-2013. It was also the year when the IPARD structure and Management structure completed and finalized all the processes, procedures, documents and legal acts needed for the official request for entrustment budget implementations tasks under IPARD 2014-2020 (IPARD II) that was sent by NAO to EC in May 2016.

As expected, the 2016 was the most successful year in terms of number of contracts signed (560) and contracted amount to be co-financed (8.559.820 Euros). Also the financial implementation has improved, so the total approved amount for payment in 2016 is 4.117.440 Euros. In 2016 the highest amount of IPA aid was paid and Macedonian farmers and companies have received 3,15 millions of Euros, EU funds.

If are looking at the public calls, starting from public call 01/2014 the acceptance rate (requested applications/signed contracts) is above 50%. On the public call 01/2015 the acceptance rate is exactly 50% but if it is taken as an indicator of the quality of applications we then must calculate also the rejected eligible tractors (due to applying the



ranking criteria) and then acceptance rate increase to 71%. For the last public call (02/2015) the acceptance rate is 33,9%, but also this percentage is not showing the quality of applications as all applications for tractors were rejected due to fulfilling the 20% of the available funds for M101. For M103 acceptance rate remains low: 27 % in public call 01/2015 and 40% in public call 02/2015. In M302 the situation is even more concerning as the acceptance rate is 5,7% in public call 01/2015 and 22,8% of all applications received on public call 02/2015 resulted in approved applications and contracts were signed. The available data on reasons for rejection for the both measures M103 and M302 shows alarming number of uncompleted applications (“empty” applications”). For example on public call 02/2015 for M302, out of 53 applications, for 31 the applicant did not respond to the “Notification for completing the application” sent by the Agency. These 31 applications were submitted “empty” and did not contain some basic information about the applicant and the investment. The three offer rule, building licenses and other documents needed for the applications to be completed are not very high on the list for reasons for rejections in the last calls. This can take us to conclusions that beside the undertaken publicity activities, the level of knowledge of how the IPARD as an instrument is functioning was low in M103 and M302 and also poses a question mark on the quality of the private consultancy services available in the country. But, in order to be able to draw final conclusions on the underlying reasons for high rejection rate in this two measures primarily intended for the business sector, an ex post evaluation of the IPARD 2007-2013 has to be undertaken.

During the 2016 and 2017 the MA with IPARD Agency and in cooperation with different actors and stakeholders (National Extension Agency, Chamber of commerce, Regional centers and Municipalities) undertook a range of informative events using the Leader – farmer approach / successful IPARD beneficiary to present their experience to the interested potential beneficiaries under IPARD 2014-2020, focusing on the M103 and M302. The results of this publicity campaign can be seen after the first public call of IPARD 2014-2020.

The measures undertaken for increasing the absorption, like the Guarantee fund and the subsidizing of the interest rates on IPARD loans are showing the first results but the real effects/ benefits is expected to be felt in the implementation of IPARD 2014-2020.

On institutional level the human resources capacities in the IPARD Agency and the time frame for processing applications and the claim for payments still remain one of the critical issues. The human resource capacities are also an issue in MA, especially for the implementation of the Technical assistance measure. If more success is expected with the IPARD 2014-2020 implementation, the issues of staffing and retention policy should be addressed.

The experience with the IPARD 2007-2013 implementation shows that more measures available under IPARD 2014-2020, like Rural Infrastructure, LEADER and Advisory Services should be implemented as soon as possible. In this way the available funds under the IPA II sector for rural development can be accessible to other types of beneficiaries like the municipalities, advisory services and public-private partnerships.



**ANNEX 1: Indicator Tables for Monitoring and Evaluation of the IPARD Programme
2007-2013**

Status 31.12.2016



ANNEX 2: On-the-spot checks performed during 2016

IPARD On-the-spot checks performed during the period 2016

Art.20 of the Sectoral Agreement						
a	b	c	d	e	f = e/c	g
Measures	Code	Eligible expenditure contracted	Number of beneficiaries concerned	Expenditure covered by on-the-spot checks	Percentage of eligible expenditure checked	Number of beneficiaries checked
Investments in agricultural holdings	101	7,863,074	542	7,863,074	100%	542
Support for the setting-up of producer groups	102					
Investments in the processing and marketing of agriculture and fishery products	103	5,848,325	8	5,848,325	100%	8
Actions to improve the environment and the countryside	201					
Preparation and implementation of local rural development strategies	202					
Improvement and development of rural infrastructure	301					
Diversification and development of rural economic activities	302	1,437,199	10	1,437,199	100%	10
Improvement of training	303					
Technical Assistance	501					
TOTAL		15,148,598	560	15,148,598	100%	560

Source: IPARD Agency 2016



IPARD Ex-post controls performed during the period 2016

Art.21 of the Sectoral Agreement						
a	b	c	d	e	f = e/c	g
Measures	Code	Eligible expenditure based on final payments	Number of beneficiaries concerned	Expenditure covered by ex-post checks⁷	Percentage of eligible expenditure checked	Number of beneficiaries ex-post checked
Investments in agricultural holdings	101	2,400,235	270	1,377,990	57%	137
Support for the setting-up of producer groups	102					
Investments in the processing and marketing of agriculture and fishery products	103	1,455,758	12	693,633	48%	6
Actions to improve the environment and the countryside	201					
Preparation and implementation of local rural development strategies	202					
Improvement and development of rural infrastructure	301					
Diversification and development of rural economic activities	302	261,447	5	90,540	35%	2
Improvement of training	303					
Technical Assistance	501					
TOTAL		4,117,440	287	2,162,163	53%	145

Source: IPARD Agency 2016

⁷The ex-post controls were performed on investment paid out during 2011, 2012, 2013, 2014 and 2015



ANNEX 3: Additional documents to the Statement of Assurance

Table with the information pursuant to Article 27 (3) of the Sectoral Agreement for the period 01.01.2016- 31.12.2016

Checks carried out on applications for approval⁸

	Number of received application ⁹	Administrative check by the IPARD Agency	On the spot check on the applications by the IPARD Agency	Contracts signed	Contracted amount	Reductions ¹⁰	Reductions %
	1	2	3	4	5	6	7=6/5
Measure 101	0	989	521	541	4,886,213.64 €	945,945 €	19.36%
Measure 103	0	14	6	8	2,924,162.27 €	32,415 €	1.11%
Measure 302	0	39	8	10	718,599.47 €	4,052 €	0.56%
Measure 501	1	1	0	1	1,554.81 €	0 €	0.00%
Total	1	1043	535	560	8,530,530 €	982,412 €	11.52%

(The figures are in EURO and related to total public expenditure)

⁸ Note: - The data are taken from the Statistical information submitted on quarterly bases by the IPARD Agency (Sector for Control, Sector for Project Approval and Sector for Authorization of Payments)

⁹ During 2016 no public call for investments measures was published.

¹⁰ The reductions are related to the total amount requested by the applicant and approved amount (contract signed) by the IPARD Agency. Since the data stated in the Statistical information from IPARD Agency are express in MKD currency, the exchange rate used for calculation of the euro amount is the exchange rate for the December 2016.


Checks carried out on claims for payment

	Number of payment claims received	Total amount of payment claims received	Administrative check on the claim for payment by the IPARD Agency ¹¹	On-the-spot check on the payment claims by the IPARD Agency ¹²	Total amount checked by the IPARD Agency	Authorised amount	Reductions ¹³	Reductions %	Number of ex-post checks by the IPARD Agency
	1	2	3	4	5	6	7=5-6	8=7/5	9
M 101	386	3,611,313.89 €	280	299	2,548,013 €	2,400,259.91 €	147,753 €	6%	137
M103	8	2,306,082.32 €	12	14	1,704,983 €	1,455,767.06 €	249,216 €	15%	6
M302	8	415,492.40 €	7	5	329,953 €	261,416.89 €	68,536 €	21%	2
M 501	1	1,526.23 €	1	1	1,526 €	0.00 €	1,526 €	100%	0
Total	403	6,334,414.84 €	300	319	4,584,475 €	4,117,443.86 €	467,031 €	10%	145

(The figures are in EURO and related to total public expenditure)

¹¹ The Administrative check on the claim for payment by the IPARD Agency includes payment claims that were received in 2015, but the administrative check was done in 2016.

¹² In addition to the regular checks, there are also controls performed by the IPARD Agency which refer to hidden works.

¹³ The reductions are related to the total amount requested by the applicant with claim for payment and approved amount (authorized) by the IPARD Agency.



Checks carried out by NAO/MS

	Number of payment claims checked by NAO/MS	Total amount checked by the NAO/MS ¹⁴	Reductions by NAO/MS	Reductions by NAO/NF %
	1	2	3	4=3/2
Measure 101	4	56,289 €	0 €	0%
Measure 103	1	6,227 €	0 €	0%
Measure 302	0	0 €	0 €	0%
Measure 501	1	1,526 €	0 €	0%
Total	6	64,043 €	0 €	0%

(The figures are in EURO and related to total public expenditure)

Error rate for the current and for the previous year (calculated in accordance to the findings by NAO/MS)

Error rate for the current year 2016			Error rate for the year 2015		
Authorised amount to final beneficiary by the IPARD Agency for 2016	Reductions by NAO/MS	Error rate for 2016	Authorised amount to final beneficiary by the IPARD Agency for 2015	Reductions by NAO/MS	Error rate for 2015
1	2	3=2/1			
4,117,444 €	0 €	0.00%	2,397,295 €	0 €	0.00%

¹⁴ Relates to the amount checked by the MS during the verification visits regarding the Declaration of Expenditure for the third quarter (Projects with ID no: 1402101110032, 1402101110016, 1301103220002, 1501101210026 and 1501101320327) and verification visit in Managing Authority covering project under technical assistance measure (Project with ID no. 011650111).