



**MINISTRY OF AGRICULTURE, FORESTRY AND WATER ECONOMY  
IPARD MANAGING AUTHORITY**

**ANNUAL REPORT ON THE IMPLEMENTATION OF THE  
IPARD 2014-2020 PROGRAMME FOR 2018**

(according to Article 59 of the Sectoral Agreement)

**May, 2019**

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## List of Acronyms

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	AFSARD - Agency for Financial Support in Agriculture and Rural Development
M 1	Investments in physical assets of agricultural holdings
M 3	Investments in physical assets concerning processing and marketing of agricultural and fishery products
M 7	Farm diversification and business development
M 9	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)
NSARD 2014-2020	National Strategy for Agriculture and Rural Development 2014-2020
NGO	Non-Governmental Organizations
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

## Preface

The annual report on IPARD Programme 2014-2020 implementation has been prepared in line with Article 59 (4) of the Sectoral Agreement: The reports referred to in paragraphs (1) and (2) shall be sent, after examination and approval by the IPARD II monitoring committee, **to the NIPAC for submission to the Commission** with copies to the NAO and the Audit Authority.

The implementation of the Programme started with announcement of public call 01/2017 in April 2017. As Article 59(1) indicates "By 30 June each year following a full calendar year of implementation of the IPARD II Programme the Managing Authority submits the first report for IPARD II by 30 June 2019 in line with conditions set by the Sectoral Agreement. Activities for improvement cover the aspects of the implementation of the Programme in 2017 and 2018.

Geographical application of the IPARD Programme 2014-2020 refers to the entire territory of Republic of North Macedonia.

## 1. Executive Summary

The IPARD Programme for the 2014-2020 programming period was approved on 13<sup>th</sup> of February 2015 by Commission Decision C (2015) 760.

The indicative maximum amounts of the European Union contribution for the implementation of the IPARD Programme under IPA II are set out as follows:

Year	2014	2015 indicative amount	2016 indicative amount	2017 indicative amount	2018 indicative amount	2019 indicative amount	2020 indicative amount
Total	5,000,000	5,000,000	5,000,000	6,000,000	10,000,000	14,000,000	15,000,000

IPARD Programme 2014-2020 provides support through five measures (four of them accredited in the past programming period):

1. Investments in physical assets of agricultural holdings – Measure 1,
2. Investments in physical assets concerning processing and marketing of agricultural and fishery products – Measure 3,
3. Investments in rural public infrastructure – Measure 5 (conferral of management power not yet received);
4. Farm diversification and business development – Measure 7,
5. Technical assistance – Measure 9.

The Implementation of the Programme started with announcement of the first call (01/2017) in April 2017. To meet the needs of the applicants, the final date for submission of applications under this call was extended until 21<sup>st</sup> of July. First contracts from this call were signed in August 2018 (14 months later). Great number of applications and lengthy procedures for approval of projects in the Agency were the main reasons for this scenario.

The experience from the first public call has shown that many of the submitted applications were incomplete, which prolonged the approval procedure. Therefore, first modification of the Programme was proposed introducing some changes in the rules for the mandatory documents to be submitted together with the application. Also in this respect, proposal for modification of IPARD Agency's Manual of procedures was developed.

Public call 01/2018 announced in November 2018 was for submission of applications under measure 3. Public call 02/2018 opened late in December 2018 for submitting applications only under measure 1.

## **2. Change in the general conditions of relevance to the implementation of the IPARD 2014-2020 Programme**

### **2.1 Political and institutional framework**

Since the approval of the IPARD Programme 2014-2020 to the end of the period covered by this report, significant changes in the context of the political and institutional framework have occurred. The political crisis that marked the end of the implementation of IPARD 2007-2013 Programme resulted in changes in Government. The period of political uncertainty and the prolongation of establishing a new government was challenging on many levels and slowed down the normal functioning of the institutions and processes, including some aspects of the implementation of the Programme. New top management has been appointed in all IPARD structures.

One of the more important determinants that largely reflects on the political context of the country is the entry into force of the Prespa Agreement, which resolves a long-standing foreign policy problem and opens up European perspectives.

In April 2018, the Commission published the regular progress report for Republic of North Macedonia, stating that no progress has been made to improve data quality and relevance of the farm register and LPIS. Current structures and resources at MAFWE and the IPARD Agency remained insufficient to operate and maintain IACS (a robust control system). The country needs to clarify the role of the Ministry and the IPARD Agency for operation and maintenance of the IACS. The ability to absorb funding under IPARD 2014-2020 Programme remains challenged by incomplete applications and lengthy contracting process. The constant decrease and high turnover of staff in the Managing Authority and in the IPARD Agency continue to be an issue of serious concern.

Following authorities and the responsible bodies are designated for management and implementation of the IPARD Programme 2014-2020:

- The NF is in charge of tasks of financial management of assistance under IPA, under the responsibility of the NAO (responsibilities outlined in Article 7 of the Sectoral Agreement). The NF in particular is in charge of organizing the bank accounts, requesting funds from the Commission, authorizing the transfer of funds from the Commission to the operating structures or to the final beneficiaries and the financial reporting to the Commission.
- Managing Authority main functions and responsibilities outlined in Article 8 of the Sectoral Agreement and focus on the Monitoring, Evaluation, Reporting, Coordination and Publicity of the IPARD Programme.
- The IPARD Agency (responsibilities outlined in Article 9 of the Sectoral Agreement) shall carry out, inter alia the following implementing and paying tasks:
  - a. arranging for tendering procedures, grant award procedures, the ensuing contracting, and making payments to, and recovery from, the final beneficiary
  - b. ensuring that the NAO, the National Fund and the Managing Authority receive all information necessary for them to perform their tasks;
  - c. selecting and checking operations in accordance with the criteria and mechanisms applicable to the IPARD Programmes, and complying with the relevant Community and national rules;
  - d. carrying out checks to ensure that the expenditure declared has actually been incurred in accordance with applicable rules, the products or services have been delivered in accordance with the approval decision, and the payment requests by the final beneficiary are correct. These checks shall cover

- financial, administrative, technical and physical aspects of operations, as appropriate;
- e. making calls for applications and publicizing terms and conditions for eligibility;
  - f. checking of applications for approval of projects against terms and eligibility conditions, and compliance with the Agreements including, where appropriate, public procurement provisions;;
  - g. laying down contractual obligations in writing between the IPARD Agency and the final beneficiaries including information on possible sanctions in the event of non-compliance with those obligations and, where necessary, the issue of approval to commence work;
  - h. execution of on-the-spot checks to establish eligibility both prior to and following project approval;
  - i. follow-up actions to ensure progress of projects being implemented;
  - j. reporting of progress of measures being implemented against indicators;
  - k. ensuring that the final beneficiary is made aware of the Community contribution to the project;

## 2.2 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.

**Table 1: Main macroeconomic indicators**

	2012	2013	2014	2015	2016	2017
GDP in million € (at current exchange rate)	7,585	8,150	8,562	9,072	9,657	10,026
GDP per capita in € (at current exchange rate)	3,680	3,948	4,141	4,382	4,659	4,831
GDP real growth rate (in %)	-0.5	2.9	3.6	3.9	2.8	0.2
Inflation (in %)	4.7	1.4	-0.5	-0.4	-0.2	2.4
Average exchange rate (denar/€)	61.53	61.58	61.62	61.61	61.60	61.57
Unemployment rate (in %)	31.0	29.0	28.0	26.1	23.7	22.4
Export of goods and services in mill. €	3,124	3,235	3,747	4,088	4,390	5,019
Import of goods and services in mill. €	5,071	4,983	5,505	5,801	6,176	6,835
Balance of trade in mill. €	-1,947	-1,748	-1,758	-1,714	-1,786	-1,816
Balance of trade in % of GDP	-25.7	-21.4	-20.5	-18.9	-18.5	-18.0

Source: State statistical office (SSO), National Bank of Republic of North Macedonia (NBRNM)

The GDP growth rate in recent years has varied as a result of the global banking and debt crisis (2008-2012) and the political crisis in the country (2015-2017). During the global banking and debt crisis, high inflation rates (4.7% in 2012) were registered, and during the political crisis in the country there were negative inflation rates due to the increased savings of the population and the economy. The decline in the unemployment rate in recent years is due to a number of factors: measures to stimulate employment, the policy of attracting foreign direct investment, as well as increased emigration (especially among the young population).

According to the State Statistical Office data, the industrial production volume index in February 2019, in comparison with February 2018, was 107.3. The industrial production in the section Mining and Quarrying in February 2019, in comparison with February 2018, increased by 2.9%, in the section Manufacturing it increased by 7.3%, while in the section Electricity, Gas, Steam and Air Conditioning supply it increased by 4.8%.

Increase in the section Manufacturing is mostly due to the increased production in the divisions Manufacture of Food Products, Manufacture of Beverages, Manufacture of Tobacco Products, Manufacture of Textiles, Manufacture of Basic Pharmaceutical Product



and Pharmaceutical Preparations, Manufacture of Other Non-metallic Mineral Products, Manufacture of Basic Metals, Manufacture of Electrical Equipment, Manufacture of Machinery and Equipment n.e.c. and Manufacture of Motor Vehicles, Trailers and Semi-trailers.

IPARD Programme 2014-2020 had no particular impact on the developments in the macroeconomic situation in the reporting period.

### **2.3 Demographic situation**

According to the population assessment (as of 31.12.2015), the Republic of North Macedonia has 2,071,278 inhabitants, which is 13,994 persons or 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.

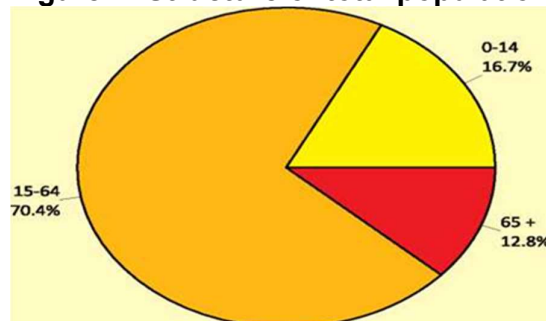
In terms of age structure, the Macedonian population is aging. From 2005 to 2015, the share of young population (0-14 years) in total decreased from 19.4% to 16.7% and the share of the elderly population (65 and over) increased from 11.1% to 13.0%.

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) was registered in Skopje, Polog and the Northeast Region, while the highest proportion of old population (65+) was observed in Pelagonia, Vardar and the East Region. The indicators of the population average age also confirm this situation.

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

IPARD Programme 2014-2020 had no particular impact on the developments in the demographic situation in the reporting period.

**Figure 1: Structure of total population by age groups, 2015**



Source: SSO

### **2.4 Agriculture production and economy**

Agriculture, along with Hunting, Forestry and Fisheries with a share of 10.6% in the overall Gross Domestic Product (GDP) in 2016 was the fourth largest economy sector, immediately after the sectors of Services, Industry and Wholesale and Retail Trade. Food, Beverages and Tobacco participated with 40.0% in the total consumption per household.

#### ***Economic Accounts and value of agriculture production***

Gross value added in agriculture for 2017 was 44,907 million denars and in comparison with 2016 it nominally decreased by 12,8%.

Crop production in 2017, having a 65,0% share in the total production, decreased by 13,6% compared with 2016. Livestock production, accounting for 24,2% of the total production, decreased by 2,8% compared with 2016.

Intermediate consumption recorded a 4,8% decrease in 2017 compared with 2016. In 2017, the nominal income in agriculture from production factors per labour unit registered a decrease of 5,7%, while the real income in agriculture from production factors registered a decrease of 5,0%.

### ***Agricultural land and farm structure***

According to the SSO data, 1,266 million ha or 49% of the total area is agricultural land (cultivated land and pastures), 38% are under forests, while about 13% are water and other surfaces.

Table 2: Agricultural areas by category of use in 000 hectares

	2012	2013	2014	2015	2016	2017	2018
Agricultural land	1,268	1,261	1,263	1,264	1,267	1,266	1,264
– Cultivated land	510	509	511	514	516	517	519
– Arable land and gardens	414	413	413	415	417	417	418
– Orchards	15	15	15	16	16	16	17
– Vineyards	21	22	23	23	24	24	24
– Meadows	60	59	60	60	59	60	60
Pastures	757	751	751	750	750	748	745
Ponds, reedbeds and fish ponds	1	1	1	1	1	1	1

Source: SSO

There are 178,125 agricultural holdings in the Republic of North Macedonia. On average, one agricultural holding uses 1.8 ha of agricultural area and breeds 2.1 LSU (livestock units). The total utilized agricultural area by agricultural holdings is 320,738 ha, and of the total number of holdings, 60.8% used up to 1 ha of agricultural area. Agricultural holdings have 381,361 LSU. Of the manure application techniques 37.9% of agricultural holdings used broadcast application of manure with no incorporation, (broadcasting manure onto the surface of a field - the oldest method of manure spreading), while the most used irrigation method is surface irrigation method.

### ***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) accounts for approximately 58% of cereals, 18% of vegetable crops, 14% of forage crops and 9% of industrial plants. Orchards occupy an area of 16,000 ha or 4%, while vineyards amount to about 22,918 ha (according to SSO) or 4% of total cultivated land.

According to the 2018 SSO data in comparison to 2017, there is a trend of increase in the cultivated area under cereals from an area of 148.367 ha to an area of 154.261 ha. Also, the yield per ha was increased compared to 2017, due to favorable climatic conditions during autumn sowing and favorable spring rains.

Industrial crops in 2017 decreased to 20,034 ha from 20,353 ha due to the decreased area under tobacco (15,961 ha in 2017). The forage crops are sown over an area of 31,989 ha with slight increase of about 4% in comparison of 2017. Area of all fodder crops has increasing trends in period 2013-2017. The trend to increase the area under the fodder crops is noticed with the area under Vetches-hay for 13% and the area under Fodder peas-hay by 32% compared to 2016, but production decreased due to lower average yields per ha

(clover to 16%, Alfalfa to 11%, Fodder maize 29%, Fodder beet 2,3% and increase in Animal pea-seed for 0,8%. Despite this, lack of forage crops (causing high prices) is one of the main limiting factors for development of for livestock production. Main reasons for this situation is the lack of sufficient size of arable land per farm for production of forage crops as well as the small and fragmented parcels.

Vegetable production also decreased in 2017 to 59,072 ha from 59,499 ha. The decrease in area under vegetables is not that significant as the decrease in the yields per ha. Most of the vegetable production is open field production and largely dependent from positive summer climatic conditions (favorable summer rains).

Vineyards presented 23,760 ha in 2018, with slight increase of 362 ha or about 1.5% compared to previous year. Fruit production suffered significant increase in production capacities in 2018 compared to 2017 (224.290 ha from 92.609 ha). The area in apple production increased to 140.296 ha from 43.366 ha, also plum production increased from 17.880 ha to 37.719 ha. Sour cherry and walnuts production increased, approximately doubling (4.408 ha to 10.538 ha and 2.341 ha to 4.826 ha respectively). Peach production also increased compared to 2017 (from 11.509 to 13.128 ha). The increasing trends in production of orchards and vineyards (yields/ha) in 2018 compared to 2017 are due to favorable climatic conditions (no spring frosts and heavy rains during pollination period).

In 2018, the total number of sheep was counted at 726.990 heads, remaining at almost the same level as in 2017 (724.555). Registered cattle were 256.181, also slightly increasing compared to 2017 (255.036). In 2018, there was an decrease in the number of pigs (195.538) compared to 2017 (202.197). The domestic production of 13,105 tons of pig meat covers around 90% of the market demand for fresh pork.

The total number of poultry in 2018 was 1,82 million, compared to 2013 being decreased by 361.377 heads or 16.4%. The eggs production is primary activity of the Macedonian poultry industry. 1,47 million heads out of the total belong to the number of laying hens. The number of bee families in 2018 was 81.197, which is close to the average in previous years.

### ***Employment in agriculture and rural areas***

The labor force in the agricultural sector in the Republic of North 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. The salary increase in 2018 is a result of the minimum wage increase in the country.

**Table 3: Average net salary by employee in €**

Description	Jan. 2013	Jan. 2014	Jan. 2015	Jan. 2016	Jan. 2017	Jan. 2018
Agriculture, forestry and fisheries	257	255	247	283	272	306

Source: SSO, 2019

**Table 4: Employees in agriculture, forestry and fisheries**

Description	2013	2014	2015	2016	2017	2018
Agriculture, forestry and, fisheries	12,348	12,649	11,561	11,133	11,665	11,725

Source: SSO, 2019

### ***General trade and trade with agro-food and fishery products***

In 2017, the overall trade (industrial + agro-food products) (export + import) compared to 2016 increased by 13.4%. The total export (industrial + agro-food products) in 2017 compared with 2016 increased by 15.6% and the total import shows increase by 11.7%. The export of agro-food products in 2017 compared with 2016 increased by 1% (from €530.5

million in 2016 to €536.2 million in 2017), and the import of agro-food products in 2017 compared with 2016 increased by 5.8% (from €718 million to €759.8 million).

In 2018, the overall trade (industrial + agro-food products) (export + import) compared to 2017 has increased by 14.4%. Total export (industrial + agro-food products) in 2018 compared with 2017 was increased by 17% and total import shows increase by 12.4%. The export of agro-food products in 2018 compared with 2017 has increased by 1.7% (from €536,2 million in 2017 to €545,5 million in 2018 ), and the import of agro-food products in 2018 compared with 2017 increased by 4.2% (from €759.8 million to €792.2 million).

The share of export of agro-food and fishery products in the total export from the Republic of North Macedonia in 2018 decreased compared to the share in 2017 and was 9.31%. The share of import of agro-food and fishery products in the total import into the Republic of North Macedonia in 2018 also decreased compared to the share in 2017 and it was 10.32%. However, it's the share of export of agricultural products in total export that has decreased. Actual exports of agricultural products in 2018 have increased compared to 2017 (see table 5) and also increased in 2017 compared to 2016. The share of export of agricultural products in total export has decreased due to significant increase in export of industrial products.

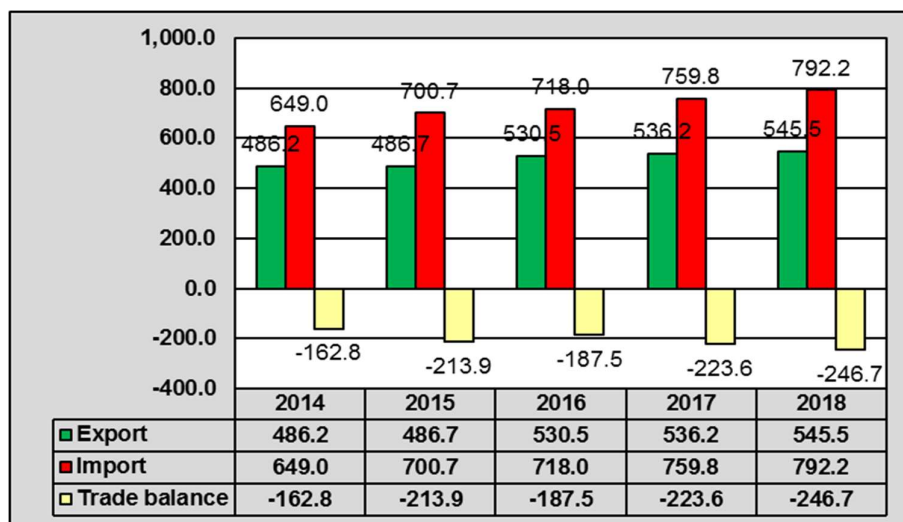
The trade deficit in 2017 decreased by 19.2% and amounted to €223.6 million, while in 2018 the trade deficit increased by 10.3% and amounted to €246.6 million.

Table 5: Total trade and trade with agricultural and fishery products 2014-2018 (in million €)

		Total trade (industrial + agricultural products)	Total trade with agricultural, processed and fisheries products	Share of agricultural, processed and fisheries products in total trade
2014	<b>Export</b>	3,722.95	486.24	13.06%
	<b>Import</b>	5,484.96	649.02	11.83%
	<b>Balance</b>	-1,762.01	-162.78	9.24%
2015	<b>Export</b>	4,051.23	486.7	12.01%
	<b>Import</b>	5,776.93	700.6	12.13%
	<b>Balance</b>	-1,725.70	-213.9	12.39%
2016	<b>Export</b>	4,329.27	530.52	12.25%
	<b>Import</b>	6,106.73	718.01	11.76%
	<b>Balance</b>	-1,777.46	-187.49	10.55%
2017	<b>Export</b>	5,007.9	536.23	10.71%
	<b>Import</b>	6,824.92	759.84	11.13%
	<b>Balance</b>	-1,817.73	-223.61	12.30%
2018	<b>Export</b>	5,860.83	545.50	9.31%
	<b>Import</b>	7,671.95	792.15	10.32%
	<b>Balance</b>	-1,811.12	-246.65	13.61%

Source: SSO

Figure 2: Development of Macedonian agricultural trade (in million €), 2014-2018 period



Source: MAFWE

European Union-28 is definitely the most important partner of the Republic of North Macedonia regarding trade with agri-food and fisheries products in 2018. The total value of trade with EU-28 with agri-food and fisheries products in 2018 (export + import) was €670.2 million. The share of agro-food and fishery products export to EU-28 in the total export of these products in 2018 was 50.5%, while the share of import from EU-28 in the total agro-food and fishery products import in 2018 was 49.8%.

The second important partner of the Republic of North Macedonia in 2018 in the trade with agro-food and fishery products were the CEFTA country members, with total value of trade (export + import) of €414.7 million. The share of agro-food and fishery products export to CEFTA country members in the total export of these products in 2018 was 33.9%, while the share of import from CEFTA country members in the total agro-food and fishery products import in 2018 was 28.9%. The most important CEFTA trade partner was Serbia, with a share of 12.7% of the total export of agro-food and fishery products and 23.6% of the total import. It is followed by Bosnia and Herzegovina (with a share of 5.6% in the total export and 3.2% in the total import). Regarding the export, Kosovo is also an important partner with a share of 8.9% of the total export, while the contribution of other CEFTA members countries (Montenegro, Moldova and Albania) is still with lower participation in the trade.

It is worth mentioning that Turkey as a candidate country and an important trade partner of the Republic of North Macedonia takes 0.79% of the total export and 3.4% of the total import of agro-food and fishery products. Regarding the export of agro-food and fishery products, the largest sole non-EU trade partner with a share of 4.9% of the total export was USA, due to significant export of tobacco, while Brazil with a share of 4.5% of the total import was the largest sole non-EU import partner, basically due to significant quantities of frozen poultry and beef and coffee imported in 2018.

## 2.5 Changes in national and sectoral policies

Within the framework of the National Strategy for Agriculture and Rural Development 2014-2020 (NSARD 2014-2020), the following goals and measures of the policies for development of agriculture and rural areas have been highlighted:

1. Strengthening the competitiveness of Macedonian agriculture in the integrated regional markets of the European Union and South-East Europe through measures to increase the efficiency of agricultural production, processing and sales.
2. Improving the incomes of agricultural holdings.
3. Enabling consumers to have access to safe, healthy food.

4. Optimizing the utilization of limited land, forest and water resources in a way that does not adversely affect the environment.
5. Building sustainable rural communities through integrated rural development.
6. Build appropriate, efficient public and private institutions for implementation of agricultural policy and rural development.

Achieving the vision and the stated strategic goals for the development of the sector will be realized through the measures and instruments of the following policies in the field of agriculture: agriculture and rural development policy, agricultural support policies and support for rural development policy.

After setting the financial support, social and tax benefits and credit policies for farmers, fully utilizing the development potential of the sector, increasing its competitiveness and, to a large extent, the development of rural areas, NSARD 2014-2020 in the period ahead will focus on tackling structural problems, small and fragmented land plots, insufficient technical and technological equipment resulting from the long disinvestment period, inadequate grade and racial production structure and the poor age and gender structure of the rural population.

## 2.6 National support schemes

More important tasks in the field of agriculture policy include the following: directing agricultural subsidies to profitable and market-oriented agricultural holdings; transparency of the budget funds from the national Programme for rural development; consolidation and enlargement of agricultural land; horizontal integration of the entities in the agricultural sector and establishment of cooperatives.

Table 6: Amounts of support (in €) by the Programme for direct payments

Year	2012	2013	2014	2015	2016	2017	2018
Total	112,715,447	111,959,350	101,788,297	101,788,618	102,764,228	99,477,350	100,983,740

Source: MAFWE, IPARD Agency

Rural development measures accompany and complement direct support measures (market policies and support for income from agricultural activity) and build on existing support for rural development provided through annual rural development programs. They also complement support provided by the IPARD Programme in terms of filling in gaps in eligible criteria or investments that are not covered by IPARD or provide support in piloting IPARD like measures. Special working group (see chapter 4) monitors complementarity between IPARD and national funding.

Taking into account the analysis of the situation in the agriculture and the sectoral development potentials, as well as the specific needs for rural development, the measures for rural development policy implementation are prioritized in increasing the competitiveness of the agricultural sector and strengthening the economic and social position of the rural areas by increasing the agricultural holdings incomes, increasing the employment possibility of the rural population outside the agricultural sector. Special attention is given to the introduction of measures for sustainable management and utilization of natural resources, protection of biodiversity and the environment.

Table 7: Amounts of support (in €) by the Programme for rural development

Year	2012	2013	2014	2015	2016	2017	2018
Total	11,381,106	17,186,992	31,229,268	31,400,000	29,356,016	32,906,390	32,295,935

Source: MAFWE, IPARD Agency



### **3. Assessment of the progress in the implementation of objectives, priorities, measures and group of investments**

#### **3.1 Summary of the strategic framework of the IPARD Programme 2014-2020**

The IPARD Programme for the period 2014-2020 supports the beneficiaries in adopting and implementing the political, institutional, legal, administrative, social and economic reforms in order to comply with the Union's values and to progressively align to the Union's rules, standards, policies and practices, with a view to Union membership.

The specific objectives set out in Article 2 of Regulation (EU) No 231/2014 should be to the extent possible addressed by all policy areas. This means that agriculture and rural development policy area will contribute to the following specific objectives:

- a) Support for political reforms;
- b) Support for economic, social and territorial development, with a view to a smart, sustainable and inclusive growth;
- c) Strengthening of the ability of the beneficiary countries at all levels to fulfil the obligations stemming from Union membership by supporting progressive alignment with, and adoption, implementation and enforcement of the Union acquis, including preparation for management of Union Structural Funds, the Cohesion Fund and the European Agricultural Fund for Rural Development;
- d) Strengthening regional integration and territorial cooperation involving the beneficiaries listed in Annex I, Member States and, where appropriate, third countries within the scope of Regulation (EU) No 232/2014 of the European Parliament and of the Council.

The above-mentioned IPA II objectives largely coincide with the main strategic objectives and specific objectives according to NSARD 2014-2020 (section 6.1.1 of this Programme), namely the objectives for enhancing farm viability and competitiveness of all types of agriculture and food-processing, agro-environmental objectives for restoring, preserving and enhancing ecosystems dependent on agriculture and forestry, improving socio-economic development in rural areas and human potential.

Table 8: Budget of EU Contribution by measure 2014-2020, in €

Measures	EU contribution 2014-2020	
Investments in physical assets of agricultural holdings	21,800,000	36%
Investments in physical assets concerning processing and marketing of agricultural and fishery products	21,960,000	37%
Investments in rural public infrastructure	9,100,000	15%
Farm diversification and business development	4,740,000	8%
Technical assistance	2,400,000	4%
Total	60,000,000	100%

Source: IPARD Programme 2014-2020, C (2015) 760

#### **3.2 Analysis on progress in implementation by measure**

The implementation of the Programme started with announcement of the first call (01/2017) in April 2017. To meet the needs of the applicants, the final date for submission of applications under this call was extended until 21<sup>st</sup> of July. Public call 01/2018 announced in November 2018 was for submission of applications under measure 3. Public call 02/2018 opened late in December 2018 for submitting applications only under measure 1.

Table 9: Overview of implementation of IPARD per public calls in € (cutoff date 31.12.2018)

	Public call	Applications						Time for processing
		Submitted		Contracted		Paid		
		No.	EU contribution	No.	EU contribution	No.	EU contribution	
1	01/2017	1,651	72,333,821	955	15,345,355	127	1,002,784	14 months
2	01/2018 <sup>1</sup>	65	15,306,611	/	/	/	/	/
3	02/2018 <sup>2</sup>	1,099	18,335,969	/	/	/	/	/
Total		2,815	105,976,401	955	15,345,355	127	1,002,784	/

Source: IPARD Agency

The process of processing and approving the applications submitted at the first public call took a lot of time. The public call announced in April 2017 had its first contracts for measure 1 signed after 14 months (June 2018). Delays in the process of approving requests limit the possibility of publishing new public calls. The reasons for this situation are the significant number of incomplete applications and time needed to send completion requests and receive missing documents (in many cases applications were incomplete even after Agency has asked for their completion). Also, lack of staff in the IPARD Agency, the extensive procedures for controlling the standards, especially the time needed for checking the price of the offers were among the main reasons for long process of approval of applications.

Table 10: Indicators on quality of implementation (cutoff date 31.12.2018)

Total number of applications submitted	2,815
Number of signed contracts	955
Number of paid contracts	127
Number of cancelled contracts	6
% of contracted applications (contracted/submitted)	33
% of cancelation of contracts (cancelled/contracted)	0.6
% of paid contracts (paid/(contracted – cancelled)	13

Source: Managing Authority

Table 11: Financial implementation of the IPARD Programme 2014-2020 <sup>3</sup>

Measure	Sub measure	Total public expenditure	EU contribution	National contribution
M1	Livestock sector	0	0	0
	Crop sector	599.633	449.725	149.908
	On-farm processing	0		
	Renewable energy	4.200	3.150	1.050
M3	Milk and dairy products	88.567	66.425	22.142
	Meat and meat products	127.711	95.783	31.928
	Fruits and vegetables processing	511.818	383.864	127.954
	Cereal, milling and starch products	0	0	0
	Vegetable and animal oils and fats	0	0	0
	Grape must, wine and vinegar	0	0	0
	Production of energy	0	0	0
	Alternative agriculture production	0	0	0
	Manufacture of food products and beverages	0	0	0

<sup>1</sup>Public call for submission of applications only for measure 3. Public call closed on 14<sup>th</sup> January 2019.<sup>2</sup>Public call for submission of applications only for measure 1. Public call closed on 9<sup>th</sup> of February 2019.<sup>3</sup>Financial implementation table summarizes in table format the annual payments in the year N (2018) and cumulative payments from year X (2018) to year N (2018). Since 2018 is the first year where annual payments are made, table shows both annual and cumulative payments.



M7	Manufacturing of non-food products	0	0	0
	Development of crafts activities	0	0	0
	Provision of services to agriculture	0	0	0
	Promotion of Rural Tourism	0	0	0
	Production and sale of renewable energy	0	0	0
M9	Monitoring Committee	3.715	3.159	556
	Information and Publicity campaign	797	678	119
	Programme evaluation	0	0	0
	Support to other measures	0	0	0
Total		1.336.441	1.002.784	333.657

Source: Managing Authority

### 3.3 Measure 1 – Investments in physical assets of agricultural holdings

During the reporting period, the number of projects submitted under Measure 1 reached 1,404 (17,959,245 EU contribution). Contracts have been signed with 902 applicants (8,127,123 EU contribution) and 6 of them (17,749 EU contribution) were terminated by the Agency. By the end of 2018, payment of contracts reached 116 (452,875 EU contribution).

Table 12: Overview of objectives fulfilment by applications in Measure 1

Measure objectives	Received	Contracted	Paid
Improve the overall performance of the agriculture holdings in the production of primary agricultural products	642	392	39
Attract young people in the agriculture activities by improving their life and working conditions, as well as ensuring the hygiene and welfare conditions of the livestock	490	325	50
Improve farm labour productivity and efficiency of the agriculture production, as well as the post-harvesting and marketing of agriculture products, aiming at increased competitiveness via investments	270	183	26
Promote use of renewable energy at farm level and at processing level, as well as increase the overall energy use from renewable resources at national level	2	2	1

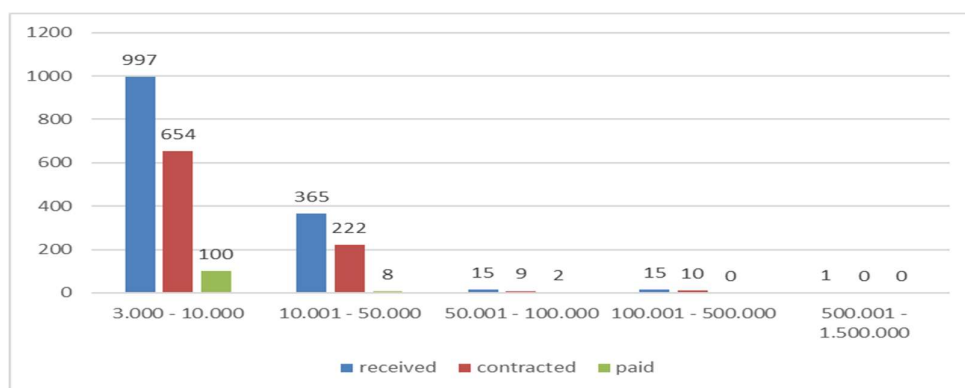
Source: Managing Authority

Judging by the objectives of the applications and their fulfillment, Measure 1 meets the expectations and objectives of the IPARD Programme, except in the area of promotion of use of renewable energy. On the other hand, the interest of the applicants for investments in renewable energy sources is high and most often these investments are combined with other types of investments that are more expensive and are not recorded in the monitoring system (avoiding of double counting).

Applications received under the first call were of a lower value. Most of the applications (72%) were below 10,000 € and 26% were in the range from 10,000 – 50,000 €<sup>4</sup>.

Figure 3: Review of applications per value of investments in Measure 1

<sup>4</sup>Value of investments is presented as total eligible expenditure



Source: Managing Authority

Having in mind the conditions in the crop production sector, such as: the needs for investments in mechanization modernization, resolved property legal issues, lower value of investments (low level of construction activities) and the overriding problems with the legalization of irrigation wells, most of the applications were submitted in the crop production area.

The real needs for investments in the livestock production sectors relate to the production capacities reconstruction (rebuilding the farms in order to achieve the standards for animal welfare and environmental protection). Investments like this (construction activities) have higher value than those related to equipment procurement and installation, so the lack of such investment activities affected the Programme financial targets implementation. Building permits are obligatory for such investments and are difficult to obtain in most cases (especially in small rural Municipalities).

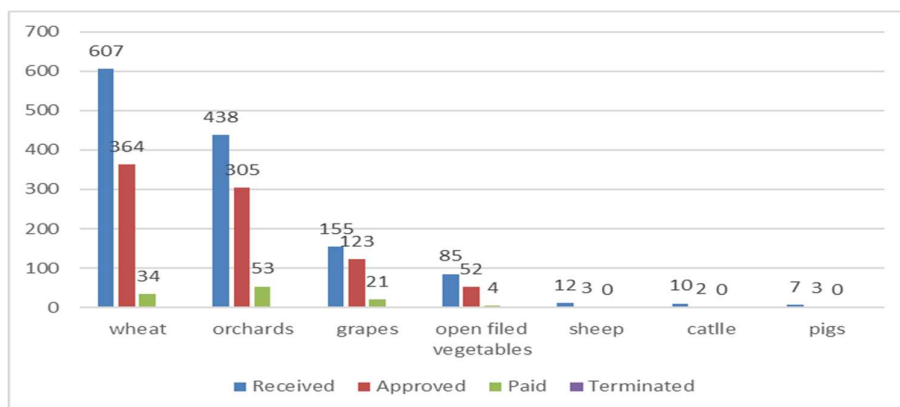
Table 13: Review of applications per priority sectors in Measure 1

	Received (A)	Contracted (B)	EU part contracted	Paid	EU part paid	% of approval (B/A)
Cattle	10	2	57,430	0	0	20%
Poultry	4	2	446,268	0	0	50%
Sheep	12	3	17,271	0	0	25%
Pigs	7	3	917,611	0	0	43%
Orchards	444	308	2,528,272	53	186.897	69%
Vineyards	155	123	834,980	21	40.637	79%
Vegetables	101	61	381,672	5	53.922	60%
Cereals	665	397	2,927,769	36	168.269	60%
On-farm processing	4	1	12,790	0	0	25%
Renewable energy	2	2	3,150	1	3.150	100%

Source: Managing Authority

Wheat, orchards, grapes and open field vegetables production were types of production most commonly used by the applicants. Focus on livestock breeding and on-farm processing shall be increased especially in the campaign for publicity of the Programme. Targeting the potential beneficiaries of these Sectors will also include wider perspective on the issue and involvement of other institutions that provide the documentation needed for application.

Figure 4: Review of applications per production culture in Measure 1

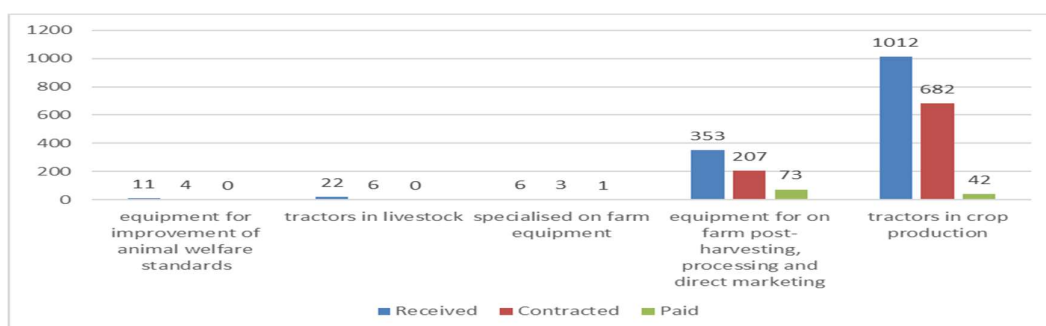


Source: Managing Authority

Regarding the interest for types of investments, investments in tractors and agricultural mechanization, just as in the past, were most attractive for farmers. From the total number of 1,034 applications submitted for tractors, 688 contracts have been signed (5,413,581 EU funds) and 42 have been paid (181,010 EU funds). According to IPARD Programme (Measure 1, Indicative budget), the distribution of the public funds for agriculture mechanization – tractors including their equipment (excluding attachments) shall not exceed 20% of the total available financial budget for this measure (5,893,333.4) for the whole period of the Programme implementation. In this regard, the Public Call 02/2018 did not include tractors as an eligible expense.

Applicants have not shown interest for investing in: environmental protection equipment, specialized agricultural transport trailers and vehicles, irrigation systems, construction and reconstruction of immovable property for agriculture production, processing, post harvesting and direct marketing and development of holdings infrastructure. Some of these types of investments are mixed together with other types of investments, often equipment and machinery, but due to the rule of registering more expensive investments to avoid double counting of projects, they are not recorded as separate in the monitoring system.

Figure 5: Review of applications per type of investment in Measure 1



Source: Managing Authority

### 3.4 Measure 3 – Investments in physical assets concerning processing and marketing of agricultural and fishery products

During the reporting period, the number of projects submitted under Measure 3 reached 57 (13,027,752 EU contribution). Contracts have been signed with 30 applicants (4,942,889 EU contribution). By the end of 2018, payment under the Measure reached 8 projects (546,072 EU contribution).

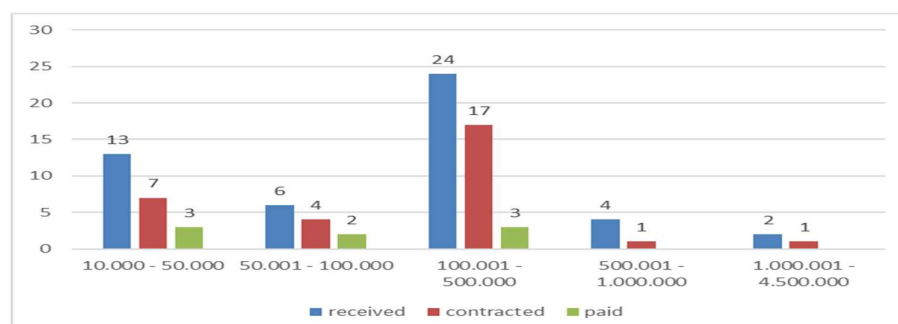
Table 14: Overview of objectives fulfilment by applications in Measure 3

Measure objectives	Received	Contracted	Paid
Upgrade to the Community Standards as regards environmental protection, public health (food safety and quality of products), animal and plant health, animal welfare and occupational safety	1	1	0
Improve the overall performance in the processing and marketing of primary agricultural products	13	6	0
Facilitate competition in the internal market by the introduction of new technologies and innovation	6	3	1
Promote environmentally sound production practices (reduction of water losses, decreasing the pollution of the environment, and/or elimination of by-products or of wastes)	3	2	0
Improve the utilization of processing capacities in terms of efficiency and production technology improvements, as well as marketing activities, at the same time promoting innovations, and aiming at full alignment to the EU food safety standards	34	18	7

Source: Managing Authority

The application received under the first call had higher value. Most of the applications (42%) were in the range between 100,000 and 500,000€, 23% were in the range from 10,000 – 50,000€ and 11% were with a value from 50,000 to 100,000 €<sup>5</sup>.

Figure 6: Review of applications per value of investments in Measure 3



Source: Managing Authority

The interest for use of IPARD Programme funds is highest in the meat and meat products priority sector and fruit and vegetables processing. The fruit and vegetable processing and wine sector are export-oriented, with high level of liquidity of companies and investments needs in equipment for technological process modernization or new production lines introduction.

Table 15: Review of applications per priority sectors in Measure 3

	Received (A)	Contracted (B)	EU part contracted	Paid	EU part paid	% of approval (B/A)
Milk collection centers	9	5	303,880	2	66,425	56%
Meat products	12	8	2,328,524	3	95,783	67%
F&V collection centers	21	10	1,727,013	3	383,864	48%
Cereals milling	5	2	75,879	0	0	40%
Oils and fats	2	1	9,619	0	0	50%
Wineries	8	4	497,974	0	0	50%

Source: Managing Authority

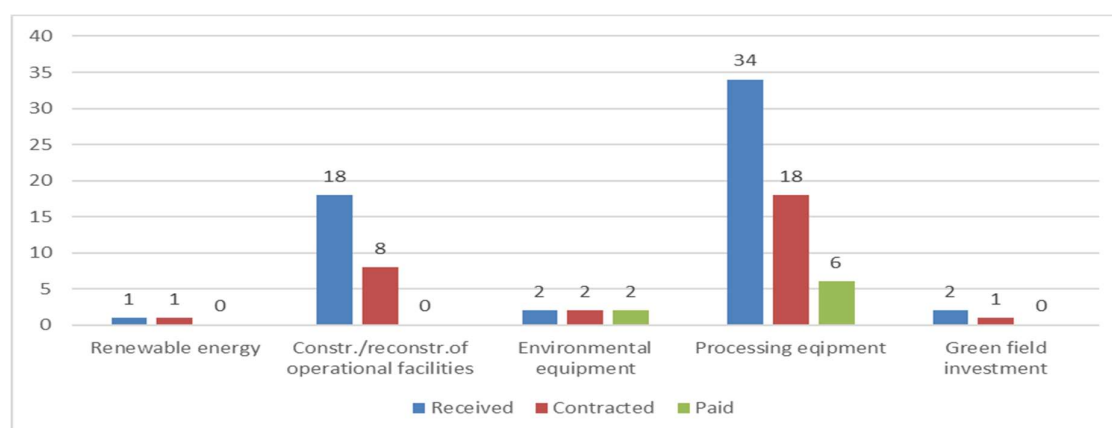
<sup>5</sup>Value of investments is presented as total eligible expenditure

Regarding the interest for types of investments, investments in equipment for production technology modernization was most wanted for the applicants (especially in F&V processing- 11 applications, 5 contracts), followed by construction/reconstruction of operational facilities (especially in F&V collection centers – 10 applications, 5 contracts). In addition, 2 green-field investments have been submitted and there was 1 signed contract (meat processing – poultry).

Applicants have not shown interest for investing in: waste and wastewater management, transport tanks, trailers and specialized vehicles for transport of raw materials, equipment for improvement of animal welfare standards and investments in development of holdings infrastructure.

According to the objectives of the measure (Table 14), the primary objectives of the applications in this measure are to improve the overall performance of applicants and improve the utilization of processing capacities. These goals contribute to the economic performance of applicants to a greater extent and therefore have greater interest. On the contrary, investments in waste and wastewater treatment, improvement of animal welfare standards and development of holdings' infrastructure are not so attractive to investors. When implementing future publicity activities, Managing Authority and IPARD Agency shall focus on these types of investments and potential beneficiaries, explaining the long-term benefits of investing in fulfilment of environmental standards.

Figure 7: Review of applications per type of investment in Measure 3



Source: Managing Authority

### 3.5 Measure 7 – Farm diversification and business development

Contracting under this measure was delayed due to the great number and value of applications submitted. The first call had 187 applications (41,342,988 € EU contribution) submitted for this measure. The first 20 contracts under Measure 7 were signed early in 2019 (2,271,506 EU contribution).

Table 16: Overview of objectives fulfilment by applications in Measure 7

Measure objectives	Received	Contracted	Paid
Increased economic activities in the rural areas	4		
Creation of employment opportunities for rural population	47		
Enhance or provide additional mainstream services for the rural economy	5		
Provide openings for future economic development, including tourism and craft activities	21		

Support development of existing and new rural businesses for economic development and employment; to develop rural tourism potential	33		
Develop physical infrastructure, upgrade village spaces and increased provision of services and rural accommodation, for tourism and business development in rural areas and improved living conditions in rural areas	77		

Source: Managing Authority

Applications submitted under this measure vary in value of investment. More than half of the submitted applications are in the range of 10,000-50,000€ (27%) and 100,000-500,000€ (27%).

Figure 8: Review of applications per value of investments in Measure 7



Source: Managing Authority

The interest for use of IPARD Programme funds is highest in the production and sale of renewable energy sector (39 applications for solar, wind, water, geothermal energy), alternative agriculture production (20 applications for cultivation of herbs, seeds, and other spices and aromatic crops), non-food products (33 applications in wood processing) and rural tourism (17 applications in accommodation, 13 application in rural museums).

Table 17: Review of applications per priority sectors in Measure 7

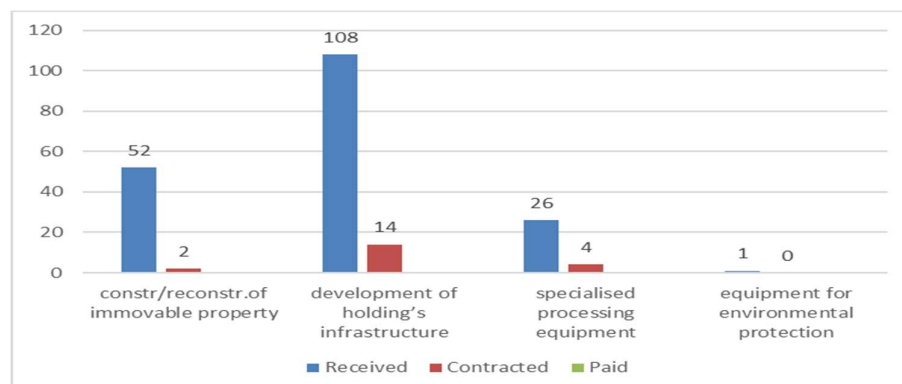
	Received (A)	Contracted (B)	EU part contracted	% of approval (B/A)
Alternative agriculture production	39	10	268,650	26%
Manufacture of food products and beverages	21	1	20,549	5%
Manufacturing of non-food products	33	4	502,247	12%
Development of crafts activities	5	0	0	0%
Provision of services to agriculture	4	1	9,055	25%
Development of services for the rural population	8	1	487,158	13%
Promotion of Rural Tourism	32	3	983,847	9%
Production and sale of renewable energy	45	0	0	0%

Source: Managing Authority

Applicants have not shown interest for investing in: specialized transport tanks and trailers and purchase of perennial trees and plants. However, there is a possibility to combine these

types of investments with other, more expensive types of investments that are not recorded in the monitoring system (avoiding of double counting).

Figure 9: Review of applications per type of investment in Measure 7



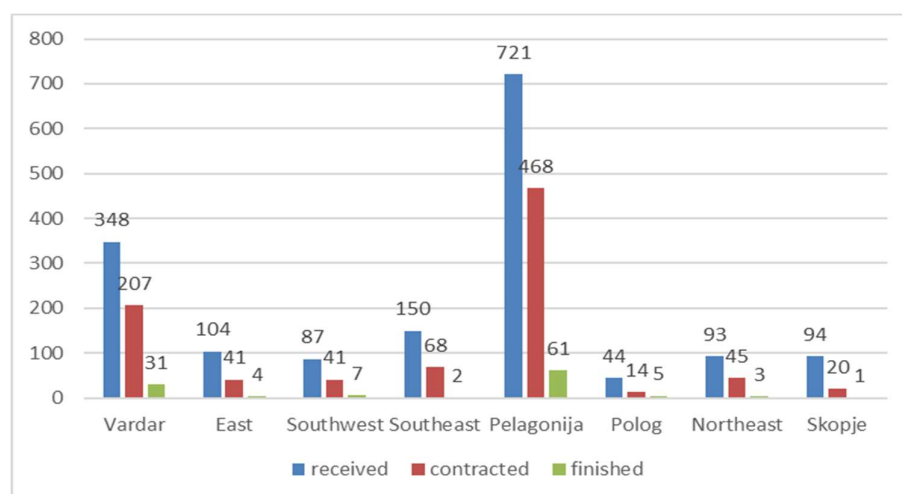
Source: Managing Authority

### 3.6 Geographical analysis of IPARD Programme implementation

The data for the geographical implementation of the IPARD Programme and the support to the regional development of the Republic of North Macedonia are presented in this report by statistical regions (NUTS 3) and municipalities.

Most of the total submitted applications come from the regions of Pelagonija (721), Vardar (348), Southeast (150) and East (104). Pelagonija also has the biggest number of contracts (468), followed by Vardar (207), Southeast (68) and Northeast (45).

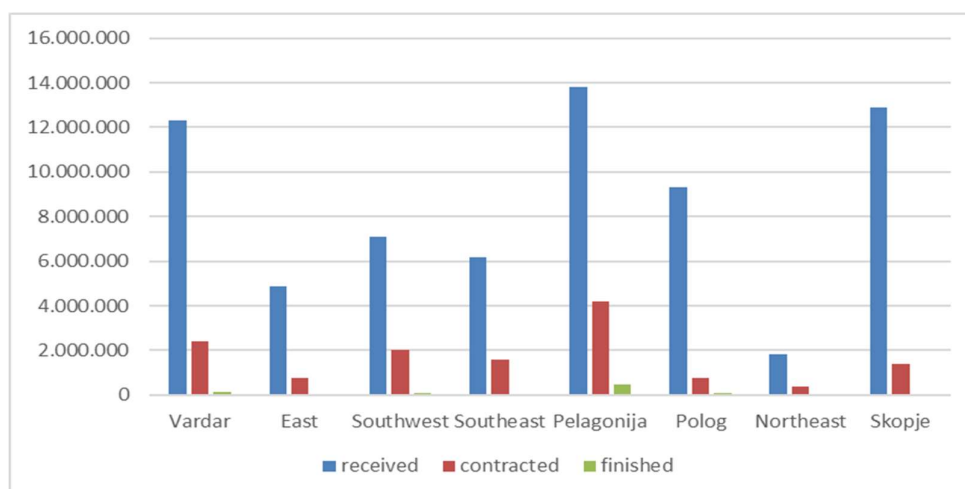
Figure 10: Review of the applications by statistical regions



Source: Managing Authority

Crop production (cereals, orchards and vineyards) are predominant agricultural production in the Pelagonija and the Vardar regions. Most of the applications in these regions are for less expensive investments (tractors and small pieces of agricultural mechanization). There is no significant difference in the number of applications submitted between the other regions. Due to the structure of the relief, mixed agriculture is present in these regions. Most of the farms have crop and livestock production, and in that case the whole farm should meet the minimum national standards for environmental protection, public health, animal welfare and occupational safety.

Figure 11: Review of the total public expenditure by statistical regions



Source: Managing Authority

Table 18: Review of applications per Municipalities

Municipality	No. of applications			Total public expenditure in EUR		
	received	contracted	paid	received	contracted	paid
Resen	213	166	30	2,549,515	1,348,695	207,510
Mogila	124	89	14	1,422,626	562,492	62,657
Bitola	112	72	4	1,981,335	887,787	19,470
Prilep	84	41	5	868,771	349,461	143,447
Negotino	74	48	8	2,618,895	292,525	15,748
Novaci	53	38	2	3,122,449	242,380	6,759
Kavadarci	51	39	9	2,827,988	178,317	16,378
Dolneni	48	26	3	878,005	533,644	21,878
Veles	48	23	2	1,719,844	372,523	5,842
Kumanovo	47	25	2	1,230,098	248,292	7,109
Rosoman	42	29	7	558,706	322,759	14,922
Krivogastani	38	20	1	327,507	121,945	1,277
Sveti Nikole	36	21	2	692,622	181,612	50,715
Debarca	35	18	3	1,552,488	137,292	13,183
Caska	33	17	2	270,939	110,235	5,171
Lozovo	23	13	1	1,212,163	754,053	5,657

Source: Managing Authority

Due to reasons mentioned above, municipalities that have the biggest interest for using IPARD until 2018 are in Pelagonia (Resen, Mogila, Bitola, Prilep, Novaci, Dolneni, Krivogastani) and Vardar (Negotino, Kavadarci, Veles, Rosoman, Caska, Lozovo) regions.



## **4. Actions undertaken for improvement of quality and efficiency of IPARD implementation**

### **4.1 Activities undertaken by the Managing Authority**

Considering that in the previous period, various activities were undertaken to overcome the problems and improve the implementation of the Programme, recent activities of the Managing Authority were directed towards strengthening the human capacities and improving the Programme aspects of implementation at the request of the beneficiaries and the Agency. In order to strengthen human capacities in 2018, several employees were transferred in the Managing Authority from other MAFWE Departments, so the total number of employees in the Managing Authority reached 16. The Managing Authority was strengthened with one Advisor for Monitoring, one Head of Unit for Programming and two Advisors for Procurement. Also, the Managing Authority's employees deployed in other MAFWE Departments were permanently transferred to the Departments in which they worked.

The first IPARD 2014-2020 Programme modification has been proposed in order to broaden and clarify the opportunities for the potential IPARD II recipients. Most of the proposed modifications are based on the experience of implementing the first Public call of IPARD II in order to facilitate easier implementation process. One of the most significant obstacle (bottlenecks) during implementation of the first public call under IPARD II Programme noted by the Agency was submission of empty application, causing a delay the implementation process at all. This obstacle is solved within the proposed first modification of the IPARD II Programme and amendments to the Law for establishing the Agency for financial support in agriculture and rural development. Changes in the rules for the mandatory documents to be submitted together with the Application are introduced within this modification.

Eligibility criteria for some sectors (cereals, industrial crops, and fodder production) under measure 1 were not defined in the Programme. At the same time a significant number of applications (good projects) under measure 3 were rejected, due the fact that they are in a range of micro enterprises which are were not eligible in the measure 3. All above mentioned problems and obstacles are slowed with adopted first modification of the IPARD II Programme.

In addition, modification is proposed to investments related to establishing new irrigation system as eligible investment under the measure "Investment in Physical Assets of Agricultural Holdings". As a result, since implementing the first public call, some changes for eligible investments in the renewable energy sector under the measure "Farm Diversification and Business Development" are included. Consequently, due to the interest for investments under the measure "Farm Diversification and Business Development" that has exceeded the initially planned funds, changes in the financial allocations are proposed.

Some eligibility criteria in the Programme were too high for potential recipients. In case of investments in rural tourism and/or catering by legal entity, the capacity is modified accordingly from 70 to 150 guests (max. number of guests to be served at once for catering). Also, Annex 14 to the IPARD II Programme is included – Eligible activities for support under "manufacturing of non-food products". This Annex enables investments in non-food production activities under measure 7.

Furthermore, modifications are proposed to improve the text of the Programme correcting the technical mistakes and errors.

The change in the list of eligible expenditures for Measure (1) "Investments in Physical Assets on Agricultural Holdings" involves the introduction of frost protection equipment which was proposed at the request of potential IPARD applicants. In addition to this, clarification of the costs eligibility for electricity supply, irrigation, drainage, boreholes, wells, pumps etc. is included.

The change in the list of eligible costs for Measures (3) and (7) follows the approved Programme modification on the production of energy from renewable sources. Also, a change in the list of eligible expenditures for the measure "Investments in Rural Public Infrastructure" was carried out on the basis of findings and recommendation from the conducted audit.

For avoiding overlapping between types of investments and eligibility costs under IPARD II Programme and national Programme for financial support in rural development, a set of meetings and consultation within the Ministry is performed with clear demarcation between the eligible investments and eligible costs under IPARD II Programme and national Programme for financial support in rural development.

Under the public call 01/17 the Agency accepted as eligible all applicants investing in tractors under measure 1 if they present existence of UAA of minimum 1 ha of agriculture land registered in LPIS. According IPARD II Programme measure 1, chapter 5.1 General requirements for support, point 1 bullet 3 (page 152), all applicants applying for investments related to agriculture mechanization for crop production at the time of submission of the application must demonstrate existence of the UAA of minimum 1 ha of agriculture land including meadows and pastures registered in the Land Parcel Identification System (LPIS). The Agency contracted 200 such applications (2,5 mill EUR total public expenditure).

During authorization of payments of these contracts, Agency has checked eligibility of expenditure according Annex 1 to the LEE for measure 1 and existence of capacities on parcels stated in the contract for allocation of funds. So instead of minimum 1 ha UAA, applicants needed to prove existence of minimum 1-2 ha of UAA for mixed agriculture production (orchards + vegetable/wheat etc.) or existence of more than 2 ha of vineyards/orchards if they invest in tractor with maximum power capacity of 60 kW.

The discrepancy between general requirements for potential recipients in M1 of the IPARD Programme 2014-2020 and Annex 1 to the LEE for M1, was resolved and applicants are considered as eligible (fulfilling criteria defined in the IPARD II Programme), since approved eligibility criteria under M1 in IPARD Programme prevails compared to the requirements in the Annex 1 of the LEE for M1.

## **4.2 Activities undertaken by NAO and MS**

The system for indirect implementation of the IPARD Programme 2014-2020 (Measures 1,3,7 and 9) was entrusted with the signature and entrance into force of the Financial Agreement for IPARD 2014-2020 in June 2017.

In 2018, improvements of the IPARD Agency working procedures were made, on the bases of:

- experience in the processing of the first public call under IPARD II;

- further recommendations by DG AGRI, on the submitted working procedures;
- having in mind the weaknesses identified in the conformity/financial clearance process under IPARD I and findings from AA.

Modifications of the IPARD Agency Manual of Procedures are approved by NAO as non-significant and entered into force as of the approval of NAO. The main changes concerned streamlining the controls for detecting artificial split of offers due to circumventing the rule of origin (initiated by DG AGRI), improvement of the controls over the data entered in the RPDB, streamlining the text of the Manual for regular market research which is to be performed for the most frequently used items and to be initiated for the expired items as soon as an information for publishing a new public call is received in URPD.

The other changes that are approved are more of a technical nature and refer to the need for corrections in the manuals and alignment with the recommendations issued by auditors in the Compliance Assessment process for the accreditation of the Rural Infrastructure measure, as well as a change concerning the project approval phase where the time for submitting additional documents by applicants is reduced from 15 (+10 additional days at request of applicants) to 8 days.

In addition, a significant change was proposed in the National Fund working arrangements, in particular in the Accounting System. The proposed working arrangements changes have been assessed by NAO support office and approved by NAO. Having in mind that the changes are significant, they were submitted to DG AGRI for approval in June 2018. Pursuant to the provisions of the Sectoral Agreement, the proposed changes will be implemented after approval by the DG Agri. The need of changes to the applicable National Fund working arrangements arose from the recommendations for improving the accounting system, given by the TWL Project "Strengthening the Capacities of National Authorities for Sound & Efficient Management of EU Funds, as well as in view of New EU Regulation for 2014-2020 Financial Perspective", as well as the lessons learned from practical implementation. The main reason for modifying the procedures is the recommendation for amendments regarding the recognition of revenues and expense given by the TwL experts. The change is still not approved by the DG AGRI.

The activities undertaken by the IPARD Structures for improving the functioning of the indirect management system are presented in the following part.

#### 4.2.1 Verification Visit

The NAO support office within the 2018 Annual Plan for Verification Visits planned one verification visit concerning IPARD I Programme (ex post checks regarding projects' sustainability under IPARD I programme), as well as two verification visits over the project approval process and payment process within the IPARD Agency concerning implementation of IPARD II Programme.

In the period June-September 2018 concerning the IPARD I programming period there was a verification visit on site to check the projects' sustainability for assuring the legality and regularity of paid projects transactions. The second and third verification visit over the project approval process and payment process are finalized as well. The goal of these two verification visits was to supervise the management and control systems, to check the control of the eligible applications for concluding contracts and to check controls concerning legality and regularity of the transactions for the paid projects from the same public call. The total number of projects checked (for Measure 1 and 3) during these verification visits was 9 projects, out of which 6 projects in the project approval process and 3 projects in the payment phase. The total amount of 653,904.33 EUR is checked out of a contracted amount of 17,563,187.45 EUR, representing 3.7% of the total contracted amount and an amount of 67,631.17 EUR is checked out of 449,689.61 EUR paid, representing around 15% of the total disbursed amount up to the preparation of the analysis.

With the 2019 Annual Plan for Verification Visits, verification visits are planned over the project approval process under Measure 7 from Public Call 01/2017 (check on specific control points) and Administrative check on project level concerning implementation of Measure 9 – Technical Assistance.

#### 4.2.2 Monitoring the implementation of the audit recommendations

##### **(a) Internal Audit**

The IPARD Managing and Operating structures were subject to internal audit during 2018 by the internal audit departments/units established in each institution.

##### Management Structure

The 2019 Annual Audit Plan of the Department for Internal Audit within the Ministry of Finance foresees one audit mission within NAO/MS over the system of internal controls of the process of controlling the correctness of the requests for funds and certification of expenditure to the EC.

##### IPARD Agency

The 2019 Annual Audit Plan in IPARD Agency is adopted. According to the plan, 10 audit missions are planned, out of which 5 audits over processes concerning IPARD and one planned consulting engagement concerning activities related to entrustment of new measures –Measure 5 LEADER and Measure 10 Advisory Services from IPARD Programme 2014-2020.

##### Managing Authority

The 2019 Annual Audit Plan of the Ministry of Agriculture, Forestry and Water Economy foresees audit mission over the effectiveness of implemented and ongoing projects within the IPA structure in the MAFWE.

##### **(b) Audit Authority Reports**

The Audit Authority for IPA during 2018 issued the following Final Audit Reports:

- Final Audit Report for the 2018 system audit in NAO/MS for implementation of IPARD II Programme – Policy area 4 – Agriculture and Rural Development as of 4<sup>th</sup> of April 2018;
- Final Audit Report for the 2018 system audit in MA for the programmes financed from IPA II – Policy area 4 – Agriculture and Rural Development as of 4<sup>th</sup> of April 2018;
- Final Audit Report for the 2018 system audit in AFSARD for implementation of IPARD II Programme – Policy area 4 – Agriculture and Rural Development as of 4<sup>th</sup> of April 2018;
- Final Audit Report for the Audit of Accounts and Statement of Expenditure for 2017 for IPARD I and IPARD II as of 27<sup>th</sup> of April 2018
- Final Audit Report for the audit of operations.

For the year 2018 the NAO received the Annual Audit Report and Annual Audit Opinion for 2018 from the Audit Authority.

With the Annual Audit Opinion auditors expressed an unqualified opinion regarding the reliability of the annual financial reports or statements/annual accounts. The auditors expressed unqualified opinion with emphasis on the matter of legality and regularity of expenditures and the functioning of the management and control systems, with attention regarding to: insufficient staff in the IPARD Agency, no retention policy, lack of professional trainings, unharmonized Law on Establishing the IPARD Agency, lack of supervision in the process of payment authorization and wrongly calculated reference price.

The table below presents findings from the 2018 Annual Audit Report for implementation of IPARD II Programme:

	Major	Intermediate	Minor	Total
NAO/MS	/	2	/	2
MA	2	6	/	8
IPARD Agency	6	4	3	13
Total:				23

Regarding the open findings from the AA reports, NAO in coordination with the operating structure drafted an Action Plan with deadlines and responsibilities for implementation of recommendations and overcoming the findings.

NAO continuously monitors the implementation of the actions agreed for overcoming the findings. On quarterly basis, the IPARD Agency and the Managing Authority submit to NAO Table for implementation of audit recommendation, where the latest status of undertaken activities is given. The NAO support structures perform analysis on the dynamics of activities implementation and inform NAO regarding the status of implementation.

#### 4.2.3 Monitoring of the Administrative Capacities of the Operating Structure

##### **Management Structure**

According to the Workload Analysis of the Management Structure for 2018, it was identified that the optimal number of employees for 2018 is 21 (including NAO). At the beginning of 2018 the number of employees in MS was 17 (seventeen), including NAO.

During 2018, one employee was engaged with temporary employment contract in the IPA Funds Management Department. The contract expired in July 2018 and the employee left the MS. In addition, the other temporary contract for the Junior Associate that was engaged in MS in December 2017 was renewed and the person was engaged until December 2019 in MS.

Therefore, the number of employees in the Management Structure is 17 (seventeen), including NAO, as of 31.12.2018.

According to the situation at the end of 2018, the working posts occupancy rate in the IPA Funds Management Department is 81%, having in mind that the 2018 WLA shows a need for optimal number of 21 employees.

In addition, concerning retention, internal announcement 01/2018 for promotion of 5 administrative officers – junior associates from both units within the MS was published in October 2018 and by December 2018, 3 civil servants were promoted from junior associates to advisors and one into associate.

According to the 2019 WLA the optimal number of employees in the Management Structure is 20 (including NAO).

##### **IPARD Agency**

According to the 2018 Workload Analysis (WLA), the optimal number of employees needed in the IPARD Agency for implementation of the accredited measures, as well as the Rural Infrastructure measure is 170 employees. At the beginning of 2018, the IPARD Agency numbered 87 employees designated to work on IPARD related issues.

As already informed, the strengthening of the Agency's human resources capacity was considered a priority, and strong commitment for realizing the necessary employments can be noted during 2018.

Namely, the IPARD Agency employments procedure, according to the Government conclusions, was decided to be carried out in the following three phases:

First phase – 28 new employments;  
 Second phase – 20 new employments and  
 Third phase – 20 new employments.

The first phase was completed in April 2018 and starting from the first week of May, the selected candidates were hired in the Agency on temporary basis until 31.12.2018. Out of the aforementioned 28 people, 22 work in the IPARD structure of the Agency, and 6 people are indirectly involved in the implementation of the IPARD Program 2014-2020. Having in mind that these employees are on a temporary basis contract, their contracts were extended until 30th of April, 2019.

In addition, during 2018, 1 (one) employee (junior associate) left his position in the Agency and 1 (one) employee was transferred to work from non-IPARD to IPARD related work.

Accordingly, at the end of 2018 (cut-off date 31.12.2018) the number of employees in the IPARD Agency was 109 (one hundred and nine) employees designated to work on IPARD related issues.

The implementation of the second phase started with public vacancy announcement at the end of October 2018. The second phase is expected to be completed in January 2019 and the selected candidates to be hired in Agency as permanent employees.

The IPARD Agency shall republish the public vacancy for employment of 8 other administrative servants and 4 promotions of current staff at the beginning of 2019 also on permanent base.

In parallel, having in mind the retention and motivation policy, a procedure for promotion of 28 existing administrative civil servants started on 17.10.2018 with 20 announced internal vacancies, and public vacancies for 8 employees. These procedures for promotion were completed in January 2019. Within these procedures, a total of 21 civil servants were promoted in the Agency, of which 15 civil servants are involved in the IPARD structure of the Agency.

Third phase is also planned – procedure for employment of additional 20 new administrative civil servants, i.e. the Vacancy call should be published during the second quarter of 2019 due to the announced presidential elections.

With the realization of the 2019 recruitment plan as stated above, the IPARD Agency shall reach an optimal number of employees as per the 2019 WLA.

## Managing Authority

According to the 2018 Workload Analysis (WLA), the optimal number of employees needed in the Managing Authority was 19. At the beginning of 2018, MA counted 13 employees including HoMA. During 2018, 8 (eight) new employees were engaged within MA, while 4 (four) employees left/were reallocated from their working post in MA.

In addition, on 30.11.2018 the Minister of Agriculture, Forestry and Water Economy adopted two decisions for authorization to act in the position of Head of Unit for IPARD Monitoring and Reporting and in the position Head of Unit for TA.

According to the 2019 Workload Analysis (WLA), the Managing Authority has set an optimal level of staff of 19 employees for 2019, and an optimum of 20 for 2020.

## IPARD Structure capacities

The table below presents the data regarding the human capacities in the IPARD structure for the year 2018:

Institution	Number of staff on 31.12.2017	Number of staff needed as per WLA 2018	Realized new recruitments 2018	Promotion of the staff 2018	Left the position 2018	Number of staff 31.12.2018	Occupancy rate	Turnover rate
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NAO/NF	17	21	1	4	1	17	81%	5.9%
IPARD Agency	87	170	23	15	1	109	64%	1.2%
Managing Authority	13	19	8	/	4	17	90%	30.8%
Total	117	210	32	19	6	143	68%	5.1%

### **Accreditation of new measures within the IPARD Programme frame**

The preparatory activities for accreditation of the measure Rural Infrastructure began in 2015/2016. After the compliance assessment report (January 2018) and the DG AGRI observations on the submitted draft working arrangements for the rural infrastructure implementation (June 2018), the activities for completion of the accreditation package incorporating the observations from both reports were undertaken.

The Request for entrusting with budget implementation tasks for the measure Rural Public Infrastructure from the IPARD Programme 2014-2020 was submitted to EC on 13<sup>th</sup> November 2018.

### **Implementation of the IPARD Programme and Absorption of IPA Funds**

The first public call under IPARD Programme 2014-2020 was closed in July 2017. Under this public call 1,648 applications were received. The contracting phase from the first public call under IPARD Programme 2014-2020 is ongoing and up to 31.12.2018 are contracted 901 contracts from the measure 1 in amount of 10,941,486.70 EUR (IPA + NKF) and from measure 3 are contracted 31 contracts in amount of 6,621,696.00 EUR (IPA + NKF). From measure 7 are received 187 applications, out of which 163 are rejected and for the remaining 24 applications are expected to be signed in the following period.

For the measure 9 (Technical Assistance) in the IPARD Programme for the programming period 2014-2020 are allocated 2,823,529.00 EUR. At the moment the modified APTA for 2018 for implementation of this measure foresees procurements in amount 103,382.00EUR which is nearly 3.66% of the available budget. For this measure are submitted 11 applications to the IPARD Agency, from which 7 projects are contracted in amount of 145,734.98 EUR(IPA + NKF).

#### **Financial management**

Regarding the financial management of Community funds, the activities were regularly performed according to the regulations and adopted procedures. Until 23<sup>rd</sup> April 2019 the executed payments for Community contribution amounted to 1,675,412.01 EUR. Declarations of Expenditures that serve as Payment Applications were submitted for each quarter of 2018, as well as for the first quarter of 2019 in line with set deadlines. The declared amount of Community contribution is 1,395,735.77 EUR. The payment applications were regularly sent through SFC 2014 by the National Fund. All transactions made on the NF bank accounts were properly recorded in the NF accounting system.

#### **Calculation of De-commitment of funds**

Request for approval of extension of the period for de-commitment on the unused funds from 2014 and 2015 allocations of the IPARD Programme 2014-2020 was sent to DG AGRI on 27<sup>th</sup> of November 2018 (Letter to DG AGRI No.11-11966/1). The extension was asked due to exceptional political circumstances when signing the Financial Agreement that slowed down entire implementation of the Programme and challenged the normal operations of the institutions involved in the implementation.

When calculating the potential risk of de-commitment, the following inputs/assumptions have been taken into consideration:

1. Total IPA allocations 2014-2016 are 15,000,000.00 EUR;
2. Received pre-financing is 6,300,000.00 EUR;
3. Amount planned to be paid in 2019 is 11,250,000.00 EUR;

Taking into consideration the above stated inputs, there is no potential risk of de-commitment of funds at the end of 2019.

<b>V component</b> <b>Calculation of De-commitment Risk According N+4 Rule</b>		
<b>No.</b>	<b>Reference</b>	<b>Community Contribution in €</b>
1.	Financial allocations	15,000,000.00
2.	Received pre-financing	6,300,000.00
3.	Paid amount until 23.04.2019	1,675,412.01
4.	Amount planned to be paid by end of 2019	10,577,376.09
<b>5=1-2-3-4</b>	<b>No Potential De-commitment of funds at the end of 2019</b>	

However, the de-commitment may occur taking into consideration that 7 mill EUR should be paid by the end of the year, out of which 3.8 mill EUR are planned to be realized in Q4 of 2019.

### **4.3 Activities undertaken by the IPARD Agency**

#### **4.3.1 Progress in collecting follow-up data**

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 execution 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 contained data included in the Tables, but were relevant for the execution of the Programme.

In 2018, the IPARD Agency with the defined deadline and on a regular basis delivered to the MA the monitoring tables for implementation of the IPARD Programme which include information on physical and financial indicators, reports from the performed controls, identified irregularities and additional requests for reports, defined in the Implementing Agreement.

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

During 2018, the IPARD Agency recorded all transactions parallel in excel and the SAP software and in manual form, as well. As soon as we are convinced that all reports going through SAP are true and accurate, the SAP software will be used as the only accounting tool in the IPARD Agency and all financial indicators will be drawn from the system.

#### **4.3.2 Summary from the Contract follow-up**

In terms of implementing the IPARD Program 2014-2020, in 2018 the IPARD Agency signed contracts under 935 applications in the supported amount of 13,076,910 €. Additional 20 contracts under Measure 7 were signed early in 2019, making in total 955 signed contracts.

For public call 01/2017 the IPARD Agency signed contracts under 902 applications for Measure 1 in the amount of 8,127,123€ and 30 contract under applications for Measure 3 in the amount of 4,942,889 € and 3 contract for Measure 9 in the amount of 3,836.5 €.



During 2018, the IPARD Agency announced the following public calls for measures under the IPARD Programme:

- on 30.11.2018 the public call for IPARD II for measure 13 "Investments in physical assets concerning processing and marketing of agricultural and fishery products",
- on 26.12.2018 the public call for IPARD II for measure 11 "Investments in physical assets of agricultural holdings".

Most of the signed contracts concerned purchase of equipment and machinery, having short term period for investment implementation and therefore, no progress report letters were required from the applicants.

During 2018, the IPARD Agency received 1,651 claims for payment under the published call 01/2017 which were processed or are still being processing in the current year. The IPARD Agency approved 127 claims for payment.

The total approved amount for payment in 2018 was 1,002,786.00 €.

Table No

Measures	Received claims for payment in 2018	Approved and signed claims for payment in 2018	Total approved amount for payment in 2018	Paid claims for payment in € .
Measure 1	1404	902	116	452.878,00
Measure 3	57	30	8	546.071,5
Measure 7	187	20	0	0
Measure 9	3	3	3	3.836,50
Total:	1651	955	127	1.002.786,00

1.

#### 4.3.3 Critical issues in implementing the IPARD Programme

In 2018, the IPARD Programme 2014-2020 for the new programming period was adopted and AFSARD accordingly made certain changes in the internal procedures and the control lists in view of the proposed modifications. One of the most significant changes for the new programming period is that the Agency will obtain, as much as possible, of the required documentation ex officio, which would enable shortening the application completing procedure i.e. shorten the procedure for approving the applications.

Progress Summary from the Community Financial Support implementation

Regarding the implementation of the IPARD Program 2014-2020, in 2017 AFSARD announced Public Calls for the measures under the IPARD Program. After the administrative check of all applications under Public Calls 01/2017, during 2018, 127 contracts were signed with total amount of the financial support reaching 1,002,786 €. euros.

The human resources capacities and the time frame for applications processing still remain the most critical issues. Since the number of applications received under the public calls is significantly increased, the current staff is challenged to meet the deadlines determined by law for applications processing and payment claims.

In 2018, the Agency encountered problems during the payment claims processing, as well as difficulties in providing the necessary documentation for the beneficiaries.

Specific problem areas include respecting deadlines and stipulations stated in the co-financing contract, providing proof for origin of the materials and the equipment, timely and correct update of the accounting records, etc.

#### 4.3.4 Results from performed on-the-spot controls and identified irregularities

I. During 2018 the IPARD Agency executed administrative controls of all submitted applications. The reasons for application rejection prior to contract signing are as follows:

Completeness:

- the applicant has not submitted a response within 15 days after receiving Notification for completing the application;
- the applicant has submitted a response within 15 days after the receiving 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 applicant;
- proportional increase of the prices of submitted offers (inflated offer prices), which indicates that the offers are not issued by independent suppliers;
- proposed investments are not eligible according to the IPARD Programme;
- during the applications' administrative processing it has been found that the best offer selection was made prior to providing the offers, indicating that the applicant did not respect the procedure for selecting the most suitable supplier, and has first chosen the supplier and then obtained the offers.

During 2018, the Project Approval Sector rejected 502 applications for Measure 1 in total public expenditures of 2,342,916.3 €, rejected 25 applications for Measure 3 in total public expenditures of 1,193,028 € and rejected 189 applications for Measure 7 in total public expenditures of 13,246,903 €.

The reasons for rejecting the received applications amount to not fulfilling the IPARD program criteria.

During 2018 the Sector for Payments Authorization received 533 payment claims, 516 claims for measure 1, 14 claims for measure 3, 3 claims for measure 9, of which 127 claims are in the process of payment approval, 8 claims were rejected and 8 contracts were canceled.

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

The reasons for issuing Decisions for Funds Recovery include: contract infringement, overpayment, administrative mistake.

II. As regards the on-the-spot controls, the On-the-spot Control Sector carried out a total of:

- 902 on-the-spot controls upon investments under Measure 1
- 27 on-the-spot controls upon investments under Measure 3
- 3 on-the-spot controls upon investments under Measure 7
- 319 on-the-spot controls prior to payment, of which:
  - 308 on-the-spot controls upon investments under Measure 1
  - 11 on-the-spot controls upon investments under Measure 3
- 157 ex-post on-the-spot controls, of which:

- 149 on-the-spot controls upon investments under Measure 1
- 3 on-the-spot controls upon investments under Measure 3
- 5 on-the-spot controls upon investments under Measure 7

The On-the-spot Control Sector has carried out 5 on-the-spot controls for establishing hidden works during realization of investment

Two on-the-spot controls after contract signing, but before payment claim is sent under Measure Technical assistance were carried out in 2018.

#### **4.4 Report on the work of the IPARD Monitoring Committee**

Since its inception in January 2016, the IPARD Monitoring Committee has held 4 meetings. The change in the Government has reflected in the change of the Monitoring Committee. A new Decision for establishing a Monitoring Committee was signed by the Minister in October 2017. Consequently, new members were appointed in the Monitoring Committee, so at the moment it comprises of 14 government representatives (4 from MAFWE), 15 representatives of social and economic partners and the Chairperson. The Committee adopted new Rules of Procedure in February 2016.

Main Decisions taken by the Monitoring Committee during 2017:

- The IPARD II Monitoring Committee reviewed and adopted the amended and upgraded Rules of procedure of the Monitoring Committee for the IPARD II Programme.
- The IPARD Monitoring Committee 2014-2020 adopted the Annual Action Plan for Communication and Publicity for 2018 for the IPARD Programme 2014-2020 (via written procedure).
- The IPARD II Monitoring Committee reviewed and adopted the amendment of the action plan for activities envisaged in the technical assistance measure (APTA) for 2017 (via written procedure).

Main Decisions taken by the Monitoring Committee during 2018:

- The IPARD Monitoring Committee 2014-2020 adopted the amendment of the action plan for activities envisaged in the technical assistance measure for 2018 (APTA 2018).
- The IPARD Monitoring Committee 2014-2020 adopted the Annual Action Plan for Communication and Publicity for 2019 for the IPARD Programme 2014-2020.
- The IPARD Monitoring Committee 2014-2020 adopted the Action Plan for activities envisaged in the technical assistance measure for 2019 (APTA 2019).

#### **4.5 Evaluation of the IPARD Programme**

Evaluations shall aim to improve the quality, effectiveness and consistency of the assistance from Union funds and the strategy and implementation of the IPARD II Programme. The IPARD II Programme shall be subject to ex-ante and ex-post and, where considered as appropriate by the Commission, interim evaluations carried out by independent evaluators under the responsibility of the MA.

The evaluations shall assess the implementation of the IPARD II Programme towards the achievement of its objectives and shall examine the degree of utilization of resources, the effectiveness and efficiency of the programming, its socio-economic impact and its impact on the defined objectives and priorities. They shall identify the factors that contributed to the success or failure of the implementation of the IPARD II Programme, including the sustainability of actions and identifications of best practices.

In accordance with the evaluation plan for the IPARD II Programme drawn up by the Managing Authority and approved by the Monitoring Committee, the Managing Authority

shall report each year on the results achieved under the evaluation plan to the IPARD II Monitoring Committee.

### **Responsibilities and coordination**

In order to ensure that the monitoring and evaluation system is able to deliver results, a well-designed and robust governance and coordination system is a prerequisite. The Framework and Sectoral Agreements set the legal requirements and define responsible bodies for implementation of the monitoring and evaluation tasks.

The overall responsibility for organizing the evaluation process of the IPARD II Programme lies with the Unit for IPARD Programming and Evaluation, within the IPARD Managing Authority. They are responsible for drawing up an evaluation plan and coordinate its implementation. The Managing Authority is also responsible for communicating each evaluation to the European Commission and for making evaluation reports public. In addition, the Head of the Managing Authority chairs the Evaluation Steering Committee, facilitating cooperation amongst the monitoring and evaluation stakeholders and ensuring capacity building of stakeholders. The MA is also directly involved in collecting and processing monitoring data.

The Monitoring Committee has the responsibility to monitor the implementation of the programme and progress towards its objectives, principally with indicators, and considers and approves the Agriculture Implementation Reports (AIRs) before they are sent to the EC.

### **Evaluation plan 2014 – 2020**

The following indicative outline explains the time plan for evaluation activities for the IPARD II Programme:

- 2016 – Identifying Programme-specific evaluation needs, defining Programme-specific evaluation questions and indicators, identifying evaluation data requirements and screening data sources; deciding on the data to be collected for evaluation through the monitoring system from application forms, payment requests and other monitoring tools.
- 2017 – The Managing Authority observes the progress of the Programme and collects beneficiary data via monitoring systems for output, target and complementary result indicators, preparation of the ToR and tendering and contracting procedures for external evaluators/experts.
- 2018 – The external evaluators/experts are contracted to collect additional information/data to fill data and information gaps and to conduct ad hoc evaluations to prepare inputs for the AIR 2018.
- 2019 – The Managing Authority conducts a quality control of evaluation findings and of any other input the evaluator provides; evaluation results discussed in the evaluation steering group and with the Monitoring Committee; regarding the evaluation findings if need be, the MA shall prepare IPARD II Programme modification proposal.
- 2020 – Conducting ad hoc evaluation studies if needed;
- 2021 – The Managing Authority ensures that the necessary resources are available to undertake evaluation tasks until 2024.
- 2022 – Preparation of the ToR and conducting tendering procedure, to ensure that adequate time is given to the external evaluator to conduct a quality ex post evaluation.
- 2023 – All projects contracted under the IPARD 2014–2020 programming period will be finalized, including the collection of monitoring data on beneficiaries for output, target and complementary result indicators. In addition, data on non-beneficiaries is collected, processed and synthesized in line with the selected evaluation methods and reporting requirements, in order to enable the assessment of Programme

impacts and achievement towards the EU and rural development objectives in the IPARD ex post evaluation of 2024.

- 2024 – By June 30<sup>th</sup> 2024 the MA will prepare and submit the standard Final Implementation Report (covering all the years of implementation of the Programme) and by December 31<sup>st</sup> 2024 the Ex post evaluation report.

### **A summary of the ongoing evaluation activities in accordance with Article 65 of the Sectoral Agreement**

Mainly, the limited capacity and knowledge in evaluation methods, including the methods for primary data collection in MA and the delays in data delivery from AFSARD are remaining as a main obstacle towards the implementation of the evaluation system, which shall support the improvement of the overall implementation of the programme. The delay of information and data transfer from the IPARD Agency due to manual processing of data, further delays the MA activities and prevents timely actions for improving the legal documents related to the programme implementation.

The available assistance for provision of external service contractor for evaluation is the use of Technical assistance measure. However, the planned activity under the Evaluation plan for 2018 for engagement of external evaluator/experts to collect additional information/data to fill data and information gaps and to conduct ad hoc evaluations to prepare inputs for the AIR's was not part of the APTA 2018. Therefore, the referenced and delayed activity from the Evaluation plan is expected to be realized in the second half of 2019. Consequently, the activity for quality control of evaluation findings and of any other input the evaluator provides will be discussed with the evaluation steering group and with the Monitoring Committee.

For most of the difficulties encountered and reported during the implementation of the first public call under IPARD II, the Managing Authority and IPARD Agency are having discussions for possible improvements and have already taken corrective actions within the first modification proposal of the IPARD II Programme.

### **4.6 The use of Technical Assistance**

An Action Plan for the Technical Assistance measure for 2018 (APTA 2018), was adopted by the IPARD Monitoring Committee members through a written procedure. The modification of APTA 2018 was submitted to the IPARD Monitoring Committee members for adoption by written procedure on September 18, 2018. The modification was done for the purpose of organizing two Monitoring Committee meetings (the fourth and the fifth) under one procurement, as well as changing the estimated value of the "EX-post evaluation of the IPARD programme 2007-2013" and changing the tendering procedure from competitive negotiated procedure to simplified procedure (in accordance with the new PRAG from August 2018).

On 17<sup>th</sup> of May, after the previously selected best rank offer procurement, the organization of the IPARD Monitoring Committee was implemented.

The Managing Authority also began the implementation of the procurement for upgrading and maintaining the existing website. Three offers were received and the best rank offer was selected. The contract for implementation of this activity was signed between the Managing Authority and the selected company, which will upgrade, host and maintain the [www.ipard.gov.mk](http://www.ipard.gov.mk) website.

The Managing Authority started implementing project "Publicity Campaign". In the scope of this project several events have been envisaged (some of them already implemented – one IPARD forum in Strumica in December), materials for Programme publicity have been foreseen for printing (Guidelines for beneficiaries, brochures, banners have already been printed) and promotional videos are to be prepared.

The Managing Authority has also implemented procurement of stationery. The procurement will be implemented according to the procedure for procurements under 2,500€.

The Managing Authority has received the reimbursed funds from the IPARD Agency on its own bank account regarding the previously completed procurement for the implementation of the Monitoring Committee.

On 4<sup>th</sup> December 2018 an Action Plan for the intended operations under the Technical Assistance measure (APTA) 2019 was approved by the IPARD Monitoring Committee.

Activities under APTA 2019 initiated in 2018 include:

- Procurement of services for ex-post evaluation of the IPARD Programme 2007-2013, currently in the phase of collection of offers.
- Procurement of services for organization of meetings of Monitoring Committee.
- Procurement of services for translation of IPARD Programme 2014-2020.

#### **4.7 Activities for stakeholders involvement in IPARD implementation**

Managing Authority has continues communication with all stakeholders involved in the programming and implementation of the IPARD Programme II. Participants from MA has participated in the presentations of the opportunities that IPARD Programme II gave to the potential recipients based on the invitation of different associations and unions (Chamber of commerce, Farmers associations, Cooperatives, etc).

For example, the MA staff presented opportunities for investments in orchard sector among members of the apple producer's cooperatives ("Krani" and "Red apple"), between wine processors from association "Wines of Macedonia" and between processors of fruit and vegetable associated in the "Macedonian association of fruit and vegetable processing industry". In the process of preparation for accreditation of measure "Rural public infrastructure", MA staff took activities related to presentation of opportunities for investments in rural public infrastructure, and self-preparation for implementation of the measure according PRAG roles 8 planning regions representing all rural municipalities of the country were visited and opened discussions for investing opportunities and prioritization of infrastructure projects. Through regular meetings, MC members are informed and they took important role in the process of decision making during programming, modification and implementation of IPARD II Programme.

Stakeholders' involvement is secured in the work of the Monitoring Committee by participation of representatives of different interest groups as members of the Committee. Following members in the Monitoring Committee are representatives of different stakeholders and economic and social partners:

- One representative from the Association Chamber of North Macedonia;
- One representative from the Chamber of Commerce of Macedonia;
- One representative from the Macedonian Association of Processors;
- One representative from the Farmers Union of North Macedonia;
- One representative from Craft Chamber;
- One representative from the Faculty of Agricultural Sciences and Food, University "Ss. Cyril and Methodius" - Skopje;
- One representative from Goce Delchev University - Stip;
- One representative from the Association of Units of Local Self-Government (ZELS);
- One representative from Rural Development Network;
- One representative from the Faculty of Veterinary Medicine - Skopje;
- One representative from the Movement of Ecologist of Macedonia;



- One representative Agro-Leader representative;
- One representative from the LAG Pelagonija;
- One representative from the Network of Young Farmers;
- One representative from the Union Association of Agricultural Producers SPAS;
- One representative from the Association of Rural Coalition Kumanovo;
- One representative from the Association of Citizens' Associations - Farmers Association
- Representative from the Association of Manufacturers of Wine Exporters and Other Grape Beverages "Wines from Macedonia" – Skopje.

#### **4.8 Ensuring publicity and information implementation of the Communication Plan**

At the beginning of 2018, and in accordance with the dynamics of planned activities for accreditation of the measure "Investments in rural public infrastructure", in order to have proper preparation of the local self-government administration for using the funds from the measure, the Managing Authority in cooperation with the Development Centers of the eight planning regions in the Republic of North Macedonia, held meetings with the municipal administration from all municipalities. The meetings, besides basic exchange of information regarding the possibilities offered by the measure, were aimed at determining the needs of the units of local self-government, their priorities, as well as determining the municipal capacities for the implementation of the measure.

The annual Action Plan for Publicity and Communication of IPARD II Programme for 2018 was adopted and presented at the second IPARD Monitoring Committee meeting held on 12<sup>th</sup> of December 2017. It included:

- organization of informative days (target 35),
- IPARD forum (target 1),
- workshops (target 2),
- appearance in written and electronic media (target 200),
- annual publication of the list of final beneficiaries,
- preparation and distribution of brochures (target 6,000),
- preparation of posters (target 650),
- preparation and publication of audio and video materials (target 3),
- regular update of IPARD web page.

Due to the large number of applications submitted under public call 01/2017 and the delay in signing the contracts, the following public calls were announced at the end of 2018. This contributed to some of the publicity activities planned for 2018 not to be realized, to be postponed or realized, but with significant reduced intensity.

According to the annual Action Plan for Communication and Publicity for 2018 regarding IPARD Programme 2014-2020, the following activities were realized during 2018:

- the contract with the selected company for upgrading, hosting and maintaining the website [www.ipard.gov.mk](http://www.ipard.gov.mk) (for a period of one year) is in the phase of realization and the web site is updated and improved regarding the contract requirements;
- increased communication with the public was recorded through email and the call center (only in July there were 120 calls, due to signing the contracts for tractors);
- in regards to the Public calls there was a significant number (above 126) of press releases and written interviews (daily newspapers and internet portals) and there were 180 calls in the call center of IPARD Agency and 110 visits;
- the Public call 01/2018 for Measure 3 of the IPARD Programme 2014-2020 was published on 30 November 2018 on the website of the IPARD Agency, the website of the IPARD Managing Authority, as well as in the printed media;



- the Public call 02/2018 for Measure 1 of the IPARD Programme 2014-2020 was published on 26 of December 2018 on the website of the IPARD Agency, the website of the IPARD Managing Authority, as well as in the printed media.

Under measure Technical Assistance, in November the Managing Authority signed a contract with 3D Project Studio to provide logistical support for realization of campaign for IPARD Programme publicity. According to the contract the company is obliged to:

- provide logistical support in organizing 70 IPARD informative days, 6 workshops, 3 forums;
- provide ideal solution and produce 3 IPARD videos and 1 radio commercial;
- print publicity materials (application packages, brochures, banners).

The realization of the contract "IPARD publicity campaign" began with a workshop for Measure 3 in Strumica on 26<sup>th</sup> of December 2018. Printed materials for this measure were produced in one part (a total of 4,456 materials – brochures, application packages, posters, banners). The preparation and printing of materials for Measure 1 was made shortly after the public call 02/2018 was announced.

#### **4.9 Progress on implementation of the Annual Plan for Technical Assistance**

The Action Plan for planned activities in accordance with the measure "Technical Assistance" for 2018 (APTA 2018) was adopted in May and gone throw two amendments.

In the reporting period, the unit for implementation of the measure "Technical Assistance" realized five procurements, started two procurement procedures and canceled one procurement procedure, after successful implementation, due to the short timeframe for realization.

status	Activity	Type of procedure	Amount in €
realized	Publicity campaign of the IPARD Programme 2014-2020	Simplified procedure	146.637
realized	Expenditures for organization of the third "IPARD Monitoring Committee Meeting"	procedure below 2.500 euros	2.450
realized	Expenditures for procurement of stationery	procedure below 2.500 euros	2.395
realized	Expenditures for the maintenance and upgrade of the IPARD website	procedure below 2.500 euros	1.500
realized	Expenditures related to visits and seminars	procedure below 2.500 euros	2487
started	Ex post-evaluation of the IPARD Programme 2007-2013	Simplified procedure	90.000
started	Expenditures for Translation of the IPARD Programme	Single tender	7.000
canceled	Organization of two meetings for the IPARD Monitoring Committee (fourth and fifth)		/

In May 2018, the Unit for Implementation of the measure "Technical Assistance" submitted an application for participation in a tender procedure accompanied by complete tender documentation for the procurement "Publicity campaign of the IPARD Programme 2014-2020". This activity came from the indicative document APTA for 2017. In July 2018 an assessment of the received offers was made after which in November 2018 a Contract with

the 3D Project Studio as a selected company was signed. The realization of the "Publicity Campaign" began in the year 2018 through printing of some of the materials for publicity and holding the first workshop in Strumica by which IPARD opportunities were brought closer to the potential beneficiaries. The campaign is scheduled to last 18 months and continues to be actively implemented in 2019. This procurement was implemented as a Simplified procedure.

## **5. Coordination of IPARD funds with national funding, other IPA components, IFI's and donor support**

### **5.1 Mechanisms and actions for coordination of IPARD**

Following authorities and the responsible bodies are designated for management and implementation of the IPARD Programme 2014-2020:

- The NF is in charge of tasks of financial management of assistance under IPA, under the responsibility of the NAO (responsibilities outlined in Article 7 of the Sectoral Agreement).
- Managing Authority main functions and responsibilities outlined in Article 8 of the Sectoral Agreement and focus on the Monitoring, Evaluation, Reporting, Coordination and Publicity of the IPARD Programme.
- The IPARD Agency (responsibilities outlined in Article 9 of the Sectoral Agreement) shall carry out all tasks related to executing payments to final beneficiaries.

The coordination between the above structures was realized primarily through the Working Group, established by the Minister with members from the IPARD Managing Authority, MAFWE Department for rural development, IPARD Paying Agency, as well as NAO and NF.

The Working Group had regular (weekly meetings) throughout the reporting period of this report.

### **5.2 The Complementarity of the IPARD Assistance with the national funding**

To ensure complementarity of IPARD assistance with national funding and avoid any overlaps between the National Programme for Financial Support to Rural Development and IPARD II, following measures were taken:

- The Minister established a Working Group (members from IPARD Managing Authority, MAFWE Department for rural development, IPARD Paying Agency, and occasionally NAO/NF) for resolving this issue and avoid any overlapping between the IPARD and the National RD Programme (NRDP). The working group reviews the NRDP measures, types of beneficiaries, production sectors supported, and types of investments each year before public call under NRDP is announced.
- The draft NRDP (annual programme) has been reviewed by the IPARD MA recommending which measures/sub measures can be implemented avoiding overlapping with IPARD.
- Within the IPARD Agency procedures (Payments Department) there is a check-list that eliminates the possibility of an IPARD beneficiary to have benefited in the past with financial assistance for similar measure/activity under the NRDP.
- IPARD MA submitted a letter to the IPARD Agency and provided an overview to determine if any projects subsidized under national schemes have also been subsidized under IPARD I and II as requested by DG Agri (Ref: Ares(2018)5526646 – 29/10/2018).

### **5.3 The Complementarity of the IPARD Assistance with other IPA components**

Both the Head of MA and the Director of the IPARD Agency are nominated members of the IPA MC and regularly participate on the joint meetings, held twice per year.

MAFWE Department for EU integration is responsible for monitoring of contracts related to other IPA support granted for agriculture and rural development sectors and thus it's

responsible to cross-check the possible overlap in cases of request of the Managing Authority and the IPARD Agency. MAFWE Department for EU integration involves both the Managing Authority and the IPARD Agency in the process of planning of the IPA assistance to largest extent possible as to avoid any potential overlap between the project actions and this Programme and to target the assistance to complement this Programme actions.

#### **5.4 The Complementarity of the IPARD Assistance with other IFI's and donor support**

The coordination between the donor assistance instruments and IPA is based on the integration of the coordination function within the Secretariat for European Affairs under the management of NIPAC. At the same time, NIPAC is appointed by the Government as responsible for coordination of foreign aid.

Concerning IFI's, NAO also acts as State Advisor in the MoF which coordinates the use of IFI's funds. This allows to coordinate provided support and ensure complementarity between IFI's funding and assistance available under IPARD.

## 6. Conclusions from the implementation in year 2017 and 2018

**Large number of applications and interest for investments under the IPARD Programme 2014-2020-** under all public calls till now (one in 2017 for all 3 measures and two in 2018, one for measure 1 and one for measure 3), a total number of 2.815 applications were received requesting an amount of 105,976,401 €.

In the comparison to implementation IPARD Programme 2007-2013, where for issued 12 public calls 3087 applications were received which shows increased interest for applying under the IPARD Programme 2014-2020. The requested amount for support for all received applications up to now overpassed the available budget for 75% in the programming period 2014-2020.

**Relatively slow process of approving applications** of approximately 14 months due to:

- Large number of empty and/or not completed applications.
- Understaffing in certain units of Department of projects approval,
- Problems in obtaining reference prices especially for investments involving construction,

Relative **good knowledge and information** of possibilities that are offered by IPARD Programme 2014-2020 among potential beneficiaries that contributed towards large number of applications.

**Increased interest for Measure 7 - Farm diversification and business development -** Compared to IPARD Programme 2007-2013, 30 applications were received on average per each public call (12) while just for one public call under IPARD Programme 2014-2020, 187 applications were received, which shows increased interest for applying under this measure. The requested amount for support for 187 received applications is 41.342,988 €, which is around 8.6 times compared to the available budget for measure 7. Most of the applications received in measure 7 are for investments in the production and sale of renewable energy. Such projects / investments are of higher value which resulted with exceeding the forecast under the Measure. On the other hand, the applicants who submitted these applications do not fit into the targeted IPARD users. Many of them do not meet the eligibility criteria for enterprise size.

**Technical Assistance Measure** proved to be **quite useful for the implementation process**. Namely, after the slow start in implementing this measure in 2017, a total number of 8 (eight) procurements were realized with an overall amount of 0,3 million Euros, thereby contributing towards improved Programme implementation, particularly in terms of Programme publicity, as well as streamlining certain aspects of Programme implementation.

**Coordination among IPARD structures might be improved**, especially in terms of data exchange between the Paying Agency and IPARD Managing Authority necessary for monitoring and evaluation purposes.

**ANNEX 1:**

Indicator Tables for Monitoring and Evaluation of the IPARD Programme 2014-2020

Status: 31.12.2018