



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

**ANNUAL REPORT ON THE IMPLEMENTATION OF THE
IPARD 2014-2020 PROGRAMME FOR 2019**

(according to Article 59 of the Sectoral Agreement)

June, 2020

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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)
NEA	National Extension Agency
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.

As Article 59(1) of the Sectoral Agreement 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 2019.

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 13th 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.

Implementation of the Programme started in April 2017. By the end of 2019, five public calls have been announced, some of them for different IPARD measures:

1. Public call 01/2017 for submission of applications under measure 1, 3 and 7;
2. Public call 01/2018 for submission of applications under measure 3,
3. Public call 02/2018 for submission of applications under measure 1
4. Public call 01/2019 for submission of applications under measure 7,
5. Public call 02/2019 for submission of applications under measure 3¹.

Prior notice for announcement of Public Call 01/2020 for submission of applications under measure 1 was published late in 2019.

IPARD applications per public call:

Public call number	Submitted applications	EU contribution	Contracted applications	EU contribution	Paid applications	EU contribution
01/2017	1.648	72.329.985	899	16.099.845	842	10.127.131
01/2018	65	15.306.651	38	6.700.036	2	114.497
02/2018	1.099	18.335.969	515	3.403.328	3	11.996
01/2019	261	43.821.070	0	0	0	0
Total	3.073	149.793.675	1.452	26.203.209	847	10.253.624

Source: Managing Authority, Monitoring System, 2020

Among other, number and quality of submitted applications affect the time needed for their processing by the Agency.

Public number	Call	Published in month	Contracting started in month	Time needed for contracting
01/2017		April 2017	August 2018	15 months
01/2018		November 2018	April 2019	4 months
02/2018		December 2018	August 2019	6 months
01/2019		October 2019		
02/2019		December 2019		

¹ Public Call published on 28th of December with deadline for submission of applications until 27th of February 2020.

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

2.1 Political and institutional framework

North Macedonia has continued to maintain a steady pace of implementation of EU reforms throughout the reporting period. The Government has taken steps to restore balance and to strengthen democracy and the rule of law. The country has continued to undergo fundamental changes in an inclusive and open political atmosphere. The country has continued to deliver tangible results in key areas such as the judiciary, fight against corruption and organised crime, intelligence services reform and public administration. The culture of compromise in the political landscape has improved by the Government's efforts to reach out to all stakeholders, including the opposition and civil society, in an inclusive and transparent manner.

Since 2009, the Commission has recommended to the Council to open accession negotiations with North Macedonia, a candidate country since 2005. In June 2018, the Council adopted conclusions in which it agreed to respond positively to the progress made by the Republic of North Macedonia, and set out the path towards opening accession negotiations in June 2019, depending on progress made in certain key areas, such as judicial reform, intelligence and security services reform and public administration reform. Having in mind progress made in last years, in 2019 the Commission has also recommended to the Council opening of accession negotiations for Macedonia. The Council on 17-18 October 2019 decided to revert to the issue of enlargement before the EU-Western Balkans summit in Zagreb in May 2020.

At the July 2018 Brussels Summit, NATO Allied leaders welcomed the historic agreement between Athens and Skopje on the solution of the name issue. In line with NATO policy, they decided to invite the government in Skopje to begin accession talks to join the Alliance. Following the signature by the Allies of the Accession Protocol of the Republic of North Macedonia, the country can now take part in NATO activities as an invitee. Once the Protocol has been ratified in the capitals of each of the 29 Allies, according to national procedures, the country will become a member of NATO.

The institutional framework for implementation of the Programme, remained unchanged. Following authorities and 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;

In relation to institutional capacity, although some progress has been made in the increase of staff at the IPARD Agency and the Managing Authority, capacity to absorb funding under the IPARD Programme remains insufficient, increasing risk of de-commitment of the EU funding and delaying entrustment of new measures.

2.2 Macroeconomic situation

Data and reports published by relevant institutions show that the economy remains stable, showing signs of growth, yet the pace of growth is unsatisfactory (affected by increased political uncertainty). Rate of GDP growth in the first quarter of 2019, measured by the State Statistical Office, reached 4,1. 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).

Table 1: Main macroeconomic indicators

	2013	2014	2015	2016	2017	2018	2019
GDP in million € (at current exchange rate)	8.150	8.562	9.072	9.657	10.026	10.691	11.210
GDP per capita in € (at current exchange rate)	3.948	4.141	4.382	4.659	4.831	5.147	5.399
GDP real growth rate (in %)	2,9	3,6	3,9	2,8	0,2	2,7	3,6
Inflation (in %)	1,4	-0,5	-0,4	-0,2	2,4	0,9	0,4
Average exchange rate (denar/€)	61,58	61,62	61,61	61,60	61,57	61,51	61,51
Unemployment rate (in %)	29,0	28,0	26,1	23,7	22,4	20,7	17,3
Export of goods and services in mill. €	3.235	3.747	4.088	4.390	5.019	5.861	6.422
Import of goods and services in mill. €	4.983	5.505	5.801	6.176	6.835	7.672	8.436
Balance of trade in mill. €	-1.748	-1.758	-1.714	-1.786	-1.816	-1.811	-2.015
Balance of trade in % of GDP	-21,4	-20,5	-18,9	-18,5	-18,0	-16,9	17,97

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

The biggest share of value added with 19.6% in the structure of GDP in 2018, had the following sectors: Wholesale and retail trade; repair of motor vehicles and motorcycles; Transportation and storage; Accommodation and food service activities.

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 January 2020, in comparison with January 2019, was 100,3. The industrial production in the section mining and quarrying in January 2020, in comparison with January 2019, increased by 9,4%, in the section manufacturing it increased by 4,6%, while in the section electricity, gas, steam and air conditioning supply it decreased by 15,8%.

The increase in the section manufacturing is mostly due to increased production in the divisions, manufacture of food products, manufacture of beverages, manufacture of textiles, manufacture of wearing apparel, manufacture of rubber and plastic products, manufacture of other non-metallic mineral products, manufacture of basic metals, manufacture of fabricated metal products, except machinery and equipment, manufacture of motor vehicles, trailers and semi-trailers and manufacture of furniture.

The industrial production by main industrial groupings in January 2020, in comparison with January 2019, was higher in intermediate goods, except energy by 14,9% and non-durable consumer goods by 6,0%, but lower in energy by 12,7%, capital goods by 5.5% and durable consumer goods by 5,4%.

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 estimation (as of 31.12.2018), there are 2.077.132 inhabitants in the Republic of North Macedonia, which is by 11.363 persons or by 0,6% more than in 2013 and 28.513 persons or 1,4% more of 2008. In the period from 2008 to 2018, there is a continuous increase in the number of foreigners arriving in the Republic of North Macedonia.

Table 2: Population in Republic of North Macedonia

	2008	2013	2018	2019
Population at the end of the year	2.048.619	2.065.769	2.077.132	2.076.255
Emigrated citizens of Republic of North Macedonia	740	945	1.440	2.881
Immigrated persons in Republic of North Macedonia	11	96	233	612

Source: State statistical office (SSO)

In terms of age structure, the Macedonian population is growing older. In the period from 2008 to 2018, the share of the young population (0-14 years) in the total population decreased from 18,1% to 16,4%, while the share of the older population (65 and over) increased from 11,5% to 14,1%.

Table 3: Share of population aged 65+

Year	Total	Vardar region	East region	Southwest region	Southeast region	Pelagonia region	Polog region	Northeast region	Skopje region
2008	11,4	12,6	12,2	10,5	11,7	15,2	8,3	10,8	11,5
2016	13,1	14,4	15,0	11,5	13,5	15,9	9,1	12,2	14,0
2018	13,9	15,3	16,1	12,2	14,3	16,6	9,6	12,9	14,8

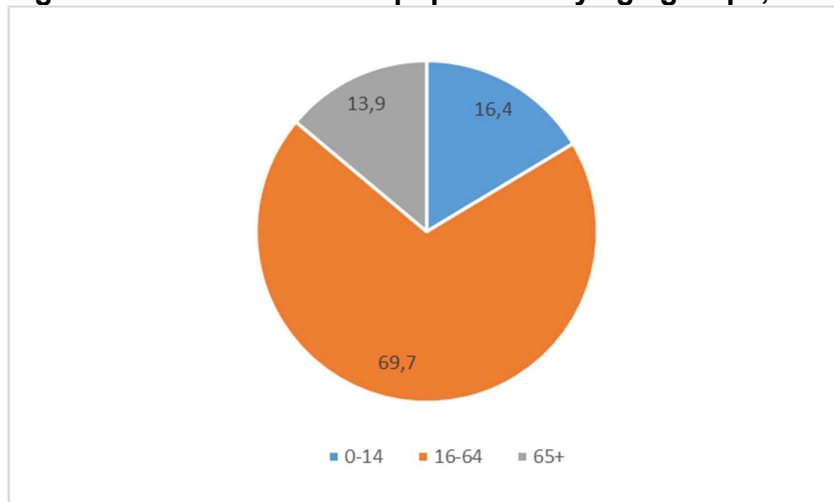
Source: State statistical office (SSO), MAFWE calculations 2019.

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 five regions (Vardar, East, Southwest, Southeast, Pelagonia) as a result of the unfavorable 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. On the contrary, the demographic situation adversely affects agriculture and rural development. The lack of a skilled workforce for the needs of foreign investors whose investments are located in industrial zones across the country is particularly noticeable. Farmers complain about labor shortages, especially for fruit harvesting. Also, the lack of young and educated staff negatively reflects on the ability to administer at the local level. Many of the responsibilities of local governments cannot be effectively managed due to a lack of adequate staff in small municipalities.

Figure 1: Structure of total population by age groups, 2018



Source: State statistical office (SSO)

2.4 Agriculture production and economy

Agriculture, along with Hunting, Forestry and Fisheries with a share of 8,5% in the overall Gross Domestic Product (GDP) in 2018 was the fifth largest economy sector, immediately after the sectors of:

- Wholesale and retail trade; repair of motor vehicles and motorcycles; Transportation and storage; Accommodation and food service activities (19,6%);
- Mining and quarrying; Manufacturing; Electricity, gas, steam and air conditioning supply; Water supply; sewerage, waste management and remediation activities (18,5%);
- Public administration and defence; compulsory social security; Education; Human health and social work activities (11,9%);
- Real estate activities (10,0%).

Services, Industry and Wholesale and Retail Trade. Food, Beverages and Tobacco participated with 40,0% in the total consumption per household.

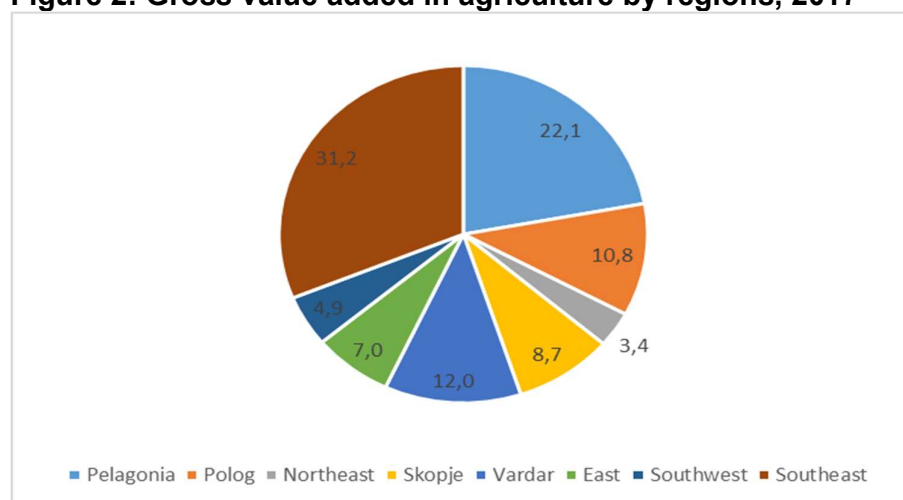
Economic Accounts and value of agriculture production

According to the data of the State Statistical Office, gross value added in agriculture for 2018 was 53.389 million denars (868.113.821 €) and in comparison with 2017 it nominally increased by 18,9%. Crop production, having a 69,8% share in the total production, increased by 22,9% compared with 2017. Livestock production, accounting for 20,9% of the total production, decreased by 1,1% compared with 2017. Intermediate consumption recorded an 8,4% increase in 2018 compared with 2017.

In 2018, nominal income in agriculture from production factors per labour unit grew by 8.4%, while real income in agriculture from production factors registered an increase of 9.5%.

According to the data of the State Statistical Office, in 2017, in the creation of gross value added in agriculture, the Southeast region had the biggest share of 31,2%, followed by the Pelagonia region with 22,1%, while the Northeast region with 3,4% had the smallest share.

Figure 2: Gross value added in agriculture by regions, 2017



Source: State statistical office (SSO)

The creation of the total value of Crop output was dominated by the Southeast region with 39,6%, while the Pelagonia region was the largest contributor to the creation of the total value of Livestock output with 19,9%.

Agricultural land and farm structure

According to the data of the State Statistical Office, cultivated land in 2019 covered an area of 519.848 hectares, of which most was arable land and gardens (80,5%), while the smallest area was occupied by orchards (3,2%).

Table 4: Agricultural areas by category of use in 000 hectares

	2013	2014	2015	2016	2017	2018	2019
Agricultural land	1.261	1.263	1.264	1.267	1.266	1.264	1.264
– Cultivated land	509	511	514	516	517	519	520
– Arable land and gardens	413	413	415	417	417	418	419
– Orchards	15	15	16	16	16	17	17
– Vineyards	22	23	23	24	24	24	24
– Meadows	59	60	60	59	60	60	60

Pastures	751	751	750	750	748	745	744
Ponds, reed beds and fish ponds	1	1	1	1	1	1	1

Source: State statistical office (SSO)

Table 5: Number of agricultural holdings and available area of the holdings

	Number of agricultural holdings	Total utilised agricultural area, ha	Utilised agricultural area per holding, ha
Total	178.125	320.738	1,8
Individual agricultural holdings	177.845	271.989	1,5
Business entities	280	48.749	174,1

Source: State statistical office (SSO)

In accordance with EU Regulation (EC) No.1166/2008, in June 2016, the State Statistical Office conducted the Farm Structure Survey. According to the Farm Structure Survey data, 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 (cereals, fodder crops, industrial crops, vegetables) in total of approximately 270.000 ha, accounts for approximately 57% of cereals, 18% of vegetables, 13% of forage crops and 11% of industrial crops. Orchards occupy an area of 17.775 ha or 3,4%, while vineyards amount to about 23.095 ha (according to MAFWE²) or 4,4% of total cultivated land.

Table 6: Harvested area under cereals in hectares

Cereal	2015	2016	2017	2018	2019
Wheat	73.060	79.832	72.864	70.987	68.847
Rye	3.758	4.483	4.065	3.836	3.809
Barley	41.160	41.297	43.816	42.331	43.941
Rice	4.985	5.040	3.274	3.222	3.481
Maize	31.651	31.045	31.287	36.340	33.967
Total	154.614	161.697	155.306	156.716	154.045

Source: State statistical office (SSO)

SSO data indicate small changes in areas under crop culture. These changes are mainly due to last year's prices (rice) and the interest of farmers. The yield per ha also varies though the years depending on the favorable climatic conditions.

Table 7: Cereals yield in kilograms/hectares

Cereal	2015	2016	2017	2018	2019
Wheat	2.754	3.838	2.746	3.396	3.485
Rye	2.061	2.277	2.070	2.445	2.265
Barley	2.470	3.507	2.138	3.072	3.151
Rice	6.124	4.919	5.217	6.124	6.113
Maize	4.226	4.663	3.840	5.164	4.227

Source: State statistical office (SSO)

² In case of orchards and vineyards, State Statistical Office provides data only on production and number of fruit trees. Data on area under orchards and vineyards extracted from LPIS. Farmers register in LPIS in order to be eligible for direct financial support (subsidies). There are still farmers that have not resolved land property issues that are not registered in LPIS.

The trend to increase the area under the fodder crops is noticed with the area under fodder maize. The area under other fodder crops remains unchanged in the last years. Despite this, lack of forage crops is causing high prices and reflecting as limiting factor on the development of livestock production sector. 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.

Table 8: Harvested area under fodder crops in hectares

Fodder crop	2015	2016	2017	2018	2019
Alfalfa	19.301	19.579	19.487	19.698	19.455
Vetches-hay	2.034	1.922	2.180	2.065	2.018
Fodder peas-hay	1.472	1.253	1.640	1.428	1.639
Fodder maize	5.125	6.378	6.384	6.196	8.231
Fodder beet	386	387	382	376	475
Clover	3.554	3.725	3.716	3.685	3.922
Total	31.872	33.244	33.789	33.448	35.740

Source: State statistical office (SSO)

Table 9: Harvested area under industrial crops in hectares

Industrial crop	2015	2016	2017	2018	2019
Tobacco	24.237	25.443	22.885	25.547	26.234
Sunflower	5.542	3.896	4.022	2.346	4.605
Total	29.779	29.339	26.907	27.893	30.839

Source: State statistical office (SSO)

Vegetable production decreases each year from 2015 onwards. 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). Vegetable production is also a more intensive branch than the others are, so the lack of seasonal labor has had a strong impact on production capacity.

Table 10: Harvested area under vegetables in hectares

Vegetable	2015	2016	2017	2018	2019
Potatoes	13.360	13.273	13.188	12.403	12.939
Onion	3.606	3.581	3.633	3.627	3.562
Garlic	980	978	947	950	904
Beans	4.783	4.817	4.703	4.577	4.504
Peas	1.069	1.008	1.062	1.045	1.105
Lentil	84	84	86	81	74
Cabbage	4.800	4.593	4.499	4.502	4.627
Tomatoes	5.642	5.604	5.597	5.569	5.497
Peppers	8.617	8.751	8.927	9.179	9.390
Cucumbers	1.251	1.048	1.035	1.034	1.036
Melons and watermelons	5.509	5.445	5.385	5.281	5.132
Total	49.701	49.182	49.062	48.248	48.770

Source: State statistical office (SSO)

Orchards/fruit production (including vineyards) largely depends on all three factors mentioned above: favorable climatic conditions during flowering and pollination of plants (especially important for apple production which mostly is located in mountainous areas) and drought during the summer months, lack of seasonal labor (especially during the period of fruit harvesting) and the variation of the purchase price of the production. The climate conditions (early spring frost) especially effect apricot and peach production in Vardar region.

Table 11: Fruit production in tones

Fruit	2015	2016	2017	2018	2019
Cherries	6.248	5.574	4.061	5.824	6.045
Sour cherries	8.483	8.072	4.408	10.538	8.695

Apricots	3.255	3.471	3.992	3.904	6.070
Apples	136.931	101.088	43.366	140.296	88.701
Pears	9.016	7.207	5.052	8.055	8.048
Plums	41.477	33.684	17.880	37.719	32.303
Peaches	12.006	12.108	11.509	13.128	12.003
Walnuts	5.790	5.147	2.341	4.826	5.014
Total	223.206	176.351	92.609	224.290	166.879

Source: State statistical office (SSO)

Table 12: Number of fruit trees

Fruit	2015	2016	2017	2018	2019
Cherries	214.768	244.054	236.663	256.710	258.082
Sour cherries	1.049.136	1.092.387	1.153.260	1.206.349	1.102.404
Apricots	201.720	210.050	208.705	218.646	215.714
Apples	4.082.328	4.165.561	4.498.338	4.875.902	4.892.546
Pears	414.633	446.603	456.053	493.346	496.937
Plums	1.734.692	1.772.493	1.733.364	1.732.823	1.745.253
Peaches	585.686	618.100	657.288	588.724	600.562
Walnuts	204.584	203.866	201.116	206.766	210.633
Total	8.487.547	8.753.114	9.144.787	9.579.266	9.522.131

Source: State statistical office (SSO)

Table 13: Vineyards (area) and production of grapes (including table grapes)

Vineyards	2015	2016	2017	2018	2019
Area in ha	23.240	23.613	23.703	24.088	24.468
Production in tones	324.769	333.319	180.349	294.497	258.960

Source: State statistical office (SSO)

Table 14: Orchards (area) and production of fruit

Orchards	2015	2016	2017	2018	2019
Area in ha	15.856	16.138	16.546	16.827	16.784
Production in tones	223.206	176.351	92.609	224.290	166.879

Source: State statistical office (SSO)

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 a 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.

Table 15: Number of livestock

Livestock	2015	2016	2017	2018	2019
Cattle	253.442	254.768	255.036	256.181	217.790
Pigs	195.443	202.758	202.197	195.538	135.770
Sheep	733.510	723.295	724.555	726.990	684.558
Goats	88.064	101.669	107.466	117.447	87.581
Poultry	1.761.145	1.865.769	1.840.173	1.828.287	1.562.089
Bee-hives	73.960	81.476	75.406	81.197	96.143

Source: State statistical office (SSO)

The number of livestock has significantly decreased in 2019 as a result of change and improvement of the methodology in recording the data for number of livestock. There was a working group, established in 2018 from experts from the Ministry, Food and Veterinary Agency and State statistical office. The working group worked on harmonizing the registers and databases in the three institutions and defining the criteria for recording animals in the respective registers.

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 2019 significantly increased due to the increase in the subsidies provided

by the Programme for direct payments and the characteristics of bee keeping (small investments, labour extensive production, increase in prices of honey and its products).

Table 16: Production of meat in tones

Meat	2015	2016	2017	2018	2019
Beef	4.875	3.962	4.636	4.381	4.083
Pig	10.826	12.786	13.105	12.929	13.384
Sheep/lamb	3.980	3.737	3.422	3.446	3.392
Chicken	1.729	1.509	1.716	1.499	1.490

Source: State statistical office (SSO)

Table 17: Production of milk in 000 liters

Milk	2015	2016	2017	2018	2019
Cow	361.072	403.044	394.140	404.230	390.903
Sheep	40.748	41.066	35.364	36.559	35.088

Source: State statistical office (SSO)

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 since 2018 is a result of several increases of the minimum wage (236 €) in the country. This led to increase of number of employees in agriculture by regulating employment status of persons whose status was not regulated.

Table 18: Average net salary by employee in €

Description	2015	2016	2017	2018	2019	2020 ³
Agriculture, forestry and fisheries	247	283	272	306	321	350

Source: State statistical office (SSO)

Table 19: Employees in agriculture, forestry, fisheries, and food processing

Description	2013	2014	2015	2016	2017	2018	2019
Agriculture, forestry and fisheries	12.649	11.561	11.133	11.665	11.725	13.287	13.744
Food processing industry	20.440	21.071	20.318	19.809	17.512	21.119	24.088

Source: State statistical office (SSO)

General trade and trade with agro-food and fishery products

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).

In 2019, the overall trade (industrial + agro-food products) (export + import) compared to 2018 has increased by 10%. Total export (industrial + agro-food products) in 2019 compared with 2018 was increased by 9,6% and total import shows increase by 10,3%. The export of agro-food products in 2019 compared with 2018 has increased by 14,5% (from €545,5 million in 2018 to €624,5 million in 2019), and the import of agro-food products in 2019 compared with 2018 increased by 5,7% (from €792,2 million to €837,15 million).

The share of export of agro-food and fishery products in total export from Republic of North Macedonia in 2019 has slightly increased compared to the share in 2018 and it was 9,72%. The share of import of agro-food and fishery products in total import into Republic of North Macedonia in 2019 has slightly decreased compared to the share in 2018 and it was 9,89%.

³ Data from January 2020

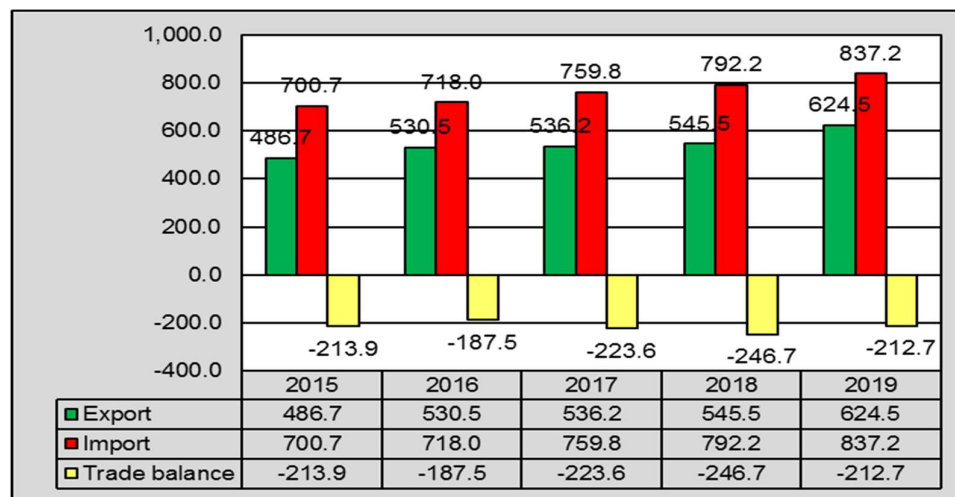
The trade deficit in 2018 has increased 10,3% and amounted €246,6 million while in 2019 the trade deficit has decreased by 13,8% and amounted €212,65 million.

Table 20: Total trade and trade with agricultural and fishery products 2015-2019 (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
2015	<i>Export</i>	4,051.23	486.7	12.01%
	<i>Import</i>	5,776.93	700.6	12.13%
	<i>Balance</i>	-1,725.70	-213.9	12.39%
2016	<i>Export</i>	4,329.27	530.52	12.25%
	<i>Import</i>	6,106.73	718.01	11.76%
	<i>Balance</i>	-1,777.46	-187.49	10.55%
2017	<i>Export</i>	5,007.19	536.23	10.71%
	<i>Import</i>	6,824.92	759.84	11.13%
	<i>Balance</i>	-1,817.73	-223.61	12.30%
2018	<i>Export</i>	5,860.83	545.50	9.31%
	<i>Import</i>	7,671.95	792.15	10.32%
	<i>Balance</i>	-1,811.12	-246.65	13.61%
2019	<i>Export</i>	6,423.70	624.5	9.72%
	<i>Import</i>	8,463.17	837.15	9.89%
	<i>Balance</i>	-2,039.47	-212.65	10.42%

Source: State Statistical Office (SSO)

Figure 3: Development of Macedonian agricultural trade (in million €) for the period 2015-2019



European Union-28 is definitely the most important partner of the Republic of North Macedonia on trade with agri-food and fisheries products in 2019. Most significant export products are tobacco, fresh fruit and vegetables, lamb meat and wine. Most imported product are sea fish, milk and milk product (butter), fresh beef and frozen pork.

Total value of trade with EU-28 with agri-food and fisheries products in 2019 (export + import) was €720 million. The share of agro-food and fishery products export to EU-28 in

total export of these products in 2019 was 49,7%, while the share of import from EU-28 in total agro-food and fishery products import in 2019 was 48,9%.

Second important partner of the Republic of North Macedonia in 2019 in trade with agro-food and fishery products, were CEFTA country members, with total value of trade (export + import) of €457,5 million. The share of agro-food and fishery products export to CEFTA country members in total export of these products in 2019 was 35,1%, while the share of import from CEFTA country members in total agro-food and fishery products import in 2019 was 28,47%. The most important CEFTA trade partner was Serbia with share of 10,9% of total export of agro-food and fishery products and 22,8% of total import. Following by Bosnia and Herzegovina (with share of 5,4% in total export and 3,5% in total import). Regarding export Kosovo is also important partner with share of 12,8% of total export, while the contribution of other CEFTA members countries (Montenegro, Moldova and Albania) is still with lower participation in trade.

Worth to be mentioned, Turkey as a candidate country and a country with which the Republic of North Macedonia has a Free Trade Agreement takes 0,48% of total export and 3,1% 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 share of 3,9% of total export was USA, due to significant export of tobacco, while Brazil with share of 4,2% of total import, was largest sole non-EU import partner, basically due to significant quantities of poultry, bovine frozen and coffee imported in 2019.

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, in the period ahead NSARD 2014-2020 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 21: 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 22: Amounts of support (in €) by the Programme for rural development

Year	2013	2014	2015	2016	2017	2018	2019
Total	17.186.992	31.229.268	31.400.000	29.356.016	32.906.390	32.295.935	33.128.179

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

Measures	EU contribution 2014-2020 first modification		EU contribution 2014-2020 second modification	
Investments in physical assets of agricultural holdings	21.800.000	36%	21.320.000	36%
Investments in physical assets concerning processing and marketing of agricultural and fishery products	21.960.000	37%	21.540.000	36%
Investments in rural public infrastructure	9.100.000	15%	0	0%
Farm diversification and business development	4.740.000	8%	15.560.000	26%
Technical assistance	2.400.000	4%	1.490.000	2%
Total	60.000.000	100%	60.000.000	100%

Source: IPARD Programme 2014-2020, C (2015)760 and C (2019)666

3.2 Analysis on progress in implementation by measure

By the end of 2019, five public calls for submission of applications were published. In order to meet the farmers needs and provide more time for preparation of quality applications, the deadline for submission of applications was extended for additional 15 days for public calls 01/2017, 01/2019 and 02/2019.

Table 24: Overview of implementation of IPARD per public calls in €

	Public call	Applications						Time for application processing
		Submitted		Contracted		Paid		
		No.	EU contribution	No.	EU contribution	No.	EU contribution	
1	01/2017	1.648	72.329.985	899	16.099.845	836	10.012.299	15 months
2	01/2018 ⁴	65	15.306.651	36	4.722.611	/	/	4 months
3	02/2018 ⁵	1.099	18.335.969	311	2.308.905	/	/	6 months
4	01/2019 ⁶	261	43.821.070	/	/	/	/	/
5	02/2019 ⁷	/	/	/	/	/	/	/
Total		3.073	149.793.675	1.246	23.131.361	836	10.012.299	/

Source: Managing Authority

The process of processing and approving the applications submitted at the first public call took a lot of time. 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). According information by the IPARD Agency, the control of reference price in the data base Unit takes at least two months and in some cases, depending on availability of information and willingness of suppliers to provide the data, even more. 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 25: Indicators on quality of implementation (cutoff date 31.12.2019)

Total number of applications submitted	3.073
Number of signed contracts	1.246
Number of paid contracts	836
Number of cancelled contracts	57
% of contracted applications (contracted/submitted)	40,5
% of cancelation of contracts (cancelled/contracted)	4,6
% of paid contracts (paid/(contracted – cancelled)	70,3

Source: Managing Authority

3.2.1 Measure 1 – Investments in physical assets of agricultural holdings

Submitted applications under Measure 1, on two public calls, reached 2.503 (36.295.214 € EU contribution). Contracts have been signed with 1.156 applicants for 10.196.739 € EU contribution. Additional 57 contracts have been terminated by the Agency.

⁴Public call for measure 3.

⁵Public call for measure 1.

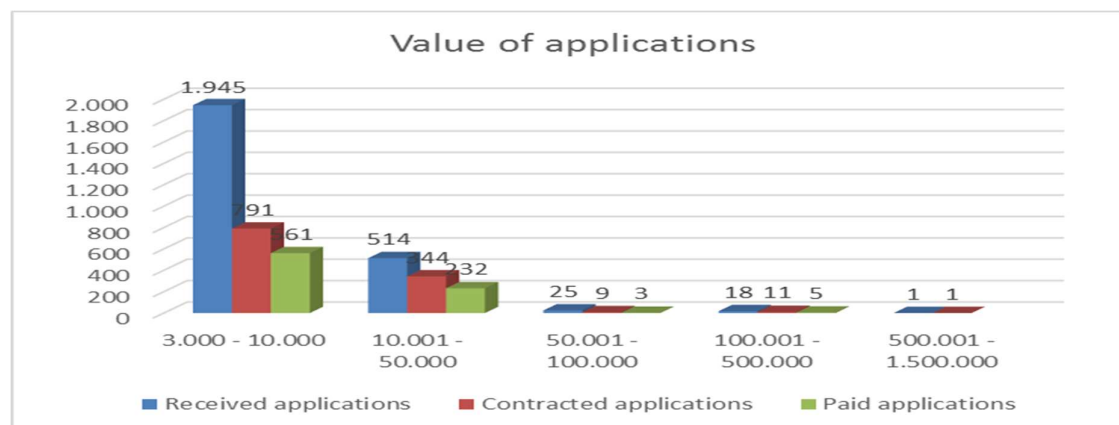
⁶Public call for measure 7. Contracting expected in first half of 2020.

⁷Public call for measure 3 opened until 26th of February 2019.

- Public call 01/2017, submitted applications 1.404, signed contracts 845, rate of approval 60,2 %.
- Public call 02/2018, submitted applications 1.099, signed contracts 311, rate of approval 28,3 %⁸.

By the end of 2019, payment of contracts reached 801 (5.772.283 € EU contribution).

Figure 4: Review of applications per value of investments⁹ in Measure 1



Source: Managing Authority

Average value of received application (expressed in EU contribution) under Measure 1 in the Agency is 14.501 €. Respectively, average value of contracted and paid applications under measure 1 is 8.821 € and 7.206 €.

The low value of IPARD applications is primarily due to the size of farms in Macedonia (less than 2 hectares). The requirements for investments in such farms refer mostly to small pieces of agricultural equipment and machinery or tractors with lower engine power.

As in the past, and due to the dissolved property legal relations, the need for simpler investments (equipment and mechanization instead of construction works) and the possibility for faster realization of the investment, the sector for crop production has significantly higher number of submitted applications.

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). Direct interviews with potential recipients (eligible ones) conducted by Managing Authority have shown lack of starting capital, access to credits from the banks and unprofitability of investing in environment protection and animal welfare, as main issues for low interest for using IPARD in livestock breeding. Further sector analysis needed for explaining the reasons for low interest in animal husbandry sector. More comprehensive explanation on this subsector state of play is expected after finalization of ex-post evaluation of IPARD Programme 2007-2013.

Table 26: Review of applications per priority sectors in Measure 1

	Received (A)	Contracted (B)	EU part contracted	Paid	EU part paid	% of approval (B/A)
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⁸ Contracting process for the public call 02/2018 continues early in 2020.

⁹ Value of investments presented as total eligible expenditure.

Cattle	20	3	1.182.059	1	20.125	15 %
Poultry	11	2	446.268	/	/	18 %
Sheep	21	3	17.271	2	12.453	14 %
Pigs	13	3	917.611	/	/	23 %
Goat	1	/	/	/	/	/
Orchards	711	371	2.745.510	283	2.195.212	52 %
Vineyards	345	204	992.928	115	710.262	59 %
Vegetables	160	77	506.860	55	325.601	48 %
Greenhouses	9	1	4.046	1	4.046	11 %
Cereals	1.200	489	3.368.246	341	2.485.445	41 %
On-farm processing	8	1	12.790	1	12.786	13 %
Renewable energy	4	2	6.353	2	6.353	50 %
Total	2.503	1.156	10.196.739	801	5.772.283	46 %

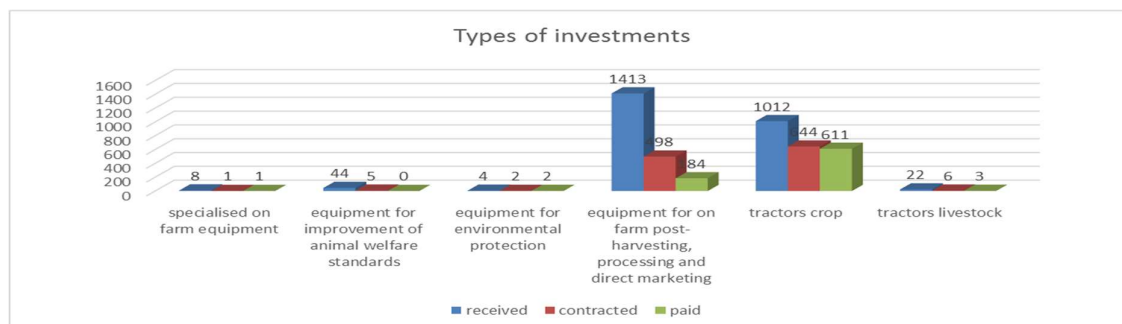
Source: Managing Authority

Wheat, orchards, grapes and open field vegetables production were types of production most commonly used by the applicants.

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, 650 contracts have been signed (5.280.977 EU contribution) and 614 paid have been paid (4.531.912 EU contribution). 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, future public calls under Measure 1 did not include tractors as an eligible expense.

Data received from the IPARD Agency show great interest in investments in equipment for on farm post-harvesting, processing and direct marketing (1.413 received, 498 contracted, 184 paid) and unusually low interest in specialized farm equipment (8 received, 1 contracted, 1 paid).

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



Source: Managing Authority

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

IPARD Agency announced three public calls for this measure. The third public call (02/2019) shall be closed at the end of February 2020.

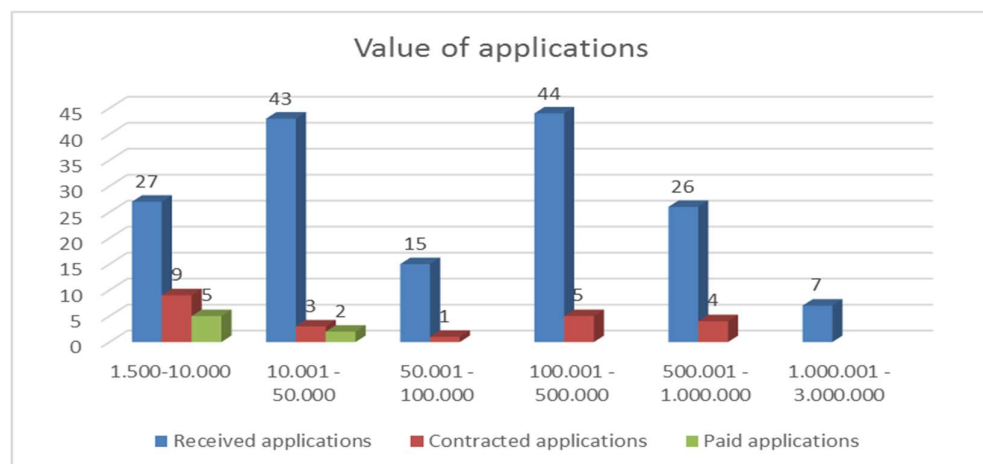
Submitted applications under Measure 3, on first two public calls, reached 122 (28.334.403 € EU contribution). Contracts have been signed with 67 applicants for 9.702.548 € EU contribution. There are no terminated contracts in this Measure.

- Public call 01/2017, submitted applications 57, signed contracts 31, rate of approval 54,4 %.

- Public call 01/2018, submitted applications 65, signed contracts 36, rate of approval 55,4 %¹⁰.

By the end of 2019, payment of contracts reached 28 (4.180.095 € EU contribution).

Figure 6: Review of applications per value of investments¹¹ in Measure 3



Source: Managing Authority

Average value of received application (expressed in EU contribution) under Measure 3 in the Agency is 232.249 €. Respectively, average value of contracted and paid applications under measure 3 is 144.814 € and 149.289 € of total public expenditure.

Unlike the previous reporting period, in 2019 more equal interest for all sectors in the processing industry was shown. Only in 2019, 12 applications (out of which 7 contracts concluded) were submitted in the dairy processing and 30 applications (17 contracts concluded) in the fruit and vegetable processing industry. Interest in investing in other sectors (winemaking, milling, meat industry) of this measure has increased accordingly. The beneficiaries of this measure are mostly export-oriented companies, with high level of liquidity and investments needs in equipment for technological process modernization or new production lines introduction. The biggest project under the IPARD Programme 2014-2020 (2,2 mill. €) was implemented and paid in this measure at the end of 2019.

Table 27: 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	4	226.944	56 %
Dairy processing	12	7	622.038	/	/	58 %
Meat products (only cattle)	16	13	2.691.964	8	2.060.753	81 %
F&V collection centers	21	10	1.727.010	9	1.322.025	48 %
F&V processing	30	17	3.069.470	/	/	57 %
Cereals milling	16	5	203.099	2	74.068	31 %
Oils and fats	3	2	24.616	1	9.620	67 %
Wineries	15	8	1.060.471	4	486.685	53 %
Total	122	67	9.702.548	28	4.180.095	55 %

Source: Managing Authority

Regarding the interest for types of investments, investments in processing equipment for production technology modernization was most wanted for the applicants: (especially in F&V processing-37 applications, 20 contracts), followed by construction/reconstruction of

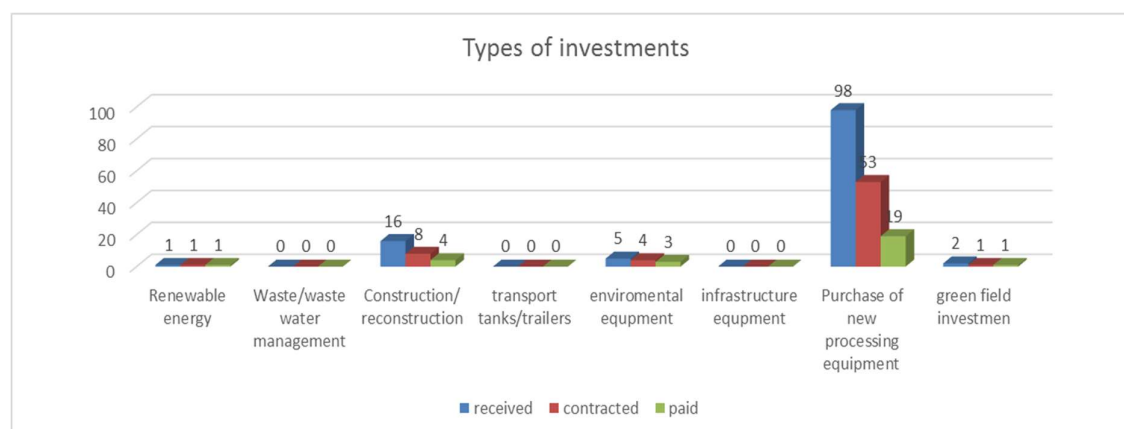
¹⁰ Contracting process for the public call 01/2018 continues early in 2020.

¹¹ Value of investments is presented as total eligible expenditure

operational facilities (especially in F&V collection centers – 11 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. Analysis has shown that investment in this does not contribute to the economic performance of companies to a greater extent and therefore the low interest.

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



Source: Managing Authority

3.2.3 Measure 7 – Farm diversification and business development

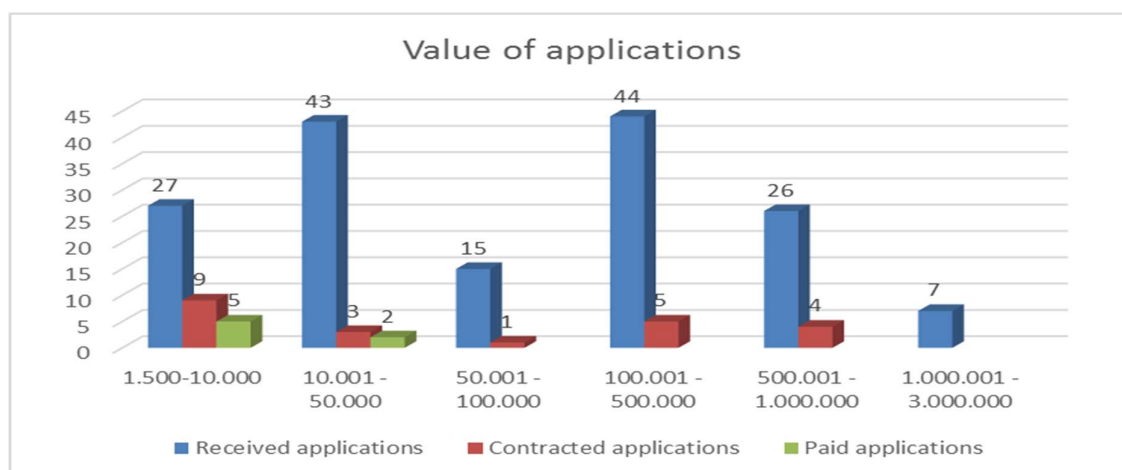
IPARD Agency announced two public calls for this measure. The second public call (01/2019) was announced in October 2019. On request by the applicants, the Agency extended the deadline for submission of applications for additional 15 days, so public call was closed in the middle of December 2019.

Submitted applications under Measure 7, on first two public calls, reached 448 (85.164.058 € EU contribution). Contracts have been signed with 23 applicants for 3.232.074 € EU contribution. There are no terminated contracts in this Measure.

- Public call 01/2017, submitted applications 187, signed contracts 23, rate of approval 12,3 %.
- Public call 01/2019, submitted applications 261. Applications received on the second public call are in approval phase, results are expected in the middle of 2020.

By the end of 2019, payment of contracts reached 7 (59.935 € EU contribution).

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). Having in mind great interest for investing in production and sale of energy from renewable resources and the fact that the value of these investments can overcome the available budget of the measure, IPARD Agency excluded the sector from public call 01/2019.

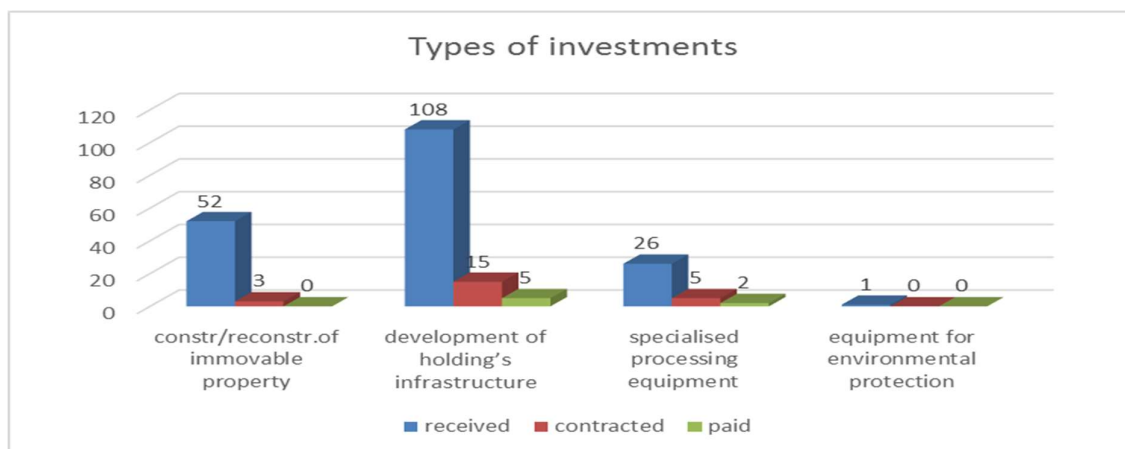
Table 28: Review of applications per priority sectors in Measure 7

	Received (A)	Contracted (B)	EU part contracted	Paid	EU part paid	% of approval (B/A)
Alternative agriculture production	39	10	268.650	4	4.712	%
Manufacture of food products and beverages	21	1	20.549			%
Manufacturing of non-food products	33	5	1.298.084	1	40.984	%
Development of crafts activities	5	0	0			%
Provision of services to agriculture	4	2	14.220	2	14.225	%
Development of services for the rural population	8	1	487.158			%
Promotion of Rural Tourism	32	4	1.143.413			%
Production and sale of renewable energy	45	0	0			0%
Total	187	23	3.232.074	7	59.921	

Source: Managing Authority

Applicants have not shown interest for investing in: specialized transport tanks and trailers and purchase of perennial trees and plants.

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



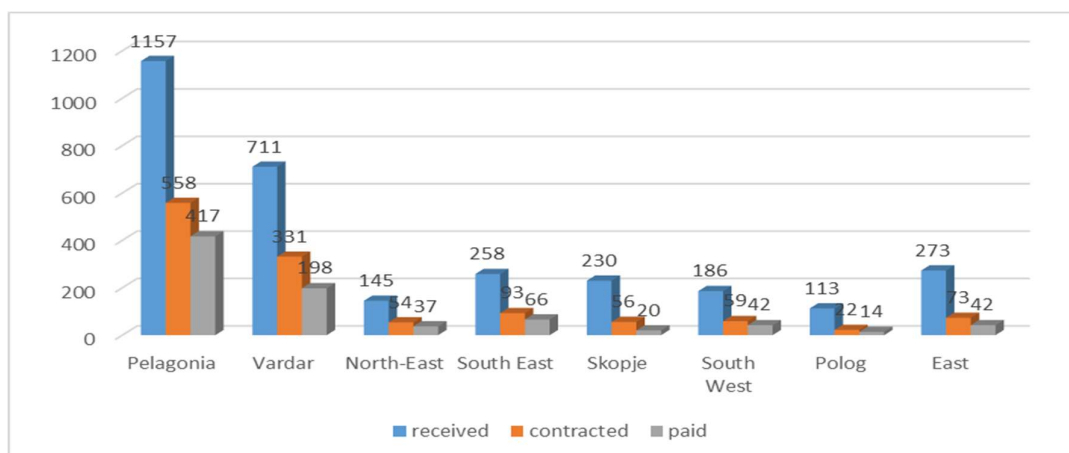
Source: Managing Authority

3.3 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 regions with intensive agricultural production: Pelagonia (1.157) and Vardar (711). Pelagonia is the biggest agricultural region, known for cereals production. Around 800 of submitted applications in Pelagonia were for purchase of tractors. Vardar region is known for fruit, vegetables, and wine (vineyards) production. These regions also have biggest number of contracts (Pelagonia 558, Vardar 331).

Figure 10: Review of the applications by statistical regions



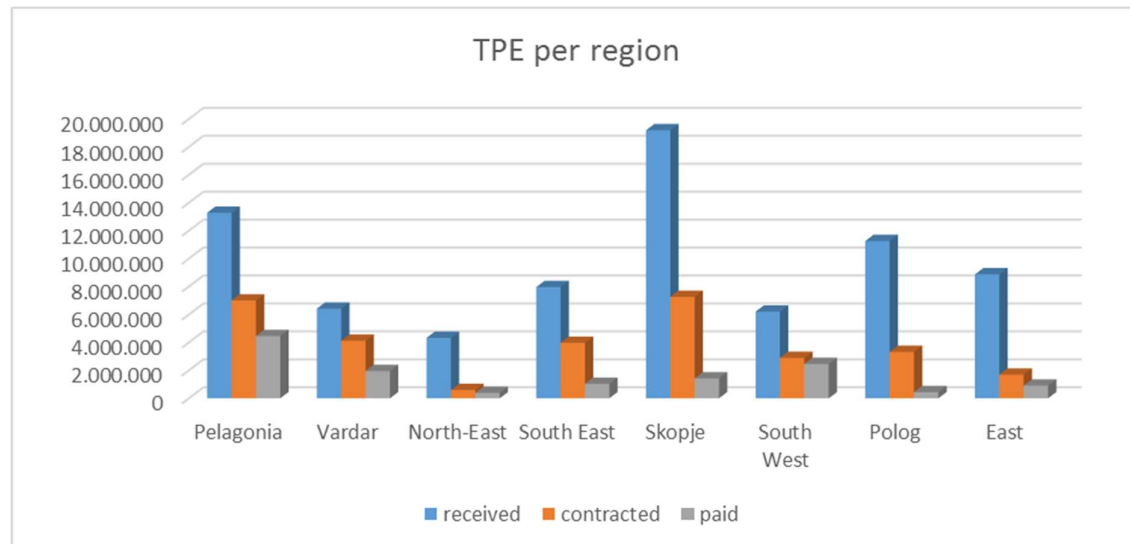
Source: Managing Authority

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.

There is a significant difference when comparing distribution of applications and total public expenditure per region. For example, Skopje and Polog region are most urbanized regions

with one of the lowest shares in the creation of gross value added in agriculture (8 and 10%), but with high concentration of beneficiaries, especially companies. The production capacities of these beneficiaries are located on the entire territory of the country.

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



Source: Managing Authority

Table 29: Review of applications per Municipalities

Municipality	No. of applications			Total public expenditure in EUR		
	received	contracted	paid	received	contracted	paid
Bitola	331	78	43	6.501.584	772.450	329.116
Resen	292	181	139	3.488.927	1.371.707	885.884
Mogila	163	91	62	1.934.200	509.115	339.246
Prilep	146	43	30	1.583.286	524.149	343.683
Kavadarci	140	43	32	4.311.582	274.695	132.141
Negotino	138	53	38	4.825.803	411.241	281.003
Veles	93	26	16	2.450.778	652.723	192.377
Sveti Nikole	82	24	15	1.217.660	183.137	120.113
Kumanovo	74	29	19	2.166.393	405.138	98.357
Novaci	71	36	25	5.184.805	248.363	159.730
Rosoman	67	32	27	1.148.051	345.101	302.210
Dolneni	64	27	19	1.729.721	436.872	109.716
Lozovo	60	13	10	1.422.459	754.143	77.180
Krivogastani	56	21	16	840.179	121.704	82.654
Debarca	47	17	12	1.833.642	175.331	65.667
Ohrid	45	16	14	680.930	92.481	66.723

Source: Managing Authority

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

4.1 Activities undertaken by the Managing Authority

It can be concluded that the changes that took place during 2019 positively and negatively reflected the situation with human resources. Namely, during 2019, all management positions in the Managing Authority were filled in, but several employees were transferred to other departments in the Ministry. An advisor from the unit for programming was promoted to assistant to the head of Managing Authority, and a senior associate from the unit for monitoring and reporting has been promoted to head of the unit. Two advisors, one from the technical assistance unit and one from the monitoring and reporting unit, were transferred to other MAFWE departments. The 2020 workload analysis indicates the need for four employees: advisor and senior associate in the unit for programming, advisor in the unit for monitoring and reporting, and advisor in the unit for technical assistance.

The first modification of the IPARD Programme 2014-2020 was approved on 24 January 2019 with Commission implementing decision Ref. Ares(2019)514175. The proposal for the first modification of the Programme was based on the experience gained in implementing the first public call of IPARD II and 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 incomplete application, causing a delay the implementation process at all. Changes in the rules for the mandatory documents to be submitted together with the Application are introduced within this modification.

Also, the approved first modification included changes related to:

- 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 are in a range of micro enterprises which are were not eligible in the measure 3. Investment in new irrigation system was introduced as eligible under measure 1.
- changes for eligible investments in the renewable energy sector under the measure 7 are included. Consequently, due to the interest for investments that exceeded the initially planned funds, changes in the financial allocations were made. 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).
- The introduction of Annex 14 defining the list of non-food processing activities eligible under the measure 7.
- The amendment to the list of mandatory documents, which have to be submitted together with the Application form and
- List of eligible expenditures for measures 1, 3 and 7 is modified accordingly. Introduction of frost protection equipment and clarification of the costs eligibility for electricity supply, irrigation, drainage, boreholes, wells, pumps etc. is included in measure 1. 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.

Second modification of the Programme was of a financial nature and it was approved on 8th of August 2019 with Commission Decision C(2019)6038. Having in mind difficulties in accreditation of measure 6 (Investments in rural public infrastructure), second modification

adapted the financial tables by transferring part of the funding currently attributed to measure 6 in measure 7. Expected results from the approved second modification:

- Avoiding the risk of loss of funds;
- Additional financial allocations for measure 3 and measure 7;
- Avoiding the possibility of potential rejection of “good projects” under measure 7 due to a ranking procedure;
- Completely speed up the process of approving requests.

In order to improve the implementation process of IPARD Programme 2014-2020 and to guide the potential recipients Managing Authority in a cooperation with relevant department from the MAFWE drafted and published on the official IPARD website “Guidelines of procedures for building on the agriculture land”. In this Guideline, Managing Authority prescribed the procedure and criteria for issuing building license on the agriculture land using the opportunities, which are given by the Law on agriculture land.

In order to overcome difficulties in the process of collection of data needed for monitoring and to have more accurate and reliable data for solid analysis of the situation with the implementation of IPARD, Managing Authority is included as beneficiary of the project “Customised Software for Integrated Administrative and Control System (IACS)” - EuropeAid/139016/DH/SER/MK. The project shall perform analysis of the existing systems and procedures in the Agency and based on this develop software modules for each activity in the Agency related to implementation of IPARD Programme. The Contractor will consider the Managing Authority to hold user (read-only) access to standard sets of reports (and/or user defined) and indicators related to the implementation of the IPARD Programme and to be able to generate customised reports from individual sub-modules such as module for project approval, payment authorization, on the spot control and reference price data base module. These standard sets of reports and indicators shall be specified for annual reporting and for on-going monitoring of IPARD Programme implementation. The Contractor will consider the existing monitoring and reporting templates and upgrade the overall quality and timeliness of the monitoring and reporting processes for IPARD. The Managing Authority shall define the set of reporting requirements.

4.2 Activities undertaken by NAO and MS

In line with the bilateral Agreements with the Commission in respect to IPARD II (Framework Agreement, Sectoral Agreement and Financing Agreement¹² for IPARD Programme 2014-2020), appropriate legal framework was established by the national authorities of the Republic of North Macedonia, as follows:

- Law on establishing IPARD Agency;
- Decree on determining mutual relations between the bodies and the structures of the system for indirect management under the Instrument for Pre-Accession Assistance (IPA II) (entered into force as of 21st March 2016, OG 54/2016);
- Decree on manner and procedure for use of financial support of the measures for rural development financed by the IPARD Programme 2014-2020 (entered into force as of 04th April 2016, OG 64/2016);
- Implementing Agreement between National Authorising Officer and Agency for Financial Support in Agriculture and Rural Development for the Implementation of IPARD II under indirect management;
- Implementing Agreement between National Authorising Officer and Managing Authority for the Implementation of IPARD 2014-2020 under indirect management;

¹² Financing agreement 2014-2020

- Implementing Agreement between IPARD Agency and Managing Authority for management and implementation of IPARD II Programme under entrusting of budget implementation tasks by the Commission;
- Manual of Procedures of the Management Structure (MS) and the National Authorising Officer (NAO) for implementation of the IPARD 2014-2020 assistance;
- Manual of Procedures of the Agency for Financial Support in Agriculture and Rural Development for implementation of the IPARD 2014-2020 assistance;
- Manual of Procedures of the Managing Authority for implementation of the IPARD 2014-2020 assistance;
- Designation of the IPA II authorities as follows:
NIPAC (Governmental Decision entered into force on 5th June 2017, OG 70/2017);
NAO (Governmental Decision entered into force on 26th October 2015, OG 184/2015);
Director of the IPARD Agency (Governmental Decision No. 24-2382/1 entered into force on 20th of February, 2018) and Head of Managing Authority (Governmental Decision No.44-3545/2 entered into force on 27th March 2018)

Referring to the legal framework, the following changes occurred during 2019:

- Law on amending and changing Law on establishing IPARD Agency as of 16th September 2019;
- 1st Modification of IPARD Programme 2014-2020 as of 29st January 2019;
- 1nd Modification of IPARD Programme 2014-2020 as of 08th August 2019;

Formal designation of the authorities for IPARD II remained unchanged during 2019. However, we would like to inform on the changes on the key working positions. Namely, the position of Head of Management Structure (IPA Funds Management Department) was vacant as of 25th January 2019 and new appointment of Head of the Management Structure was done on 13th June 2019. Also the vacant position of the Deputy Head of the IPA Funds Management Department was filled on the same date.

In the IPARD Agency, a Deputy Director of the Agency was appointed by the Government of the Republic of North Macedonia on 29th January 2019.

During 2019, further improvements of the working procedures of IPARD Agency bearing version 2.0 were made, on the bases of:

- Modifications to the IPARD Programme (first modification);
- Amendments to the Law on establishing IPARD Agency;
- Weaknesses identified in the process of audits;
- Experience in the processing of the public calls under IPARD II.

Main modifications of IPARD Agency Manual of Procedures (version 2.0) were qualified as significant and in accordance to the provisions of the Sectoral Agreement for substantial modifications were approved on 04th of October 2019. The substantial change introduced within the management and control system with these modifications is that only complete applications shall be preceded under the public calls. The other modifications introduced within this modification were qualified as non-significant and mostly related to adjust the system with the first modification to the IPARD Programme, audit recommendations, Amendments to the Law on establishing IPARD Agency, as well as experience in the processing of the public calls.

During 2019, modifications of the Manual of Procedures of Management Structure, B - Management and Control Framework - Subsection B-5 version 1.1 has been done as well. Since this modifications are mainly technical and were prepared according the audit recommendation in order to be secured consistency in the procedure, national legislation for

archiving and daily execution of tasks they were qualified as minor and approved by NAO on 15th February 2019.

In addition, significant change that was proposed in the working arrangements of the National Fund, in particular in the Accounting System was approved by DG AGRI on 18th of September 2019 (Ref. Ares(2019)5829017 - 18/09/2019). Pursuant to the approval this changes were endorsed on 27th December 2019 and are implemented in practice as of 01st of January 2020.

4.2.1 Functioning of the management and internal control systems under IPARD Programme 2014-2020

a) DG AGRI observations and recommendations

Entrustment of the measure Investments in Rural Public Infrastructure

During 2019 the communication with DG AGRI was mainly related to the entrustment of the measure Investments in Rural Public Infrastructure (IRPI) as well as clearance of accounts procedure for 2017 under IPARD I and 2018 for IPARD II.

The Request for being entrusted with budget implementation tasks (EBIT) for the measure Investments in Rural Public Infrastructure (IRPI) from IPARD Programme 2014-2020 was submitted to EC on 13th November 2018. With letter dated 03th April 2019, DG AGRI submitted initial observations and recommendations concerning the submitted package for EBIT request. Main observations were related to HR capacities, Law on IPARD Agency and Agency's procedural arrangements.

As it was recommended by DG AGRI, continuation of entrustment of IRPI measure depends exclusively with establishment and training of adequate staff for implementation of this measure before entrustment is granted.

National Managing and Operating structure with coordination of the Minister of Agriculture Forestry and Water Economy (MAFWE) agreed that due to the limited number of HR capacity, at the moment the focus of the employees to be over implementation of already accredited measures, till securing optimal number of staff for implementation of the new measure - IRPI. Thus, it was decided the process to be postponed. In parallel operating structure (mainly IPARD Agency) is committed to implement DG AGRI recommendations on procedural arrangements.

NAO informed DG AGRI on the state of play of the activities regarding the measure IRPI with Letter No. 10-11894/1 as of 20.12.2019. With regard to the legal framework, the procedure for adoption of the two main legal documents was completed and Amendment to the Law on Establishment of the Agency was adopted in September 2019. In addition, amendments to the Decree on the manner and the procedure of use of financial support for rural development measure funded by the Program IPARD 2014-2020, which includes the provisions for implementation of IRI measure, were adopted in March 2019. Also, progress was reported regarding the human resources capacities and internal working procedures.

Clearance of accounts procedures

Within the frame of clearance procedures, during 2019, DG AGRI submitted Final position concerning clearance of accounts under IPARD for the financial year 2017. The total amount proposed for exclusion from EU financing is EUR 210,414.92 (corresponding to a financial correction of EUR 8,421.08 and a financial reduction calculated on the basis of the Article 44(10) of the SA I, of EUR 201,993.84). The arguments by both parties were extensively discussed and both positions were presented during the contradictory procedure. DG AGRI submitted Final position concerning clearance of accounts under IPARD for the financial year 2017 on 12/12/2019. The procedure is ongoing, Commission Decision is expected as well as Debit Note for recovery of funds to be made.

As refers to the acceptance of accounts for FY 2018 for IPARD II, the IPARD II acceptance of accounts decision for FY2018, shall confirm that the annual financial reports and statements referred to in Article 45(a) and (c) of the SA II as included in the annual accounts are complete, accurate and true. Therefore, no exclusion of EU funding is proposed.

Debit note in amount of EUR 11 527.75 of EU financing was issued by the Commission concerning Debtors' Ledger for the financial year 2018. The amount is recovered toward the Commission National Authorities disputed amount of EUR 3,996.90 from this Debit Note which was accepted to be deducted by the Commission. However, for sound accounting management, no change can be done to this debit note, as generated, nor can a new debit note be issued, therefore this debit note must be repaid as stated.

The amount of EUR 3,996.90 will be deducted from the debtors' ledger exercise in the next year 2021.

In general, DG AGRI supports the recommendations made by the Audit Authority, and the National Authorities are requested to undertake the necessary actions to implement the recommendations put forward by the Audit Authority.

Communication regarding concerning agricultural mechanization - tractors

During first half of 2019 important communication with DG AGRI was conducted in order discrepancy with the requirements under Measure 1 of the IPARD Programme and the LEE concerning agricultural mechanization - tractors to be clarified. Till securing clear understanding from national authorities and Commission, regarding this discrepancy around 200 applicants (requesting around 2.5 mil euro EU+NCF) were delayed in payment processing phase.

National authorities in order to be clear on the interpretation of this criteria, several times communicated this question/dilemma with the Commission. All this affected investments were put on hold for payment till receiving clear answer from the Commission that eligibility conditions set in the Programme prevail over conditions set in the LEE in this respective case (answer received on 24th of June 2019). Time frame for resolving this discrepancy resulted with breaching time limits for processing payment claims for these investments - tractors.

Other communication with DG AGRI

Also during 2019, updated guidelines for communication, publicity and visibility for IPARD funded projects were distributed by the commission - DG AGRI (Ref. Ares(2019)4301933 - 05/07/2019). Additional clarification on the publication of the list of the operations and recipients (Ref. Ares(2019)3898631 - 19/06/2019) as well as Guidance for respecting the relevant European Union standards in the case of investments in agricultural vehicles under IPARD II (Ref. Ares(2019)6933835 - 08/11/2019) were sent. The guidelines were taken into account during the regular working by the National Authorities.

b) Audit Authority Reports

The IPA Audit Authority during 2019 issued the following Final Audit Reports:

- Final Audit Report for the system audit for 2018 in NAO/MS for implementation of IPARD II Programme - Policy area 4 - Agriculture and Rural development as of 11th of March 2019;
- Final Audit Report for the system audit for 2018 in MA for the programmes financed from IPA II -Policy area 4 - Agriculture and Rural development as of 11th of March 2019;
- Final Audit Report for the system audit for 2018 in AFSARD for implementation of IPARD II Programme- Policy area 4 - Agriculture and Rural development as of 11th of March 2019;

- Final Audit Report for the audit of operations for 2018 in AFSARD for implementation of IPARD II Programme- Policy area 4 - Agriculture and Rural development as of 11th of March 2019;
- Final Audit Report for the audit of operations (for the paid and declared expenditures in Q1 2019) in AFSARD for implementation of IPARD II Programme- Policy area 4 - Agriculture and Rural development as of 25th of November 2019;

During 2019, Annual Audit Report and Annual Audit Opinion from the Audit Authority for 2018 was issued.

With the Annual Audit Opinion auditors expressed an Unqualified opinion regarding the Reliability of the annual - financial reports or statements / annual accounts and Unqualified opinion with emphasising of matter regarding the Legality and regularity of expenditure and functioning of management and control systems.

Within the audit opinions, based on the audit procedures with regard to the programme the auditors expressed reasonable assurance that:

- The declaration of expenditures and Annual Financial Reports or Statements/Annual Accounts for FY 2018 issued by NAO give a true and fair view.
- The expenditures for which reimbursement has been requested from Commission is legal and regular
- The management and control system is put in place and function properly.

In regard to the Annual Audit Activity Report 23 open findings were followed by NAO related to IPARD 2014-2020 from, presented in the table:

Institution	Major	Intermediate	Minor	Total	Implemented findings
NAO/MS	/	2	/	2	/
MA	2	6	/	8	5
IPARD Agency	6	4	3	13	8
Total:				23	13

In addition, should be noted that findings regarding IPARD 2007-2013 are also followed by NAO since there are still activities that are ongoing concerning their closure.

Regarding the open findings from the Audit Authority Reports, NAO in coordination with the operating structure prepared Action Plan (Ref. No.10-7007/1 dated 25th July 2019). With the Action Plan activities for overcoming the findings are envisaged and during the year implemented. The NAO support office performs analysis and follows the dynamic of implementation of activities and informs NAO regarding the status of implementation.

From the submission of the Annual Audit Report the activities for implementation of audit recommendations were commenced, however for some systemic issues (such as retention policy, employments and etc.) there are still activities ongoing, having in mind that they require support on highest governmental level and interinstitutional coordination.

According to the last status of the findings raised from the system audit can be concluded that 7 (seven) findings regarding IPARD Agency are closed related with: Law for changing and amending the Law on establishing IPARD Agency, sanction system, changes in the version 2.0 of IPARD Agency Internal MoP, trainings, referent price database, inappropriate publicity of TA Measure and discrepancy with the following of Implementing Agreement provisions. Two findings from system audit remain open related to HR capacities in the Agency and finding related to IT - back up system. In addition, one finding from the audit of operations regarding IPARD 2014-2020 was closed. It should be noted that most of the findings from audit of operations regarding IPARD 2007-2013 imposing financial impact were closed within clearance of accounts procedure for 2017.

Regarding MA, during 2019, 5 (five) findings were closed related to: employee seconded from the agency for employment, trainings of employees, absorption of APTA 2018, publicity activities as well as finding related to overlapping of national programmes and IPARD Programme. In addition, 3 (three) findings remain open related to: securing optimal HR capacities, not finalised ex-post evaluation of IPARD Programme and one low finding related to Annual monitoring report.

Regarding the NAO/MS, 2 (two) findings are open related to not secured optimal number of HR resources according the WLA (this finding either open with the latest report is reduced from medium into low risk finding due to numerous activities undertaken in 2019 for promotion and filling up the positions - confirmed with the last system audit in 2019) as well as finding related with the person seconded from the employment agency (qualified as medium risk finding).

c) Internal Audit

Management Structure

According the Annual Audit Plan for 2019 of the Department for Internal Audit within the Ministry of Finance (No.23-6001/1 dated as of 14.12.2018) one audit mission was planned and realised within NAO/MS during the third quarter of 2019 concerning the process of system of internal controls of the requests for funds and certification of costs towards the EC in the IPA Funds Management Department. According the Final Audit Report number 23-8386/3 as of 18th November 2019, one high risk finding was identified related to insufficient number of staff within the Management Structure needed for performing the tasks. No findings related to the concerned audit process were detected during the audit.

IPARD Agency

The Annual Audit Plan in IPARD Agency for 2019 (No.32-3120/1 dated as of 14.12.2018) is adopted. According the Annual Plan 10 audit missions were planned, out of which 5 audits over processes concerning IPARD and one planned consulting engagement concerning activities related to entrustment of measure 5 LEADER and measure 10 Advisory services.

During 2019, following audits were conducted: follow up audit on the implementation of recommendations, Audit over the process of on the spot before payments, Audit over the process of project approval and contracting from measure 3, Audit over the process of project approval and contracting from measure 7 and Audit over the process of project approval and contracting from measure 1.

Mainly implemented recommendations from the audits are related to improvement of daily processes in all departments where the audits were carried out, however there are still activities ongoing for implementation of recommendations.

The Annual Audit Plan in IPARD Agency for 2020 (No.32-3593/1 dated as of 16th December 2019) is adopted. According the plan 11 audit missions are planned, out of which 5 audits over processes concerning IPARD and one consulting engagement upon preparatory activities for accreditation of the measure 5 LEADER and measure 10 Advisory services. Also one audit upon request by the director is foreseen (which might be also on IPARD if needed). The other planed audits are not related to IPARD Programme.

Managing Authority

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

During 2019, Final Audit Report that was issued (concerning the audit planed with the audit plan from 2018) contain two findings related to human resources and securing data from the IPARD Agency needed for monitoring process of the IPARD Programme.

For 2020 the Annual Audit Plan of the Ministry of Agriculture, Forestry and Water Economy foresees audit mission over the work of the IPARD Programming Unit.

d) Verification visits carried out by the MS/NAOSO

NAO support office within the Annual plan for verification visits for 2019, planned three verification visit.

With the first verification visit was checked functioning of the controls within approval and payment phase. With this verification visit were checked projects in amount of EUR 653,904.33 (public contribution). Findings with potential financial impact were detected for which appropriate recommendations were issued. Upon activities undertaken by the Agency corrective measures were undertaken and the potential financial impact was eliminated.

Second verification visit was related to the implementation of controls for verifying implementation of criteria laid down in the Recommendation 2003/361/EC concerning size of the enterprise (SME – Small and Medium Enterprises). With this verification visit were checked all legal entities (14 applicants) under measure 7 from public call 01/2017. Conclusions and recommendations from this verification visit were considered within the process for improving the control system for checking the control steps for confirming the criteria laid down in the Recommendation 2003/361/EC and implemented in the version 2.0 of the IPARD Agency Internal Manual of Procedures.

Third verification visit started at the end of November 2019. The aim of the verification visit is the implementation of the Technical Assistance Measure. Expected period for finishing this activity and concluding the report of this visit is Q1 of 2020.

Annual Plan for Verification Visits for 2020 is adopted on 04th February 2020 foreseeing three visits (one continuation of the visit that is ongoing from 2019 plan and two visits related to the processes of project approval and payments within the IPARD Agency).

4.2.2 Administrative capacities of the institutions within IPARD structure

Management Structure

The number of employees in the Management Structure at 31st of December 2018 numbered 17 (seventeen), including NAO.

During 2019, in January, one person left the MS (Head of MS), contrary, as of August 2019, one employee returned in MS after more than 3 years leave. Accordingly at 31st of December 2019 the number of employees in MS remained 17 employees including NAO.

In addition, during June 2019, through internal promotion, the positions of Head and Assistant Head of IPA Funds Management Department - Management Structure are filled in by internal promotions. Within this procedure, Head of National Fund was promoted into Head of MS and Head of NAOSO Unit was promoted into Assistant Head of MS. In addition one junior associate under this procedure has been promoted to senior associate.

In December 2019, an internal vacancy announcement was published for the two vacant positions - Head of NF Unit and Head of NAOSO Unit. These two positions are filled in by internal promotions from the employees within these Units. In addition, under this announcement, one employee - accountant from NF has been transferred to other Department in the Ministry of Finance, which decreases the number of staff in MS.

The Workload Analysis for the period 2020-2022 was prepared and the results of the calculations showed that the optimal number of employees in MS for 2020 is 19 (nineteen).

IPARD Agency

According to the Workload Analysis (WLA) for 2019 the optimal number of employees needed in IPARD Agency for implementation of the accredited measures, including the measure Investments in Rural Public Infrastructure (IRPI) is 150 employees. At the

beginning of 2019, IPARD Agency numbered 109 employees designated to work in IPARD structure.

The procedure for strengthening the capacities in the IPARD Agency started in 2018, according to the Government conclusions for employment of 68 new employments, from 2018 was decided to be carried out in three phases. The recruitment process is ongoing with public announcements, out of which the first announcement was realised for temporary employments and the others for permanent employments. Although engaged on temporary basis, the contracts of the employees were regularly extended. Having in mind that the first phase was realised in 2018, in the text below are presented only data for the new employments in 2019.

In fact, during 2019 there were 18 employees engaged in the IPARD structure of the Agency (the second phase, realised in several announcements).

Contrary to the engagement of new employees in the IPARD structure of the Agency, a turnover rate of nearly 12% is noted during 2019, meaning that the IPARD structure was decreased by 13 employees during 2019.

Accordingly, the number of employees within IPARD structure of the Agency at 31st December 2019 numbered 114 employees.

Also it should be noted that although the third phase started at the end of 2019 (Public vacancy for permanent employment was announced for 22 employees within the Agency), the procedure was finished in January 2020. From 22 announced, 15 Decision for selection were adopted, out of which 6 new employees were engaged in IPARD structure of the Agency and 9 were for employees already engaged in the Agency on temporary base. Accordingly, with cut off 01st of February 2020 the IPARD structure within the Agency numbers 120 employees.

The outstanding positions from the planed 68 recruitments should be realised in the following period of 2020.

The WLA analysis of the IPARD Agency for 2020 is not yet prepared and submitted to NAO/MS.

Managing Authority

According to the Workload Analysis (WLA) for 2019, Managing Authority has set optimal level of staff on 19 employees for 2019. At the beginning of 2019, MA numbered 17 employees.

In 2019, two employees from the Unit for implementation of IPARD Technical assistance were reallocated in other departments within the MAFWE (out from MA). According this changes the number of employees in MA at the end of 2019 is 15 (Including HoMA). However on 31 December 2019, one employee from TA Unit was promoted on higher position in Department outside MA, which is outflow that will be registered for 2020.

In addition, during 2019, one employee was promoted to the post Deputy Head of the Sector for management of EU pre-accession funds for rural development (IPARD) and one employee was promoted in Head of Monitoring Unit.

The Workload Analysis for the period 2020-2022 was prepared and the results of the calculations showed that the optimal number of employees in MA for 2020 is 19 (nineteen).

IPARD Structure capacities

In the table below are presented the data regarding the human capacities in the Management and Operating IPARD structure for the year 2019 and the updated status with the changes in January 2020:

Institution	Number of staff on 01.01.2019	Number of staff needed as per WLA 2019	Number of staff needed as per WLA 2020	New employees by 31.12.2019	Left the position by 31.12.2019	Number of staff 31.12.2019	Number of staff on 01.02.2020	Occupancy rate 31.12.2019	Turnover rate 31.12.2019
NAO/NF	17	20	19	1	1	17	16	85%	6%
IPARD Agency	109	150	158	18	13	114	120	76%	12%
Managing Authority	17	19	19	0	2	15	14	79%	12%
Total	143	189	/	19	16	146	150	77%	11%

4.2.3 Financial management

Financing Agreement under the Programme for Agriculture and Rural Development of Republic of North Macedonia under the Instrument for Pre-accession Assistance (IPA II) for the years 2014-2020 has been signed between the EC and the Government of Republic of Macedonia and entered into force on 29.06.2017.

Pursuant to Article 33(3) of the Framework Agreement and Annex 7 of the Sectoral Agreement, NAO sent to the Commission a Forecast of its Likely Payment Request for 2019-2020 for the programme on 15th January and 15th July 2019. Base for preparation of the forecasts is the plan for publication of public calls as well as plan for financial realization of the calls/signed contracts between IPARD Agency and recipients, both being provided to NF by IPARD Agency. Lack of awareness and importance of providing throw and fair data on the IPARD Agency side is evident. MS view is that cooperation among the relevant sectors in the Agency for this exercise is not on at satisfactory level and regularly point out by email and on meetings for providing realisting and timely data. Agency has to increase its internal cooperation with involvement of project approval, on-the-spot control team, authorisation of payment, finance unit in providing valuable information for defining proper file processing time line.

This is being stressed by NF/NAO in the past years on a regular base. Being aware of the situation, NF performs additional analyses taking into consideration the experience and disbursement pace from previous years, obtains information from NAOSO on contracts status, problems encountered, availability of funds in the national budget, etc. Once, having all of this information processed, NF prepares Forecast of its Likely Payment Request. Moreover, this escalated by the end of the year, when IPARD Agency faced un-availability of national co-financing. Thus, payments towards the recipients had to be interrupted, which might have led to de-commitment of funds. Luckily, with involvement of MS and Government being aware and committed to the process, additional funds were provided and the situation was overcome. MS regularly follow the budget planning and execution of the budget of the Agency. For any discrepancy of the budget planning shall alarm the responsible institution. In the tables below are presented the executed payments – IPA contribution in Euros in 2019 and for the period 2014-2020, as well:

Measure	Executed payments in 2019 – IPA contribution in Euros
Measure 1	5,319,404.50
Measure 3	3,634,022.16
Measure 7	59,920.60
Measure 9	5,483.71
Total	9,018,830.97

The analyses refers to the EU contribution express in Euro

Overall status of Programme for the period 2014-2020				% compared with available budget
	IPA	NCF	Total	
Available budget 2014 – 2020	60,000,000	19,766,275	79,766,275	
Disbursed	10,021,618.74	3,339,079.27	13,360,698.01	16.70%

The analyses refers to the EU contribution express in Euro

Pursuant to Article 37 of the Sectoral Agreement, NAO has sent four Declarations of Expenditures that serve as Payment requests for the expenditure incurred and revenues generated in the course of 2019. The payment requests were regularly sent through SFC 2014 by National Fund. There was no de-commitment of funds at the end of 2019. In the following table is presented the calculation:

IPARD II Calculation of De-commitment Risk According N+3 / N+4 Rule		
Reference		Community Contribution in €
1	Allocations 2014-2016	15,000,000.00
2	Received Pre-financing	6,300,000.00
3	Disbursed by 31.12.2019	10,021,618.97
4	No Decommitment at the end of 2019 i.e amount of secured 2017 allocation (4 = 3+2-1)	1,321,618.74

The analyses refers to the EU contribution express in Euro

Forecast of its likely payment for 2019 were estimated to be 7.9 million Euros. Taking into consideration the commitment and dedication of all involved parties, the realised payments exceeded 9 million Euros which is 1.1 Euros more than forecasted. Also, considering 1 million paid in 2018 and received pre-financing, there is no de-commitment of funds from IPARD allocations 2014-2016.

4.2.4 Monitoring of implementation of the IPARD Programme

The first public call 01/2017 for measure 1, measure 3 and measure 7 under IPARD Programme 2014-2020 is closed in July 2017. All applications for financial support are processed.

During 2018, two public calls were published. Public call 01/2018 for measure 3 (at final stage but not yet finalised) and public call 02/2018 for measure 1 (phase of processing applications for financial support).

During 2019, two public calls were published. Public call 01/2019 for measure 7. This public call was closed in December 2019. Public call 02/2019 for measure 3 was published on 28th December 2019 and the application process is ongoing.

Pre announcement for publishing public call 01/2020 for measure 1 is also published. The summary status by measure of the received and approved application by 31st of December 2019 is as following:

Public call	Measures	Received Applications	Rejected Application	Approved Applications	Total Number of proceeded applications	Contracts Signed
01/2017 02/2018	Measure 1	2503	862	1251	2113	1234
01/2017 01/2018	Measure 3	122	44	68	112	68
01/2017 01/2019	Measure 7	456	227	23	250	23
N/A	Measure 9	19	1	12	13	10
	Total	3100	1134	1354	2488	1335

Available budget within the IPARD Programme 2014 – 2020 is 79.766.274,51 EUR (EU+NCF) out from which by the end of 2019 is contracted nearly 40%.

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 consisted data that were not included in the Tables but were relevant for the execution of the Programme.

In 2019, the IPARD Agency with the defined deadline and on a regular basis delivered to the MA the monitoring tables for implementation of the IPARD Program which include information for physical and financial indicators, reports from the performed controls, identified irregularities and additional requests for reports, defined in the Implementing Agreement.

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

During 2019, IPARD Agency recorded all transactions in SAP software. As soon as we are convinced that all reports generated through the SAP are true and accurate, SAP software will be used as only tool for accounting in IPARD Agency and all financial indicators will be withdrawn from the system.

Because of previous plans to improve the efficiency of the Agency, by improving the transfer of data and information with the Managing Authority, the Agency made a resolution to form a working group, composed of members from the Agency, MA and the Ministry of Finance. This working group is responsible for implementing an “Integrated Administration and Control System (IACS)”.

The working group has to participate in the activities of the project “Adjusting the Integrated Administration and Control System (IACS)”, more specifically in the implementation of the IPARD module as a software solution, which will lead to increased efficiency and effectiveness. The final goal is to simplify the data transfer and communication between the institutions and increased data transparency.

Furthermore, the Agency intends to introduce online applications for the IPARD funds, more specifically the IPARD 3 Programme.

4.3.2 Summary from the Contract follow-up

In terms of implementation of the IPARD Program 2014-2020, in 2019 IPARD Agency signed contracts for 1254 applications in the supported amount of 23.273.623,00 € .

For the public calls 01/2017 , 01/2018 ,02/2018 IPARD Agency approved and signed cumulative 845 amount for payment , of the measure 1 approved and signed 801 amount for payment in the amount of 5.772.283,00 €, and of the measure 3 approved and signed 28 amount for payment in the amount of 4.180.096,00 € , and of the measure 7 approved and signed 7 amount for payment in the amount of 59.920,00 € , and of the measure 9 approved and signed 7 amount for payment in the amount of 9.319,00 € .

During the year 2019, the IPARD Agency had publish public calls for measures under the IPARD Programme

In 04.10.2019 year public call 01/2019 for IPARD II for measure 7 “Farm diversification and business development.

In 28.12.2019 year public call 02/2019 for IPARD II for measure 3 “Investments in physical assets concerning processing and marketing of agricultural and fishery products “

Most of the signed contract concerned purchase of equipment and machinery which have short term period for implementation of the investment and therefore no progress report letter were required from the applicant

During year 2019, the IPARD Agency from all publish call received 2820 claims for payment which were processed or are still processing in the current year. IPARD Agency approved cumulative 1254 claims for payment.

The total approved amount for payment in 2019 is 10.021.618,00 €.

In total: 10.021.618,00 €.

	Measure 1	Measure 3	Measure 7	Measure 9	total
Received claims for payment in 2018	1404	57	187	3	1651
Received claims for payment in 2019	2503	122	187	8	2820
Approved and signed claims for payment in 2018	902	30	20	3	955
Approved and signed claims for payment in 2019	1156	67	23	8	1254
Total approved amount for payment in 2018	116	8	0	3	127
Total approved amount for payment in 2019	801	28	7	7	843
Paid claims for payment in 2019 .	452.878,00	546.071,5	0	3.836,50	1.002.786,00
Paid claims for payment in 2019 .	5.772.283,00	4.180.095,00	59.921,00	9.319,00	10.021.618,00

During 2019 IPARD Agency executed administrative controls to all submitted applications. In addition reasons for rejection of application prior the signing contracts are provided:

Completeness:

- the applicant has not submitted a response within 15 days after the received Notification for completing the application;

	Public call 01/2017	Public call 01/2018	Public call 02/2018
Measure 1	327		139
Measure 3	10	9	
Measure 7	2		

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

	Public call 01/2017	Public call 01/2018	Public call 02/2018
Measure 1	10		15
Measure 3	3	2	
Measure 7	39		

Eligibility:

- capital/family connection between the suppliers or between supplier and the applicant;

	Public call 01/2017	Public call 01/2018	Public call 02/2018
Measure 1			
Measure 3			
Measure 7	2		

- proportional increase of the prices of the submitted offers (inflated prices in the offers), which indicates that the offers are not issued from independent suppliers;

	Public call 01/2017	Public call 01/2018	Public call 02/2018
Measure 1	2		
Measure 3	1	1	
Measure 7	2		

- proposed investments are not eligible according to the IPARD Programme;

	Public call 01/2017	Public call 01/2018	Public call 02/2018
Measure 1	163		31
Measure 3	4	1	
Measure 7	113		

- in the administrative processing of the applications has been found that the choice for the best offer is made before providing the offers, which indicates that the applicant did not respected the procedure for selecting most suitable supplier, and he has first chosen the supplier and then obtained the offers.

	Public call 01/2017	Public call 01/2018	Public call 02/2018
Measure 1	1		
Measure 3	1		
Measure 7	1		

Reasons for rejected received applications are not fulfill the criteria of the IPARD program.

In the decision to reject the application, list of the all details for rejection is contained, while the spreadsheet / registers for received applications / lists the reasons for the rejection in accordance with the accreditation form.

During 2019, Sector for authorization of payments rejected/canceled 57 claims for payment. The reasons for rejection of claims/cancelation of contracts are infringement of the contract, have not delivered claims for payment. Failure to comply with the legal provisions that the applicant is obliged to submit request claims for payment in specified time, defined in contract.

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

As regarding on-the-spot controls, Sector for on-the-spot Control has carried out in total:

- **745** on-the-spot controls prior approval of which:
 - 701 on-the-spot controls at investments under Measure 1
 - 44 on-the-spot controls at investments under Measure 3

- **551** on-the-spot controls prior payment, of which:
 - 522 on-the-spot controls at investments under Measure 1
 - 21 on-the-spot controls at investments under Measure 3
 - 8 on-the-spot controls at investments under Measure 7

Regarding the information about the resolution status of the applications of Measure 1 from the Pelagonia region, which were sent by various agricultural companies, we would like to inform you that the Agency rejected the 18 applications because the applicants didn't satisfy the needed standards.

After the applications were rejected, there was a meeting in premises of MAFWE's regional office in Bitola, between the applicants, representatives from the Agency, representatives from the regional office in Bitola of MAFW and representatives of the Managing Authority. On the meeting, the reasons for the rejected applications were detailed and explained. Furthermore, a detailed presentation of the criteria ensued and how the applicants can satisfy them in the future, in order to obtain the funds available by the IPARD Programme.

After this meeting, the Agency and the regional office of in Bitola created a detailed report about the situation and this report was delivered on the 30.01.2020 via email to the head of the Managing Authority.

After the report was delivered to the MAFWE, a meeting was held with officials from the Managing Authority in the Agency. As it was agreed in this meeting, the Agency provided additional information to the Managing Authority on the 19.02.2020 via email.

Furthermore, we would like to inform you that the rejected applicants filed a legal complaint about their rejection to the Administrative Court. The Court agreed with the decision of the Agency and resulted in favour of the Agency.

Regarding the applicants who submitted applications for tractors, during the administrative processing for payments of applications, the Agency found applications that include only one crop in their cultivation systems, business plan and a contract that didn't satisfy the minimum criteria detailed in Annex 1 of the list of eligible expenditure. In many cases, the applicant is willing to purchase a tractor with 60 KW, whilst owning a 1,4 hectare of land suitable for viticulture and fruit. According to Annex 1 of the list of eligible expenditure, the purchase of this type of tractor is justified only if the applicant owns a land of 2 to 10 hectare. Similar cases were found in projects that cultivate other crops. Because of this, the Agency requested a special opinion from the Managing Authority. After the response received from the Managing Authority and the response from DG Agri on the 24.06.2019 (ARES (2019) 4001916 – tractor issue), the Agency performed additional administrative controls and controls on-site, after which the Agency issued appropriate decisions on the given applications.

4.3.3 Critical issues in implementing the IPARD Programme

In 2019, 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 according to the proposed modifications. One of the most significant changes for the new programming period is that the Agency as much as possible of the required documentation will

obtain through ex officio, which would enable to shorten the application procedure for completing the applications i.e. to shorten the procedure for approving the applications

In 11 September 2019 the Law on Establishing the Agency for Financial Support in Agriculture and Rural Development (Official Gazette of the Republic of Macedonia No. 72/2007, 5/2009, 43/14, 193/15, 39/16 and 164/18), Article 19 was changed and reads:

“The Agency shall reject the request for financial support submitted for measures financed by the European Union Budget which does not contain the necessary documentation at the time of application.”

Sector for internal audit during 2019 performed 4 audits regarding implementation of IPARD Programme 2014-2020, from which 29 findings were issued (21 still open and 8 closed) . Main issues/difficulties regarding audit work are promotion and retention of audit staff, not enough trainings regarding audit performance and efficient implementation of IPARD measures.

Progress Summary from the implementation of the Community Financial Support

Most critical issues still remains the human resources capacities and the time frame for processing the applications. Since the number of applications received on public call is significantly increased the current staff is challenged to meet the deadlines determined by law for processing the applications and the claims for payment.

In 2019, 17 new employees have started with work (of these, 11 were previously employed on temporary basis and 6 of them are new employees).

While processing the claims for payment in 2019 the Agency encountered problems during the processing of the claims for payment, difficulties for the beneficiaries in providing the necessary documentation, providing proof for origin of the materials and the equipment, timely and correctly update of the accounting records.

Specific problem areas can be seen in respecting deadlines and stipulations stated in the contract for co-financing.

The technical specification for measure 9 (ORBIS) has been submitted by the Agency for Financial Support of Agriculture and Rural Development to the Managing Authority and it is expected that documentation for the implementation of the procurement will be submitted.

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

The Sector for on-the-spot control has carried out 19 on-the-spot controls for establishing hidden works during realization of investment

Two additional OTSC before payment have been carried out, one at investment under Measure 1 in order to determine the exact technical characteristics of the equipment subject of investment as well as OTSC in order to confirm the technical characteristics and the functionality of part of the purchased equipment.

Sector for on-the-spot control has carried out 19 on-the-spot controls after the contract is signed but before claim for payment is sent under Measure Technical assistance.

There have not been any irregularities established and reported while carrying out the OTSC.

4.4 Report on the work of the IPARD Monitoring Committee

Since its inception in January 2016, the IPARD Monitoring Committee has held 6 meetings. The Minister signed the Decision for establishment of IPARD II Monitoring Committee in October 2017. In October 2019, 3 new members were appointed in the Monitoring Committee, so at the moment IPARD 2014-2020 Monitoring Committee comprises of 14 governmental representatives (4 from MAFWE), 18 representatives of social and economic

partners and the Chairperson. The Committee adopted new Rules of Procedure in February 2016 and amended it in March 2018.

Main topics discussed among the members and representatives of IPARD II Monitoring Committee on the 5th and 6th meeting were: building permits for construction on agricultural land that does not have detailed urban plans, the possibility of introduction of new measures (Implementation of local development strategies – LEADER approach and Agri-environment-climate and organic farming) in the scope of third modification of the Programme and possibility to implement e-application for the implementing measures of the Programme.

Main Decisions taken by the Monitoring Committee during 2019:

- The IPARD Monitoring Committee reviewed and adopted the second version of the Action Plan for activities envisaged in the technical assistance measure for 2019 (APTA 2019).
- The IPARD Monitoring Committee reviewed and adopted the Action Plan for activities envisaged in the technical assistance measure for 2020 (APTA 2020).
- The IPARD Monitoring Committee reviewed and adopted the Annual Action Plan for Communication and Publicity for 2020 for the IPARD Programme 2014-2020.
- The IPARD Monitoring Committee reviewed and adopted the first and the second modification of IPARD Programme 2014-2020 (via written procedure).
- The IPARD Monitoring Committee reviewed and adopted the Annual Report on Implementation of the IPARD Programme 2014-2020 for 2018.

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.

Ex-post evaluation of IPARD Programme 2007-2013

Finalization of the ex-post evaluation of IPARD Programme 2007-2013 was expected in 2019. Independent expertise for ex-post evaluation was engaged using support provided by the measure technical assistance. By the time of drafting this report, key milestones regarding this process were:

- Contract between MA and PPM (service provider) signed on 06.06.2019;
- Duration of the contract – 8 months from the start day (till 06.02.2020);
- Act of cooperation (MA/IPARDPA) signed and in force at the end of May 2020;

- Prolongation of the Act of cooperation due “force majeure” up to 6 months (to the end of November 2020) according to the Government Decree on IPARD Agency Law, this means that this is maximum allowable period for adjustment of the final report for ex post evaluation of IPARD I;
- 30 days for payment to the contractor (PPM) after acceptance of the final report (maximum by the end of December 2020);
- “Preliminary” final draft report received on December 2nd 2019 and due the very poor quality it was not shared with DG AGRI;
- Comments to the “Preliminary” final draft report sent by MA on 25.12.2019;

Having in mind the quality of the submitted report, MA staff shall continue to work with the Contractor and DG AGRI and try to improve the report to the extent that it meets the requirements for independent evaluation of the effectiveness and effectiveness of the use of the IPARD Programme.

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 30th 2024 the MA will prepare and submit the standard Final Implementation Report (covering all the years of implementation of the Programme) and by December 31st 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.

Managing Authority has established a form/template of evaluation report which has been presented at the meetings of the IPARD Monitoring Committee on yearly basis. The report follows the activities listed in the evaluation plan.

At the 5th MC meeting, MA representative informed on the results of the ongoing evaluation activities, which emphasize the limited capacity and knowledge of the evaluation methods, including the methods for collecting primary data in MA, as well as delays in the delivery of data by the Agency, which remains a major obstacle to the implementation of the evaluation system. The risk of delayed and inconsistent data regarding the published public calls is emphasized, as it contributes to further delays in improving other legal or program requirements, as well as to the overall upgrade of the implementation processes of the IPARD Programme 2014-2020.

Related with the prolonged activities for evaluation from 2018 to 2019, it was planned to implement "ad hoc" evaluation of the IPARD Programme 2014-2020. Consequently, according to the evaluation plan in 2019, MA should conduct quality control of the evaluation findings, as well as all other inputs provided by the evaluators. Then, the evaluation results are discussed with the Evaluation Steering Committee and the IPARD II Monitoring Committee and if necessary, MA should prepare a proposal for modification of the IPARD Programme 2014-2020 (first modification of the Programme).

4.6 The use of Technical Assistance

During the reporting period, the Unit for implementation of the measure Technical Assistance (UTA) realized the activities planned in the APTA 2018:

- The realisation of the procured services "Publicity of the IPARD Programme 2014 – 2020" is ongoing. Activities realized within this Contract are elaborated in details in part 4.8 of the report.
- For the procurement of services for ex-post evaluation of the IPARD Programme 2007-2013, contract has been signed with the economic operator and kick off meeting was organised on 13.06.2019.
- The draft tender dossier for procurement of services for translation of the IPARD Programme 2014 – 2020, as a Single Tender procurement, has been submitted to the Agency for approval. The tender dossier had to be changed because of the PRAG amendment that occurred during August. Therefore, the procedure for this procurement has been re-initiated and the new tender dossier, made according to the new PRAG rules is prepared for submission to IPARD Agency for approval.
- For the procurement of stationary for the IPARD events and general publicity of IPARD Programme 2014-2020, following items: external hard drives, lap top bags, pen rollers and USB memory sticks have been submitted to MA.
- Workshop for improving the implementation of TA measure was procured and organised by UTA. The workshop was held in April in Strumica. It was organised with representatives from MA and Agency. The workshop resulted with conclusion for amendment of Agency's checklists regarding measure technical assistance.

- The procedure for procurement of services for organisation of two IPARD Monitoring Committee meetings has finished and contract has been signed with the economic operator. Fifth and sixth Committee meetings were organised as within this contract.
- The request for simplification of APTA by the Managing Authority has been sent to NAO. The adoption of the new APTA template, in cooperation with NAO, occurred during October 2019.

Regarding APTA 2019, following activities were realised:

After approving the simplified layout of the APTA, the IPARD Managing Authority, submitted a request for the first modification of APTA 2019. The modification was imposed as a need to reflect changes in the form and to insert procurement for:

- Computerized system for checking the capital connection of companies outside the country, which are requesting IPARD funds;
- Procurement of office supplies needed for the work of the IPARD Managing Authority;
- Procurement for translation of IPARD Programme 2014-2020 and all its modifications;
- Purchase of IPARD Website maintenance and extension of ipard.gov.mk domain;

In December 2019, the IPARD II Monitoring Committee approved the modified Action Plan for Planned Activities of the Technical Assistance Measure (APTA) for 2019 and, based on this modification, in December 2019, the IPARD Managing Authority started the abovementioned 4 new procurement procedures and sent Application form for measure Technical Assistance to the IPARD Paying Agency.

Envisaged activities within APTA 2020:

In December 2019, on the Sixth meeting of the IPARD II Monitoring Committee, APTA for 2020 was adopted. The following activities are subject of procurement:

- Organization of next 6 meetings of the “Monitoring Committee of the IPARD Programme 2014-2020” in the amount of EUR 76.380;
- IPARD Programme 2014-2020 Publicity Campaign in the amount of EUR 285.000;
- Visits and seminars, amounting to EUR 65.000;
- Office supplies for the needs of the IPARD Managing Authority, in the amount of EUR 1.500;
- IPARD Programme Evaluation 2014-2020 and Procurement for Organization of Evaluation Steering Groups, totalling EUR 22.400;
- Enhance the capacity of the administration engaged in the management, implementation, control, monitoring of TA measure, totalling EUR 20.900;
- Improvement and upgrading of IPARD Programme 2014-2020 monitoring system, totalling 10.500 Euros;
- Workshop to improve the implementation of the measure of Technical Assistance, amounting to EUR 2.450 and
- Experts for implementation of the IPARD evaluation recommendations 2007-2013 and appropriate revision of the list of eligible costs (45 days expert engagement for implementation of programme recommendations - 75 days - expert to revise the list of attendees), totaling 114.000 euros.

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 II Programme. In the scope of implementation of the publicity campaign, MA organized one workshop and one forum with

advisors from National Extension Agency (NEA) and staff from the Food and Veterinary Agency (FVA), for achieving a more comprehensive analysis of the implementation of the Programme and precisely locating the problems during the submission procedure of Application forms for use of funds from the IPARD Programme.

Participants from MA has participated in the presentations of the opportunities that IPARD II Programme gave to the potential recipients based on the invitation of different associations and unions (Chamber of commerce, Farmers associations, Cooperatives, etc).

Regarding the preparations for the implementation of the LEADER measure, Managing Authority had coordination meetings with representatives of the rural development network. Considering that the implementation of the measure is being piloted through the national Rural Development Programme, the meetings discussed the experiences and problems faced by LAG, but also exchanged ideas for improving implementation in the future when the measure will be implemented through IPARD.

Upon request of "Association of Rural Coalition-Kumanovo", Managing Authority organized an event to introduce the members of the association to the IPARD Programme and the possibilities for using the funds from the Programme. Representative from this association is a new member in the Monitoring Committee, so all aspects of the Programme implementation (management structure and its responsibilities, programming process, monitoring and evaluation, communication) and project implementation were emphasized.

Workshop was the held in order to improve mutual cooperation between Managing Authority, the National Extension Agency (NEA) and the IPARD Agency. The aim of the workshop was to inform about the criteria of food safety standards for investments in processing of agricultural products at the level of agricultural holdings supported by measure 1, as well as the procedures for construction of agricultural land in accordance with the Law on Agricultural Land and the developed "Guidelines for the procedure for grabbing agricultural land". At the same time, the workshop was intended for perceiving and presenting the obstacles faced by NEA in the process of preparation of documentation for application under the IPARD Programme, in order to overcome them in anticipation of the upcoming public call to measure 1. The quality of discussions made led to a conclusion that this kind of workshops should be organized at least once a year.

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

According to the Annual Action plan for Communication and Publicity of IPARD II Programme 2014-2020 for year 2019, the following activities were realized:

- During 2019, **36 info days were realized**. In the period of two months, (January and February 2019), 10 info days took place in 10 rural areas/municipalities where the beneficiaries were informed about the benefits of the IPARD Programme 2014-2020 regarding measures 1, 3 and 7. The present public was informed of the benefit of using IPARD funds through presentation, discussions and printed materials (almost 4.457 printed materials were delivered to the final beneficiaries) regarding measure 1 and 3. The info days were realized in Veles, Lozovo, Shtip, Radovish, Valandovo, Rosoman, Ilinden, Gazi Baba, Kumanovo and Kriva Palanka. Presenters of the info days were from MA and Agency staff.
Later in year 2019 (October-november), as part of the Publicity Campaign of IPARD II Programme 2014-2020, 26 info days were held in twenty-six municipalities/rural areas where potential IPARD Programme 2014-2020 beneficiaries were informed about the implementation and use of the IPARD Programme 2014-2020. Invitations for attendance on the info days were submitted to the Chambers of Commerce and Craftsmen in RNM, Rural Development Network, LAGs, Agricultural Cooperatives, Local Development Units that have lists of companies / list of accommodation capacities for rural tourism within the municipalities and others interested in investing under the IPARD Programme 2014-2020.
In December, plans for the upcoming info days for measure 3 and measure 1 were prepared and the realization will take place in January and February 2020.
- **Realization of the workshops** of the IPARD publicity campaign continue (after one workshop in year 2018 in Strumica) with workshop in Tetovo on 9th of January 2019. The three measures are presented to the participants (companies and other beneficiaries) with special accent on measure 3: Investments in physical assets concerning processing and marketing of agricultural and fishery products.
In addition, under the framework of the IPARD Programme 2014-2020 Publicity Campaign, **one more workshop was held in Skopje in November**, 2019. The workshop was attended by participants of the IPARD Managing Authority, the IPARD Agency and National Authorizing Officer within the Ministry of Finance.
- For the purpose of informing/training the employees in the National Extension Agency on the conditions offered by Measure 7, as well as for achieving a more comprehensive analysis of the implementation of the Programme and precisely locating the problems during the submission procedure of Application forms for use of funds from the IPARD Programme 2014-2020, on 21st and 22nd of October 2019, **a forum was held in Veles** with active participation of the National Extension Agency, the IPARD Agency and Managing Authority (41 participants).
- **Publications** for Measure 7 were developed, printed in Macedonian and Albanian language and distributed during the second session of the Programme promotion

events (info days, workshops and forum). Following materials for Measure 7 have been printed:

- Application form for use of funds - 1000 copies;
- Measure Guidelines - 4150 copies;
- Brochures - 1000 copies (850 in Macedonian and 150 in Albanian language).

Regarding the measures 1 and 3, the materials (brochures, application forms and users guidelines) are changed and waiting to be printed for upcoming Public calls, because of the IPARD Programme modification;

- During the year 2019, **two video clips were produced**. One video clip for measure 7 was realized. The video was filmed in cooperation with two successful projects from the IPARD Programme 2007-2013: a factory for production of cosmetics „Galenius“ DOO Vizbegovo, and Korab Trnica – rural accommodation facility in Trnica. Regarding Measure 3, the second video was filmed in December where two companies i.e. successful projects of the IPARD Programme 2014-2020: „Movino winery“ from Rosoman and „Podgorka“ from Struga took place.
- **Information to the potential beneficiaries by phone and e-mail** was provided on a continuous basis, i.e. in the call centre of the Agency for Financial Support in Agriculture and Rural Development during 2019 there have been over 525 calls, as well as over 200 visits of potential beneficiary, in the premises of the Agency and the IPARD Managing Authority.
- **Announcements, news and information** on the IPARD Programme 2014-2020 were regularly published in the media. With the announcement of Public Call 01/2019 for Measure 7 and the organization of events promoting the IPARD Programme 2014-2020, there have been an increased number of appearances, press releases and interviews on national and local radio and television channels such as daily newspapers and web portals (over 450 appearances).
- During this period three **interviews** were carried out with officials of the IPARD Agency and they were broadcasted at least once a week.
- The activity envisaged under the Communication and Publicity Action Plan for 2019 for **publishing a list of final beneficiaries** of the IPARD Programme 2014-2020 has been implemented by AFSARD. In April 2019, the first contracts are signed with the beneficiaries regarding measure 3. The all process is speed up due to the more efficient using of funds from IPARD II Programme.
- **Upgrading and maintenance of the website www.ipard.gov.mk** was carried out, in accordance with the terms of the Contract with the Company for upgrading, hosting and maintenance of the website.
The web site www.ipard.gov.mk is in function and the contract with BIVAS MEDIA GROUP for upgrading and maintaining is finished. The BIVAS MEDIA GROUP's representative submitted the Guidelines for operation and maintenance the web site on 27th of August 2019.
The design of the www.ipard.gov.mk is changed/ improved and is in process of upgrading the content and information that should be introduced on web site and are relevant to the implementation of IPARD Programme and to the final beneficiaries.

5. Financial tables showing Union, national and total expenditure per measure and sector

Table 30: Financial implementation of the IPARD Programme 2014-2020 ¹³

	Sub measure	Contracted		Paid	
		Total public expenditure	EU contribution	Total public expenditure	EU contribution
M1	Livestock sector	3.447.605	2.563.209	43.436	32.578
	Crop sector	10.135.879	7.617.589	7.625.877	5.720.566
	On-farm processing	17.053	12.790	17.048	12.786
	Renewable energy	4.200	3.150	8.480	6.353
M3	Milk and dairy products	1.234.524	925.918	302.591	226.944
	Meat and meat products	3.589.284	2.691.964	2.747.671	2.060.753
	Fruits and vegetables processing	6.395.308	4.796.480	1.762.987	1.322.025
	Cereal, milling and starch products	270.798	203.099	98.757	74.068
	Vegetable and animal oils and fats	32.821	24.616	12.826	9.620
	Grape must, wine and vinegar	1.413.831	1.060.471	648.913	486.685
	Production of energy	/	/	/	/
M7	Alternative agriculture production	358.200	268.250	6.284	4.712
	Manufacture of food products and beverages	27.398	20.549	/	/
	Manufacturing of non-food products	1.730.780	1.298.085	54.644	40.984
	Development of crafts activities	/	/	/	/
	Provision of services to agriculture	18.960	14.220	18.964	14.225
	Promotion of services for population	649.544	487.158	/	/
	Promotion of Rural Tourism	1.524.550	1.143.413	/	/
	Production and sale of renewable energy	/	/	/	/
M9	Monitoring Committee	160.022	136.866	4.530	3.837
	Information and Publicity campaign	5.392	4.584	5.392	4.584
	Programme evaluation	1.056	898	1.056	898
	Support to other measures	/	/	/	/
Total		31.017.205	23.273.309	13.359.456	10.021.618

Source: Managing Authority

Having in mind the characteristics of the Macedonian agriculture, more advanced and developed crop sector (vegetables, vineyards and orchards, cereals production and industrial crops) visible through Macedonian agri export products, the implementation of the measure 1 is highest in the crop sector. Out of 2.503 applications submitted in measure 1, 2.425 are in crop sector, 66 are in livestock sector, 8 in on-farm processing and 4 in production of energy from renewable resources.

The situation also reflects on the implementation by sectors in measure 3. Processing of fruit and vegetables is most attractive sector in measure 3. Out of 122 applications submitted, 51 are in fruit and vegetables processing.

IPARD interest and support in measure 7 is divided in different sectors, with most of the support concentrated in manufacturing of non-food products and promotion of rural tourism.

Table 31: Annual payments to recipients (2019)

Measure	EU part	National	Private	Total expenditure
Measure 1	5.319.408	1.771.600	4.143.704	11.234.712
Measure 3	3.634.023	1.211.511	5.684.854	10.530.388

¹³Financial implementation table summarizes in table format the annual payments in the year N (2019) and cumulative payments from year X (2018) to year N (2019). Since 2018 is the first year where annual payments are made, table shows cumulative payments.

Measure 7	59.921	19.971	46.777	126.669
Measure 9	5.482	984	0	6.466
Total	9.018.835	3.004.066	9.868.869	21.891.769

Table 32: Cumulative payments to recipients

Measure	EU part	National	Private	Total expenditure
Measure 1	5.772.283	1.922.558	4.529.839	12.224.680
Measure 3	4.180.095	1.393.535	6.420.917	11.994.547
Measure 7	59.921	19.971	46.777	126.669
Measure 9	9.319	1.659	0	10.978
Total	10.021.618	3.337.723	10.997.533	24.356.874

Table 33: Financial performance (public expenditure (EU + national expenditure) against the last approved financial plan)

Measure	EU part (A)	National	TPE	IPARD Programme financial plan (EU part) ¹⁴ (B)	Financial performance (A/B)
Measure 1	5.772.283	1.922.558	7.694.841	6.500.000	88,8
Measure 3	4.180.095	1.393.535	5.573.630	6.350.000	65,8
Measure 7	59.921	19.971	79.892	2.150.000	2,8
Measure 9	9.319	1.659	10.978	0	0
Total	10.021.618	3.337.723	13.359.341	15.000.000	66,8

¹⁴ Allocations from 2014, 2015 and 2016 taken into consideration

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

6.1 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.

6.2 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).

These activities prevent the possibility of financing the same types of investments from both Programmes and provided opportunity to save funds from the national Budget and use of the allocated funds from the IPARD Programme. At the same time, the cooperation between Managing Authority and the Department of Rural Development improved, especially in the process of planning the measures financed by the national Programme, in order to avoid overlapping of the measures for financing investments. Such improved conditions and

implemented recommendations led to overcoming audit finding (Audit Authority system audit in 2017) related to complementarity between Programmes.

6.3 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.

6.4 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.

Head of MA and the Director of the IPARD Agency both are nominated members of the IPA MC and regularly participate on the joint meetings held once a year.

7. Conclusions from the implementation in year 2019

Large number of applications and interest for investments under the IPARD Programme 2014-2020.

Number of applications submitted on 4¹⁵ public calls reached 3.073 (applying for 149.793.675 EU contribution). The requested amount for support for all received applications up to now overpassed the programming period 2014-2020 available budget for approximately 250%. Most of the requested funds (approximately 85 million €) are for measure 7 (in the part of investments in renewable energy sources), where the rate of approval of applications is the lowest (12%). In this regard, Managing Authority made changes to measure 7 in the first modification of the Programme, and the Agency excluded investments in renewable energy sources from the following public calls in measure 7.

Relatively slow process of approving applications of approximately 14 months (public call 01/2017) 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.

The process of approving the requests for the next public calls has accelerated, thanks to the efforts of the Agency's employees and the improved quality of the submitted requests, yet the above reasons for the slow process of approving applications remain unchanged. Transformation of the process of submission of applications from manual to electronic was agreed as suitable solution to this issue. Following consultations in the IPARD Programme management structure, EU assistance shall be asked in order to facilitate the transfer towards electronic processing of applications. This will improve all aspect of implementation of the Programme.

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.

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 €, 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. The envisaged establishment of a system for electronic processing of applications in the Agency will cause improvement of the process of data exchange, monitoring and evaluation and reporting, having in mind that it will enable read only access to the system of the Agency for other IPARD management structures.

¹⁵ Fifth public call 02/2019 (Measure 3) to be closed in February 2020

ANNEX 1:

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

Status: 31.12.2019