



MINISTRY OF AGRICULTURE, FORESTRY AND WATER ECONOMY  
IPARD MANAGING AUTHORITY

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

(according to Article 59 of the Sectoral Agreement)

June, 2021

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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
MS	Management Structure
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<sup>th</sup> June each year following a full calendar year of implementation of the IPARD II Programme the Managing Authority shall submit the report for implementation of IPARD II in 2020 by 30<sup>th</sup> of June 2021 in line with conditions set by the Sectoral Agreement. Activities for improvement cover the aspects of the implementation of the Programme in 2020.

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

## 1. Executive Summary

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

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

Year	2014	2015 indicative amount	2016 indicative amount	2017 indicative amount	2018 indicative amount	2019 indicative amount	2020 indicative amount
Total	5.000.000	5.000.000	5.000.000	6.000.000	10.000.000	14.000.000	15.000.000

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

1. Investments in physical assets of agricultural holdings – Measure 1,
2. Investments in physical assets concerning processing and marketing of agricultural and fishery products – Measure 3,
3. Investments in rural public infrastructure – Measure 5 (conferral of management power not yet received due to lack of human capacity in the IPARD Agency);
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 2020, six 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 3,
6. Public call 01/2020 for submission of applications under measure 1.

Having in mind great number of contracted projects and considering the time and funds remaining for implementation of the Programme, Macedonian authorities are planning announcement of one more public call in 2021.

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	859	11.139.357
01/2018	65	15.306.651	38	6.700.036	25	1.929.367
02/2018	1.099	18.335.969	640	6.319.986	400	1.272.017
01/2019	261	43.821.070	36	2.332.025	/	/
02/2019	61	16.763.734	32	6.272.419	/	/
01/2020	748	21.011.113	/	/	/	/
Total	3.882	187.568.522	1.645	37.724.311	1.284	14.340.741

Source: Managing Authority, Monitoring System, 2021



The number and low quality (missing documents in the application package and time needed for completion of application package) of submitted applications affected the time needed for their processing by the Agency. In addition, during 2020 the pandemic influenced the time for processing of applications. It reflected negatively on the capacity with human resources in the operating structure.

Public Call number	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	July 2020	7 months
02/2019	December 2019	September 2020	7 months
01/2020	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 continued to implement EU-related reforms throughout the reporting period. Efforts continued to strengthen democracy and the rule of law, including by activating existing checks and balances and through discussions and debates in key policy and legislative issues. Opposition parties remained engaged in the Parliament and supported key issues of common national interest, such as EU-related reforms and the NATO integration process, which North Macedonia joined in March 2020. However, the significant increase of the use of fast track procedures raises concerns and should be limited. Political parties have decided in common agreement to hold early parliamentary elections on 12 April 2020. The early parliamentary elections were postponed to July 2020. The Office for Democratic Institutions and Human Rights at the Organisation for Security and Cooperation in Europe (OSCE/ODIHR) assessed that these elections were generally well run and the campaign was genuinely competitive, but legal stability was undermined by substantial revisions of the legal framework and subsequent government decrees. In line with the national legislation, a technical government, with Ministers and Deputy Ministers from the main opposition party, was appointed in January 2020. Following the outbreak of the COVID-19 pandemic, a state of emergency was declared between March and June 2020, which enabled the technical government to rule by decree.

Civil society remains active and plays a key role in policy and decision-making processes. Measures have been taken to implement the 2018-2020 Strategy and Action Plan for the Cooperation between Government and Civil Society. However, efforts are needed to ensure a more meaningful and timely consultation process.

North Macedonia is moderately prepared with the reform of its public administration. Some progress was made in improving transparency, with the adoption of the 2019-2021 Transparency Strategy, the operationalisation of the open government data portal and the publication of data on government spending. The monitoring reports on implementation of the Public Administration Reform Strategy and the Public Financial Management Reform Programme were produced and accompanied by adequate visibility actions. Ensuring respect for the principles of transparency, merit and equitable representation remains essential. The State Commission for Prevention of Corruption continued to address allegations of nepotism, cronyism and political influence in the process of recruitment of public sector employees. A proper follow-up to the reports and recommendations of the State Commission needs to be ensured.

With regard to regional cooperation, the country maintained its good relations with other enlargement countries and participated actively in regional initiatives. It is important to continue implementing bilateral agreements, including the Prespa agreement and the Treaty on Good Neighborly Relations with Bulgaria.

North Macedonia continues to play an active and constructive role in the management of mixed migration flows. It remains on one of the main transit routes for mixed movement. It cooperates effectively with neighboring countries and EU Member States, including with guest officers from the EU Member States on the ground. Considerable efforts to ensure basic living conditions and services for all migrants staying in the country continued. The registration of migrants and adequate protection-sensitive profiling improved but needs to be carried out in a more systematic manner. The Status Agreement with the European Border and Coast Guard Agency has not been signed yet. The problem of frequent smuggling activities at the northern border needs to be further addressed.

As regards its ability to assume the obligations of membership, the country continues to be moderately prepared in most areas, including in the areas of competition, public procurement, statistics, financial control, transport, energy. The country shows a good level of preparation in areas such as company law, customs union, trans-European networks and science and research. The country is at an early stage of preparation in areas such as free movement of workers as well as financial and budgetary provisions. Over the coming period, more focus is also needed on administrative capacity and effective implementation. The country has continued to improve its alignment with the EU common foreign and security policy.

Key dates of Macedonian EU accession process:

- March 2004: The country applies for EU membership.
- April 2004: The Stabilisation and Association Agreement enters into force.
- December 2005: The status of candidate country is granted.
- October 2009: The European Commission recommends for the first time the opening of accession negotiations and continues to recommend in the following years.
- December 2009: Visa-free travel to the Schengen area for citizens of the country.
- March 2012: High Level Accession Dialogue with the Commission launched.
- February 2018: The European Commission adopts its strategy for "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans".
- April 2018: The European Commission recommends that the Council decides that accession negotiations be opened with the country in light of the progress achieved.
- February 2019: The EU is notified officially about the entry into force of the Prespa agreement.
- February 2020: Revised methodology, presented by the Commission, to drive forward the enlargement process with a stronger political steer and in a more credible, predictable, dynamic way.
- October 2020: Commission proposes Economic & Investment Plan to support and bring the Western Balkans closer to the EU.

The institutional framework for implementation of the IPARD Programme 2014-2020, remained unchanged. Following authorities and responsible bodies are designated for management and implementation of the Programme:

- The MS 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 MS 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, no significant progress has been made in the increase of staff at the IPARD Agency and the Managing Authority. Human capacity issue especially reflects on entrustment of new measures in the Programme (Measure Investment in rural public infrastructure) thereby on the absorption of funding under the IPARD Programme.

## 2.2 Macroeconomic situation

As regards the economic criteria, North Macedonia is at a good level of preparation in developing a functioning market economy but made limited progress during the reporting period. Economic growth accelerated in 2019 as investment picked up, but, since April 2020, the COVID-19 crisis has left its mark on the economy and on public finances. The authorities have taken a range of measures supporting companies and households, to mitigate the economic and social impact of the crisis. In the reporting period, fiscal transparency was further improved. However, fiscally significant reforms of income taxation and the pensions system, introduced at the beginning of 2019, were reversed. Moreover, public capital expenditure implementation remained markedly low, and public debt stabilisation is not yet secured. Before the COVID-19 crisis, unemployment rates declined further, also for young workers, and informal employment decreased slightly. However, the impact of the COVID-19 crisis will likely reverse those positive trends. Participation rates remain low, even though the share of women in the labour market increased. The financial sector remained robust and lending to the private sector strengthened. The business environment continues to be impeded by a high share of the informal economy.

Macedonian authorities made some progress and are moderately prepared to cope with competitive pressures and market forces within the EU. Integration with the EU in trade and investment deepened further. Exports and manufacturing output diversified further towards higher-value products. However, skills shortages, reflecting shortcomings in the education system and the outflow of skilled workers, as well as infrastructure investment gaps impair labour productivity and the competitiveness of the economy. While measures to mitigate the immediate adverse impact of the COVID-19 crisis on growth and employment are currently prevalent, addressing these structural needs in a timely manner would support a swift post-crisis economic recovery.

**Table 1: Main macroeconomic indicators**

	2014	2015	2016	2017	2018	2019	2020
GDP in million € (at current exchange rate)	8.562	9.072	9.657	10.026	10.691	11.210	10.797
GDP per capita in € (at current exchange rate)	4.141	4.382	4.659	4.831	5.147	5.399	5.201
GDP real growth rate (in %)	3,6	3,9	2,8	0,2	2,7	3,6	-4,5
Inflation (in %)	-0,5	-0,4	-0,2	2,4	0,9	0,4	2,3
Average exchange rate (denar/€)	61,62	61,61	61,60	61,57	61,51	61,51	61,67
Unemployment rate (in %)	28,0	26,1	23,7	22,4	20,7	17,3	16,4
Export of goods and services in mill. €	3.747	4.088	4.390	5.019	5.861	6.422	5.778
Import of goods and services in mill. €	5.505	5.801	6.176	6.835	7.672	8.436	7.595
Balance of trade in mill. €	-1.758	-1.714	-1.786	-1.816	-1.811	-2.015	-1.817
Balance of trade in % of GDP	-20,5	-18,9	-18,5	-18,0	-16,9	-17,97	-16,83

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

The following sectors had the biggest share of value added in the structure of GDP in 2020: wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities (20.3%).

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). Caused by the COVID-19 pandemic in 2020, Macedonian Government has adopted 4 sets of measures for support the business sector (especially the businesses that were hardest hit by the crisis (tourism, catering, services). Salary support and stimulating consumption, especially of domestic products, were one of the main support measures during the crisis.

According to the State Statistical Office data, the industrial production volume index in January 2021, in comparison with January 2020, was 86,5. The industrial production in the section mining and quarrying in January 2021, in comparison with January 2020, decreased by 34,3%, in the section manufacturing it decreased by 9,4%, while in the section electricity, gas, steam and air conditioning supply it decreased by 11,7%.

The decrease in the section manufacturing is mostly due to decreased production in the divisions manufacture of food products, manufacture of textiles, manufacture of wearing apparel, manufacture of basic pharmaceutical products and pharmaceutical preparations, manufacture of other non-metallic mineral products, manufacture of fabricated metal products, except machinery and equipment and manufacture of motor vehicles, trailers and semi-trailers. The industrial production by main industrial groupings in January 2021, in comparison with January 2020, was lower in energy by 31,9%, intermediate goods, except energy by 0,5%, capital goods by 18,0%, durable consumer goods by 20,0% and non-durable consumer goods by 8,3%.

### **2.3 Demographic situation**

According to the population estimation (as of 31.12.2019), there are 2.076.255 inhabitants in the Republic of North Macedonia, which is by 10.486 persons more than in 2013 and 27.636 persons more than 2008.

According to the State Statistical Office data, in Republic of North Macedonia the number of live births in urban areas was 11.772, which represents 59,3% of the total number of live births, in comparison with 8.073 live births or 40,7% in rural areas. By regions, Skopje region had the highest share of total live births, 38,1%, whereas the East Region had the smallest share, 6,3%.

The number of deaths in urban areas was 12.831, which represents 62,8% in comparison with 7.615 or 37,2% in rural areas. By regions, the Skopje Region had the highest share of the total number of deaths, 29,9% while the Northeast Region had the smallest share, 8,1%. The average age of deaths was 73,7 years in urban areas and 73,8 years in rural areas. Due to the COVID-19 pandemic and the late submission of reports from some of the regional registry offices for the previous quarters, the number of deaths in the fourth quarter of 2020 increased by 89,1% compared to the same quarter of the previous year.

The natural increase in urban areas was negative for -1.059 persons, while in rural areas was positive for 458 persons. Six regions: The Vardar, East, Southwest, Southeast, Pelagonia and Northeast regions show negative natural increase.

The data on internal migration at regional level show that the dominant form of migration was from rural to urban areas with 36,3%, whereas the inter-urban migration with 8,2%.

Rural-urban migration at the regional level was highest in the East region with 51,8%, while the Polog Region is characterised by interrural migration, making up 61,5% of the total migration in the region.

The external net migration was highest in the Skopje Region (1.233 migrants), while lowest in the Southeast Region (-58).

**Table 2: Population in Republic of North Macedonia**

	2008	2013	2018	2019	2020
Population at the end of the year	2.048.619	2.065.769	2.077.132	2.076.255	2.075.789
Emigrated citizens from 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 2019, 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 14,5%.

**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
2019	14,5	16,0	17,1	12,8	15,1	17,2	10,1	13,5	15,3

Source: State statistical office (SSO), MAFWE calculations 2021.

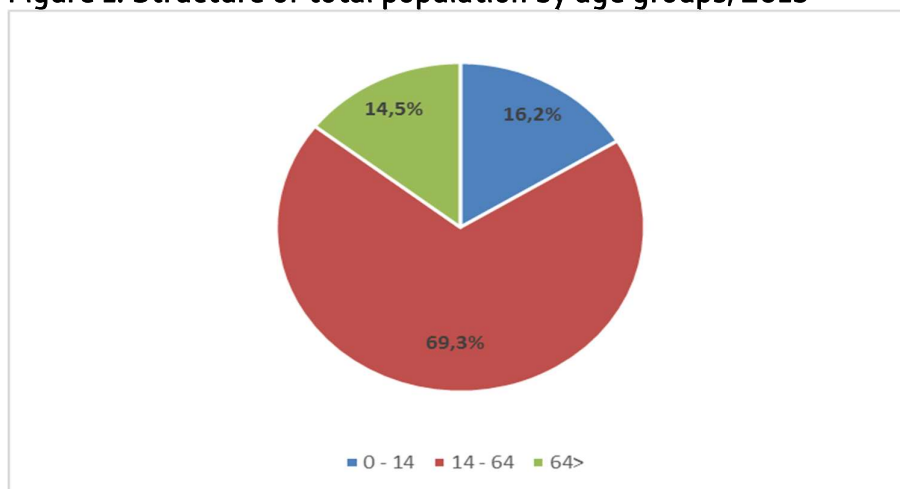
The demographic indicators at the regional level show differences that point to a disproportion in the territorial distribution of the population. The Skopje Region, as the most densely populated, has almost ten times higher density than the Vardar Region, which is the least densely populated. There 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, 2019**



Source: State statistical office (SSO)

## **2.4 Agriculture production and economy**

Agriculture, along with Hunting, Forestry and Fisheries with a share of 8,7% in the overall Gross Domestic Product (GDP) in 2020 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 (20,7%);
- Mining and quarrying; Manufacturing; Electricity, gas, steam and air conditioning supply; Water supply; sewerage, waste management and remediation activities (17,2%);
- Public administration and defense; compulsory social security; Education; Human health and social work activities (12,1%);
- Real estate activities (11,3%).

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 2019 was 48.977 million denars and in comparison with 2018 it nominally decreased by 8,3%.

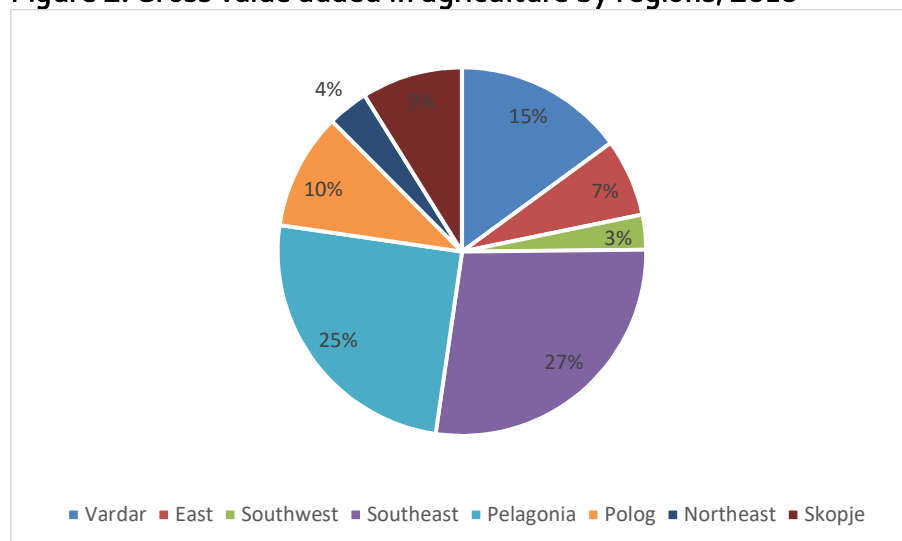
Crop production, having a 70,5% share in the total production, decreased by 3,9% compared with 2018. Livestock production, accounting for 19,8% of the total production, decreased by 9,7% compared with 2018.

Intermediate consumption recorded a 0,1% increase in 2019 compared with 2018.

In 2019, nominal income in agriculture from production factors per labour unit registered a decrease of 3,1% while real income in agriculture from production factors registered a decrease of 0.4%.



**Figure 2: Gross value added in agriculture by regions, 2018**



Source: State statistical office (SSO)

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

According to the data of the State Statistical Office, cultivated land in 2020 covered an area of 517.039 ha which compared to 2019 decreased by 0,5%. Major increase in cultivated land was registered for orchards by 1,9% and significant decrease was registered for vineyards by 2,0%.

In the same period, an increase in production was registered in the following crops: potatoes, tomatoes, peppers, fodder maize and fruits.

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

	2014	2015	2016	2017	2018	2019	2020
Agricultural land	1.263	1.264	1.267	1.266	1.264	1.264	1.261
– Cultivated land	511	514	516	517	519	520	517
– Arable land and gardens	413	415	417	417	418	419	416
– Orchards	15	16	16	16	17	17	17
– Vineyards	23	23	24	24	24	24	24
– Meadows	60	60	59	60	60	60	60
Pastures	751	750	750	748	745	744	744
Marshes, swamps 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, fodder crops, horticultural crops, orchards and vineyards. In 2020 the structure of sown area under cultivation (cereals, fodder crops, industrial crops and vegetables) in total of 274.325 ha, accounts for approximately 58% of cereals, 19% of vegetables, 15% of forage crops and 8% of industrial crops. In 2019 orchards occupy an area of 16.784 ha or 3,2%, while vineyards in 2020 amount to about 23.709 ha (according to MAFWE<sup>1</sup>) or 4,6% of total cultivated land.

**Table 6: Harvested area under cereals in hectares**

Cereal	2015	2016	2017	2018	2019	2020
Wheat	73.060	79.832	72.864	70.987	68.847	69.765
Rye	3.758	4.483	4.065	3.836	3.809	/
Barley	41.160	41.297	43.816	42.331	43.941	44.995
Rice	4.985	5.040	3.274	3.222	3.481	/
Maize	31.651	31.045	31.287	36.340	33.967	31.912
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 and the interest of farmers. The yield per ha also varies though the years depending on the favorable climatic conditions.

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 7: 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

<sup>1</sup> 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.

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 8: 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 9: 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/grape 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 10: Fruit production in tones**

Fruit	2015	2016	2017	2018	2019	2020
Cherries	6.248	5.574	4.061	5.824	6.045	6.258
Sour cherries	8.483	8.072	4.408	10.538	8.695	9.892
Apricots	3.255	3.471	3.992	3.904	6.070	/
Apples	136.931	101.088	43.366	140.296	88.701	105.794
Pears	9.016	7.207	5.052	8.055	8.048	8.790
Plums	41.477	33.684	17.880	37.719	32.303	34.983
Peaches	12.006	12.108	11.509	13.128	12.003	12.765

Walnuts	5.790	5.147	2.341	4.826	5.014	5.387
Total	223.206	176.351	92.609	224.290	166.879	183.869

Source: State statistical office (SSO)

**Table 11: Vineyards (area) and production of grapes (including table grapes)**

Vineyards	2015	2016	2017	2018	2019	2020
Area in ha	23.240	23.613	23.703	24.088	24.468	23.709
Production in tones	324.769	333.319	180.349	294.497	258.960	317.550

Source: State statistical office (SSO)

**Table 12: Orchards (area) and production of fruit**

Orchards	2015	2016	2017	2018	2019	2020
Area in ha	15.856	16.138	16.546	16.827	16.784	17.000
Production in tones	223.206	176.351	92.609	224.290	166.879	183.869

Source: State statistical office (SSO)

The number of livestock has significantly decreased in 2019 because 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.

**Table 13: Number of livestock**

Livestock	2015	2016	2017	2018	2019	2020
Cattle	253.442	254.768	255.036	256.181	217.790	222.202
Pigs	195.443	202.758	202.197	195.538	135.770	164.074
Sheep	733.510	723.295	724.555	726.990	684.558	630.634
Goats	88.064	101.669	107.466	117.447	87.581	95.008
Poultry	1.761.145	1.865.769	1.840.173	1.828.287	1.562.089	1.643.462
Bee-hives	73.960	81.476	75.406	81.197	96.143	99.558

Source: State statistical office (SSO)

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 14: Production of meat in tones**

Meat	2015	2016	2017	2018	2019	2020
Beef	4.875	3.962	4.636	4.381	4.083	3.886
Pig	10.826	12.786	13.105	12.929	13.384	14.930
Sheep/lamb	3.980	3.737	3.422	3.446	3.392	3.183
Chicken	1.729	1.509	1.716	1.499	1.490	1.494

Source: State statistical office (SSO)

**Table 15: Production of milk in 000 liters**

Milk	2015	2016	2017	2018	2019	2020
Cow	361.072	403.044	394.140	404.230	390.903	405.217
Sheep	40.748	41.066	35.364	36.559	35.088	26.925

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 (which by the end of 2020 reached 244 €). This led to increase of number of employees in agriculture by regulating employment status of persons whose status was not regulated.

**Table 16: Average net salary by employee in €**

Description	2015	2016	2017	2018	2019	2020
Agriculture, forestry and fisheries	247	283	272	306	321	357

Source: State statistical office (SSO)

**Table 17: Employees in agriculture, forestry, fisheries, and food processing**

Description	2017	2018	2019	2020
Number of employees	120.311	119.337	111.033	95.545
% of total employed	16,2	15,7	13,9	12,0

Source: State statistical office (SSO)

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

After leaving the European Union of the United Kingdom, the Republic of North Macedonia and the United Kingdom concluded "Partnership, Trade and Cooperation Agreement between the United Kingdom of Great Britain and Northern Ireland and the Republic of North Macedonia".

The most important objective of this Agreement is to preserve the links between the Parties established by the association created in Article 1 of the EU-North Macedonia Agreement.

In particular, the Parties agree to preserve the preferential conditions relating to trade between the Parties, which resulted from the EU-North Macedonia Agreement and to provide a platform for further trade liberalization between the Parties.

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).

As a result of the Covid-19 pandemic in 2020, the overall trade (industrial + agro-food products) (export + import) compared to 2019 has decreased by 10,2%. Total export (industrial + agro-food products) in 2020 compared with 2019 has decreased by 10% and total import shows a decrease by 10,3%. The export of agro-food products in 2020 compared with 2019 has decreased by 5,2% (from €624,5 million in 2019 to €5591,7 million in 2020), and the import of agro-food products in 2020 compared with 2019 decreased by 1,7% (from €837,15 million to €822,57 million).

The share of export of agro-food and fishery products in total export from Republic of North Macedonia in 2020 has slightly increased compared to the share in 2019 and it was 10,24%. The share of import of agro-food and fishery products in total import into Republic of North Macedonia in 2020 has slightly increased compared to the share in 2019 and it was 10,83%.

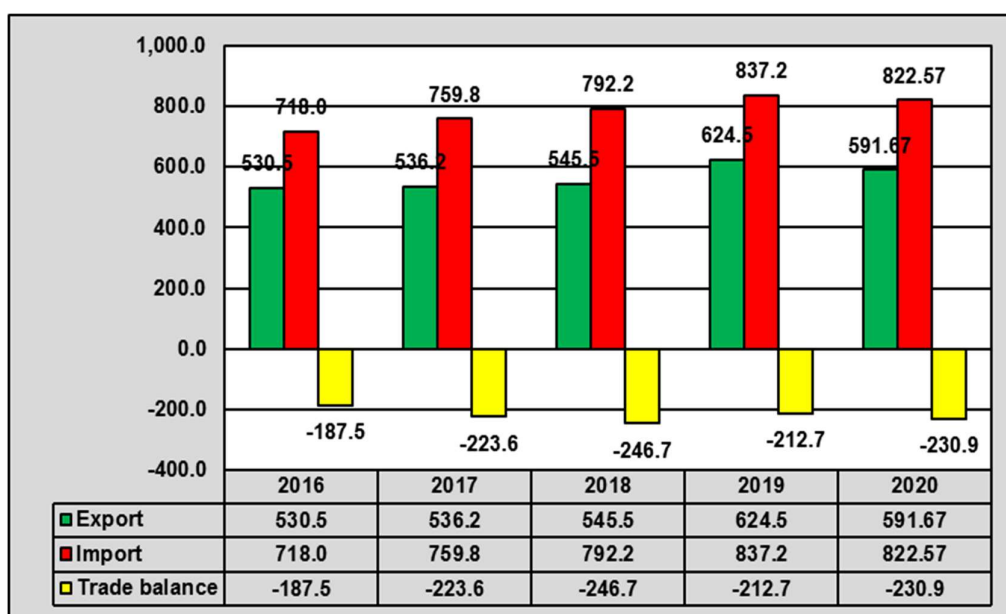
The trade deficit in 2019 has decreased 13,8% and amounted €212,65 million while in 2020 the trade deficit has increased by 8,6% and amounted €230,9 million.

**Table 18: Total trade and trade with agricultural and fishery products 2016-2020 (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
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	624.50	9.72%
	<i>Import</i>	8,463.17	837.15	9.89%
	<i>Balance</i>	-2,039.47	-212.65	10.42%
2020	<i>Export</i>	5,777.90	591.67	10.24%
	<i>Import</i>	7,594.54	822.57	10.83%
	<i>Balance</i>	-1,816.64	-230.90	12.71%

Source: State Statistical Office (SSO)

**Figure 3: Development of Macedonian agricultural trade (in million €) for the period 2016-2020**



European Union-27 is definitely the most important partner of the Republic of North Macedonia on trade with agri-food and fisheries products in 2020.

As a result of the pandemic crisis with the Covid-19 and the leaving of the United Kingdom from the European Union, exports of agri-food and fishery products decreased by 5.2% (from € 310.6 million in 2019, to € 294.3 million in 2020), while imports of these products decreased by 5.9% (from € 409.4 million in 2019, to € 385.4 million in 2020).

The share of agro-food and fishery products export to EU-27 in total export of these products in 2020 was 49,7%, while the share of import from EU-27 in total agro-food and fishery products import in 20 was 46,8%.

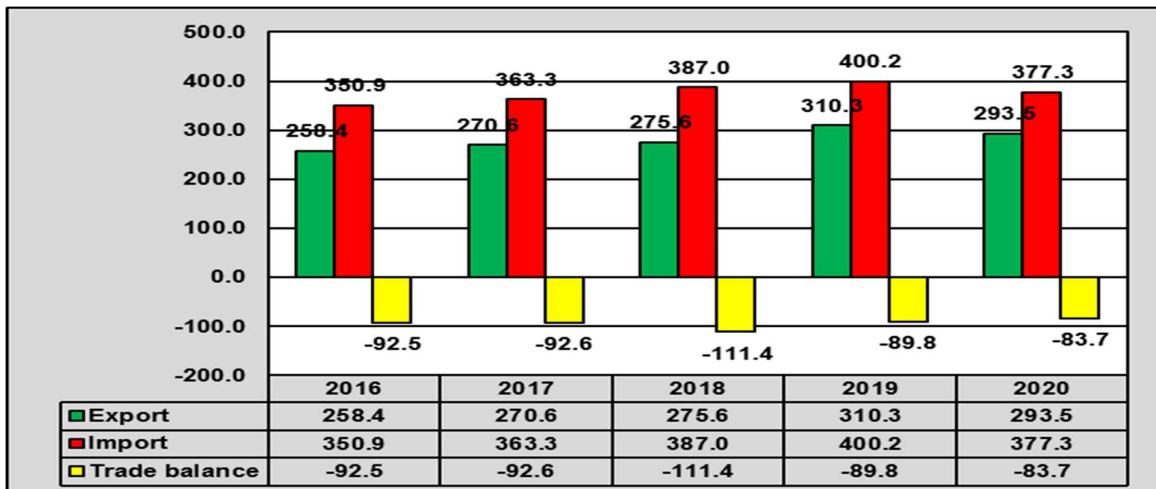
Second important partner of the Republic of North Macedonia in 2020 in trade with agro-food and fishery products, were CEFTA country members, with total value of trade (export + import) of €426,3 million. The share of agro-food and fishery products export to CEFTA country members in total export of these products in 20 was 31,6%, while the share of import from CEFTA country members in total agro-food and fishery products import in 2020 was 29,1%. The most important CEFTA trade partner was Serbia with share of 10,8% of total export of agro-food and fishery products and 23,2% of total import. Following by Bosnia and Herzegovina (with share of 4,9% in total export and 3,5% in total import). Regarding export Kosovo is also important partner with share of 11,05% 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 0,29% of total export and 3,4% of the total import of agro-food and fishery products. Regarding the export of agro-food and fishery products, the largest sole non-EU trade partner was Russian Federation, accounting for 4,9% of total exports (due to large exports of fresh fruits and vegetables). Following was USA, with share of 4,6% of total export, due to significant export of tobacco, while Brazil with share of 3,1% of total import, was largest sole non-EU import partner, basically due to significant quantities of poultry, bovine frozen and coffee imported in 2020.

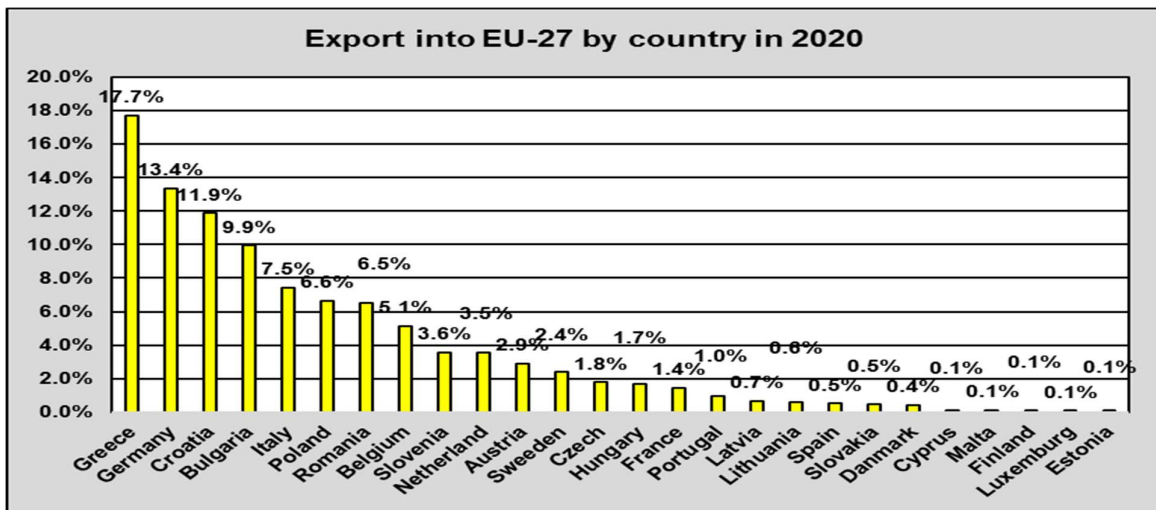
We should also mention the United Kingdom, which after leaving the European Union, in the total export of agri-food and fishery products, participates with 1.22%, while in the total import of these products participates with 1.01%.

**Figure 4: Overview of the import/export/trade balance data (in million €) with the EU-28 for the period 2016-2020 and with the EU-27 for 2020**

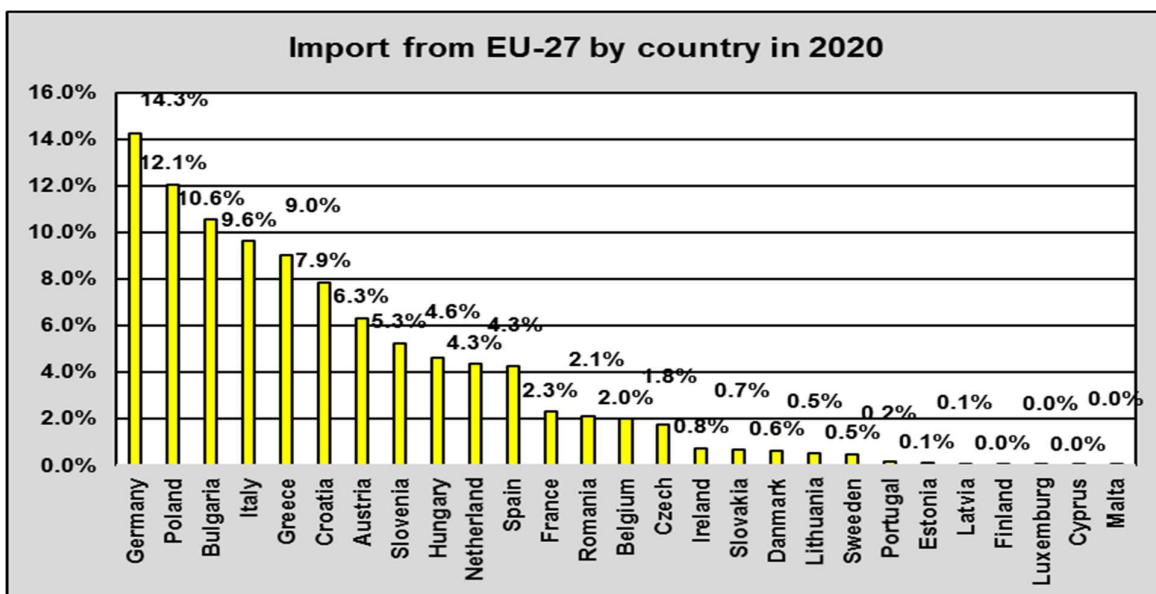




*Share by countries from EU-27 in export of agro-food products in 2020*



*Share by countries from EU-27 in import of agro-food products in 2020*





**Table 19: Overview of the trade with Basic Agricultural Products and Process Agricultural Products for period 2018, 2019, 2020 (in million €)**

	Export			Import			Trade balance		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Basic Agricultural Products	216,8	245,9	238,7	241,7	242,3	227,2	-24,9	3,6	11,6
Processed Agricultural Products	58,7	64,4	54,8	145,2	157,8	150,1	-86,5	-93,4	-95,3
<b>TOTAL</b>	<b>275,5</b>	<b>310,3</b>	<b>293,5</b>	<b>386,9</b>	<b>400,1</b>	<b>377,3</b>	<b>-111,4</b>	<b>-89,8</b>	<b>-83,7</b>

Data source: State Statistical Office

## 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.

The NSARD 2021-2027, prepared by the MAFWE during 2020, reflects the continuity of country's priorities for development of the agriculture and the rural areas, and to provide support to the agricultural sector to achieve sufficient level of competitiveness to cope with challenges of the open and changeable market and to boost the development of rural areas.

The Strategy shall be adopted by the Government of the early in 2021.

## 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 20: Amounts of support (in mill.€) by the Programme for direct payments**

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total	112,7	112	101,8	101,8	102,8	99,5	101	116,1	112,4

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 21: Amounts of support (in mill.€) by the Programme for rural development**

Year	2013	2014	2015	2016	2017	2018	2019	2020
Total	17,2	31,2	31,4	30,4	27,5	25,5	13,7	16,0

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 22: 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%
<b>Total</b>	<b>60.000.000</b>	<b>100%</b>	<b>60.000.000</b>	<b>100%</b>

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 2020, six 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, 02/2019 and 01/2020.

**Table 23: 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	859	11.139.357	15 months
2	01/2018 <sup>2</sup>	65	15.306.651	38	6.700.036	25	1.929.367	4 months
3	02/2018 <sup>3</sup>	1.099	18.335.969	640	6.319.986	400	1.272.017	6 months
4	01/2019 <sup>4</sup>	261	43.821.070	36	2.332.025	/	/	7 months
5	02/2019 <sup>5</sup>	61	16.763.734	32	6.272.419	/	/	6 months
6	01/2020 <sup>6</sup>	748	21.011.113	/	/	/	/	ranking
Total		3.882	187.568.522	1.645	37.724.311	1.284	14.340.741	/

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). After modifying the Programme and making completeness mandatory, the process of approval of applications has shortened. Yet, 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.

Having in mind that interest shown by the applicants (quality of projects) on the 01/2020 public call passed the amount of available financial support in the public call, the Agency will apply the procedure for ranking of submitted applications. This shall additionally increase the time needed for approval of applications on this call.

In 2020 only, the Agency contracted 399 applications (14.592.950 EU contribution) and paid off 448 applications (4.328.442 EU contribution). For comparison purposes, in 2019 the Agency

<sup>2</sup> Public call for measure 3.

<sup>3</sup> Public call for measure 1.

<sup>4</sup> Public call for measure 7. Contracting continued in 2021.

<sup>5</sup> Public call for measure 3. Contracting continued in 2021.

<sup>6</sup> Public call for measure 1.

contracted 317 applications (11.027.205 EU contribution) and paid off 715 applications (9.039.009 EU contribution).

The ratio between paid and contracted projects is 78% and the ratio between paid and contracted EU contribution is 38%. This leads to a conclusion that projects that are more expensive are still being realized and their payment authorization shall follow. Having in mind that contracting process for 01/2019 and 02/2019 is still ongoing, for 01/2020 did not started yet and one more public call is foreseen in 2021, the burden/work load is transferring from project approval towards payment authorization. Namely, up to 2020 the Agency has contracted more than half of the available funds and paid off nearly a quarter. During 2021, 2022 and 2023 the Department for authorization would have to authorize 3 times higher amount than the one paid so far.

**Table 24: Indicators on quality of implementation (cutoff date 31.12.2020)**

Total number of applications submitted	3.882
Number of signed contracts	1.645
Number of paid contracts	1.284
Number of cancelled contracts	57
% of contracted applications (contracted/submitted)	42,4%
% of cancelation of contracts (cancelled/contracted)	3,4%
% of paid contracts (paid/(contracted – cancelled)	80,9%

Source: Managing Authority

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

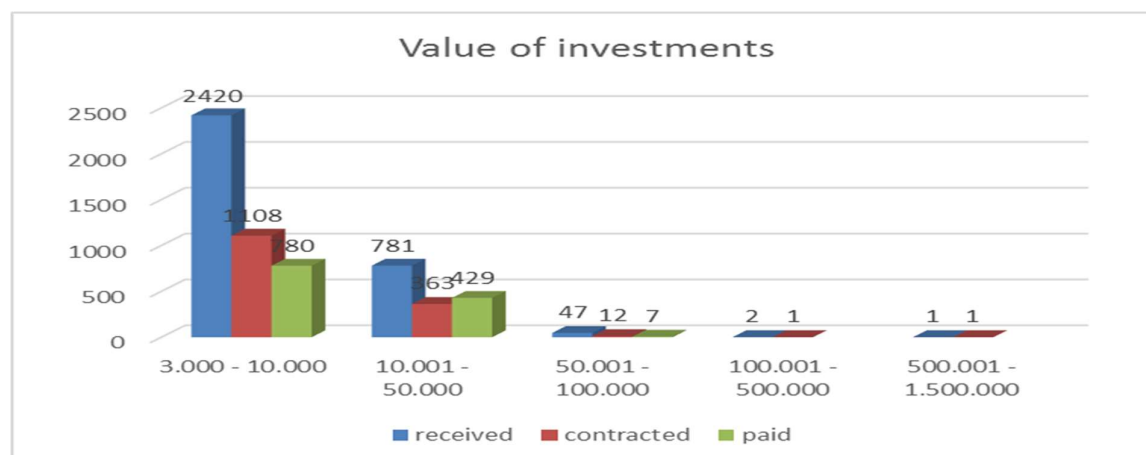
Submitted applications under Measure 1, on two public calls, reached 3.251 (57.306.327 € EU contribution). Contracts have been signed with 1.485 applicants for 14.207.820 € EU contribution, out of which 57 contracts (330.702 € EU contribution) have been terminated by the Agency. Reasons for termination of these contracts are elaborated by the Agency in part 4.3.2, summary of the contract follow up.

**Table 25: Measure 1 applications per public call**

Public call	Submitted (A)	Contracted (B)	Paid (C)	Approval rate (B/A)	Payment rate (C/B)
01/2017	1.404	845	816	60 %	97 %
02/2018	1.099	640	400	58 %	63 %
01/2020	748	/	/	/	
Total	3.251	1.485	1.216	46 %	82 %

By the end of 2020, payment of contracts reached 1.217 (7.418.942 € EU contribution).

**Figure 5: Review of applications per value of investments<sup>7</sup> in Measure 1**



Source: Managing Authority

Average value of received application (expressed in EU contribution) under Measure 1 in the Agency is 17.627 €. Respectively, average value of contracted and paid applications under measure 1 is 9.568 € and 6.096 €.

The low value of IPARD applications is primarily due to the size of farms in North 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. Farms that have mixed (crop and livestock) production should meet the minimum national standards for environmental protection, public health, animal welfare and occupational safety. This Programme criteria (IPARD Programme 2014-2020, Measure 1, 5.2

<sup>7</sup> Value of investments presented as total eligible expenditure.

National and EU standards to be respected) was hard to fulfill by many applicants since their livestock production is small scale not meeting the required standards.

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 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.

**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)
Cattle	26	4	1.223.565	1	57.429	15 %
Poultry	16	2	446.268	/	/	12 %
Sheep	22	4	66.688	2	12.453	18 %
Pigs	16	3	917.611	1	12.813	19 %
Goat	1	/	/	/	/	/
Orchards	1.009	443	4.858.395	388	2.626.813	40 %
Vineyards	476	249	1.618.472	216	991.830	52 %
Vegetables	191	82	533.506	74	397.056	43 %
Greenhouses	23	10	64.730	9	42.633	43 %
Cereals	1.455	684	4.443.929	522	3.258.776	47 %
On-farm processing	11	2	28.303	1	12.786	18 %
Renewable energy	5	2	6.353	2	6.353	40 %
Total	3.251	1.485	14.207.820	1.217	7.418.942	46 %

Source: Managing Authority

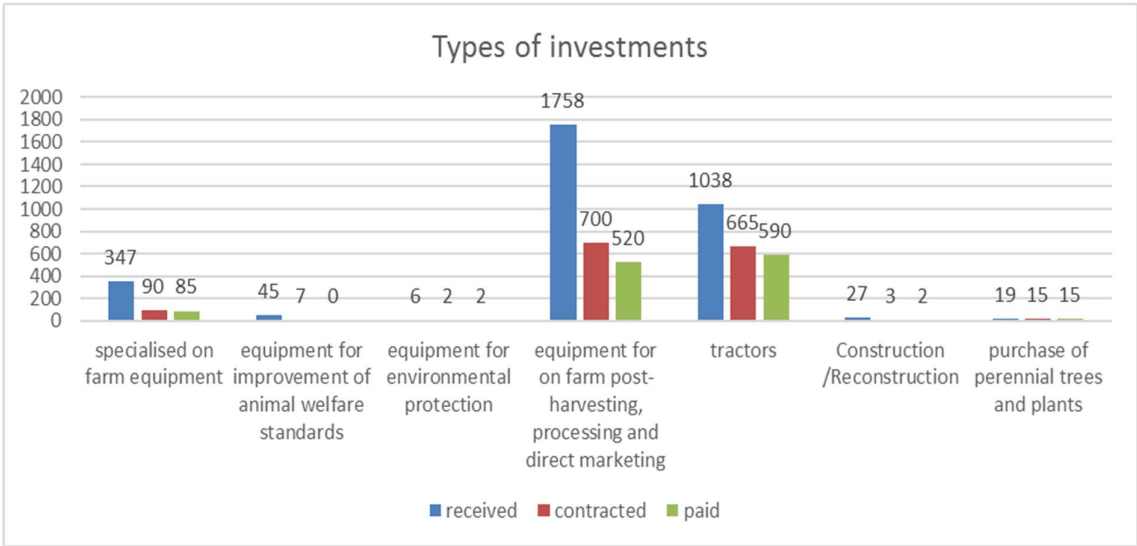
Cereals, orchards, vineyards and open field vegetables production were types of production most commonly used by the applicants.

Regarding the interest for types of investments, although announced only in the first public call (01/2017), investments in tractors and agricultural mechanization, just as in the past, were most attractive for farmers. From the total number of 1.038 applications submitted for tractors, 665 contracts have been signed (5.032.279 EU contribution) and 590 paid have been paid (4.400.693 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 (1.758 received, 700 contracted, 520

paid) and unusually low interest in specialized farm equipment (347 received, 90 contracted, 85 paid).

Figure 6: 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

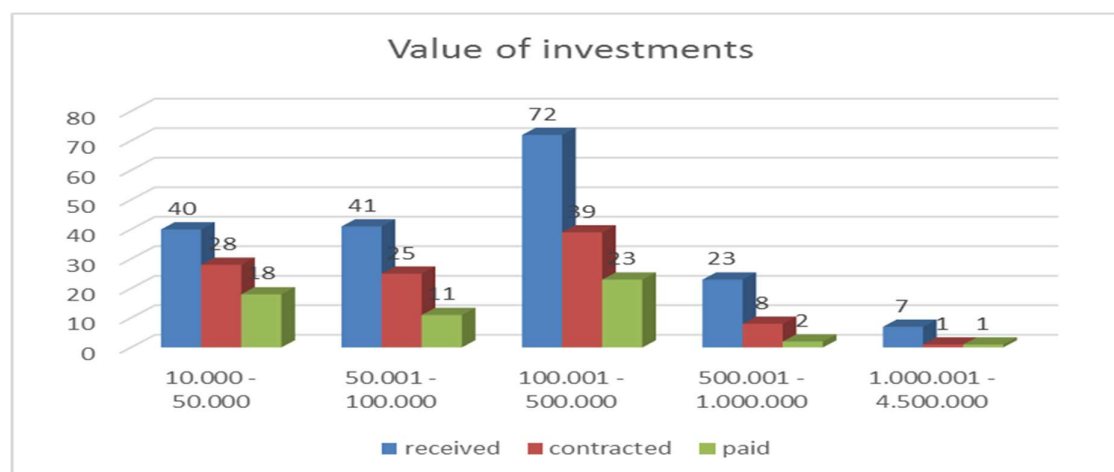
IPARD Agency announced three public calls for this measure. Submitted applications under Measure 3, reached 183 (45.098.137 € EU contribution). Contracts have been signed with 101 applicants for 18.234.347 € EU contribution. There are no terminated contracts in this Measure.

**Table 27: Measure 3 applications per public call**

Public call	Submitted (A)	Contracted (B)	Paid (C)	Approval rate (B/A)	Payment rate (C/B)
01/2017	57	31	30	54 %	97 %
01/2018	65	38	25	58 %	66 %
02/2019 <sup>8</sup>	61	32	/	52 %	/
Total	183	101	55	55 %	54 %

By the end of 2020, payment of contracts reached 55 (6.264.792 € EU contribution).

**Figure 7: Review of applications per value of investments<sup>9</sup> in Measure 3**



Source: Managing Authority

Average value of received application (expressed in EU contribution) under Measure 3 in the Agency is 246.438 €. Respectively, average value of contracted and paid applications under measure 3 is 177.746 € and 113.905 € of EU contribution.

Near half of the submitted (86), contracted (42) and paid (22) applications refer to fruit and vegetables processing sector. Also, near half of contracted and paid amounts are in this sector. The beneficiaries in this sector are mostly export-oriented companies, with high level of liquidity and investments needs in equipment for technological process modernization or new production lines introduction. Interest among other sectors in the processing industry is more equal.

**Table 28: Review of applications per priority sectors in Measure 3**

	Received (A)	Contracted (B)	EU part contracted	Paid	EU part paid	% of approval (B/A)

<sup>8</sup> Contracting continues in 2021

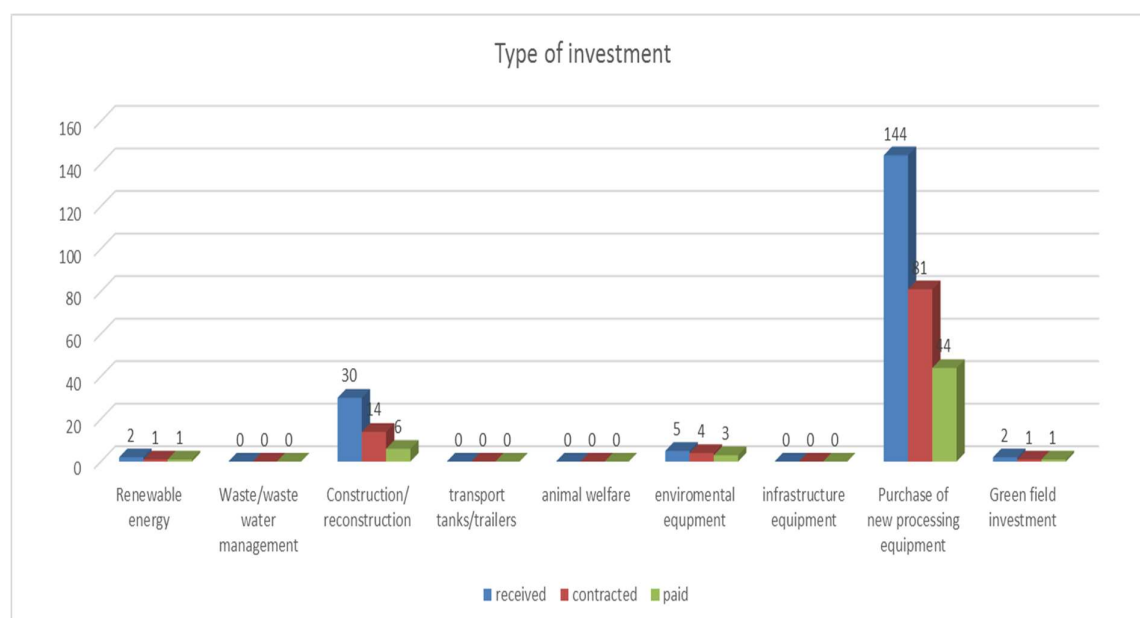
<sup>9</sup> Value of investments is presented as total eligible expenditure

Milk collection centers	10	6	912.043	5	296.171	32 %
Dairy processing	13	7	622.038	5	254.041	41 %
Meat processing (cattle)	21	16	2.743.340	9	2.129.980	78 %
Meat processing (pork)	4	4	326.394	3	187.189	57 %
F&V collection centers	30	16	4.548.128	9	1.322.949	29 %
F&V processing	56	26	5.832.243	13	965.225	17 %
Cereals milling	21	9	320.032	3	107.760	34 %
Oils and fats	3	2	24.616	1	9.620	39 %
Wineries	25	15	2.905.513	7	991.857	34 %
Total	183	101	18.234.347	55	6.264.792	34 %

Source: Managing Authority

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 fields does not contribute to the economic performance of companies to a greater extent and therefore the low interest.

**Figure 8: Review of applications per type of investment in Measure 3**



Source: Managing Authority

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

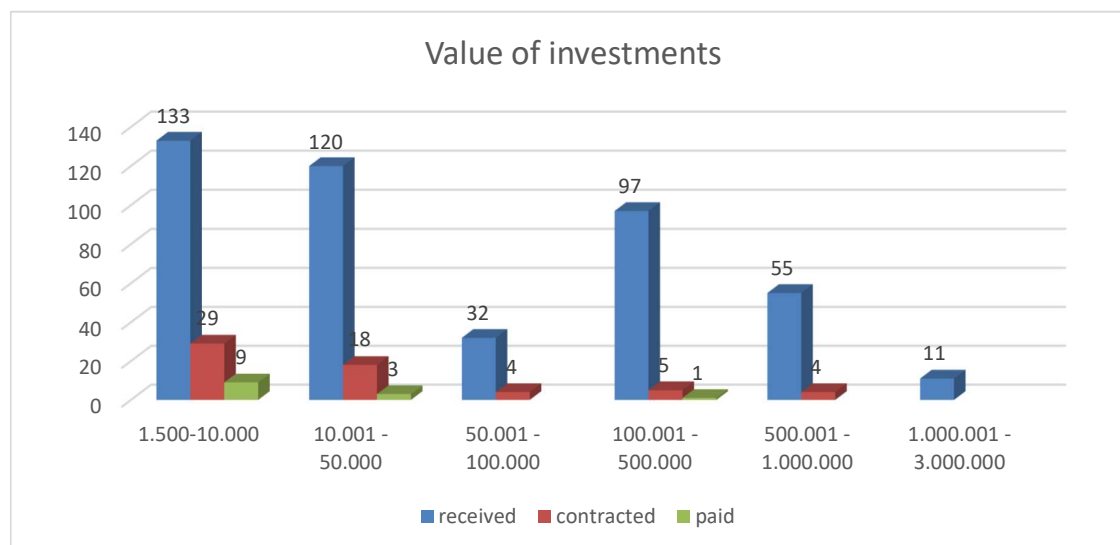
IPARD Agency announced two public calls for this measure. The second public call (01/2019) was announced in October 2019. On request by the applicants, the Agency extended the deadline for submission of applications for additional 15 days, so public call was closed in the middle of December 2019. Having in mind lengthy process of control of reasonableness of costs in the Agency, process of contracting the applications submitted on 01/2019 extended even in 2021.

**Table 29: Measure 7 applications per public call**

Public call	Submitted (A)	Contracted (B)	Paid (C)	Approval rate (B/A)	Payment rate (C/B)
01/2017	187	23	13	12 %	57 %
01/2019 <sup>10</sup>	261	36	/	14 %	/
Total	448	59	13	13 %	22 %

Submitted applications under Measure 7, on first two public calls, reached 448 (85.164.058 € EU contribution). Contracts have been signed with 59 applicants for 5.564.099 € EU contribution. There are no terminated contracts in this Measure. By the end of 2020, payment of contracts reached 13 (662.775 € EU contribution).

**Figure 9: Review of applications per value of investments in Measure 7**



Source: Managing Authority

Average value of received application (expressed in EU contribution) under Measure 7 in the Agency is 190.098 €. Respectively, average value of contracted and paid applications under measure 7 is 94.307 € and 50.983 €.

The interest for use of IPARD Programme funds is highest in the alternative agricultural production priority sector, having in mind that bee keeping (production of honey and honey products) is eligible under this sector. In addition, applicants found manufacturing of non-food products very interesting, especially processing of wood and production of furniture.

<sup>10</sup> Contracting continues in 2021

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.

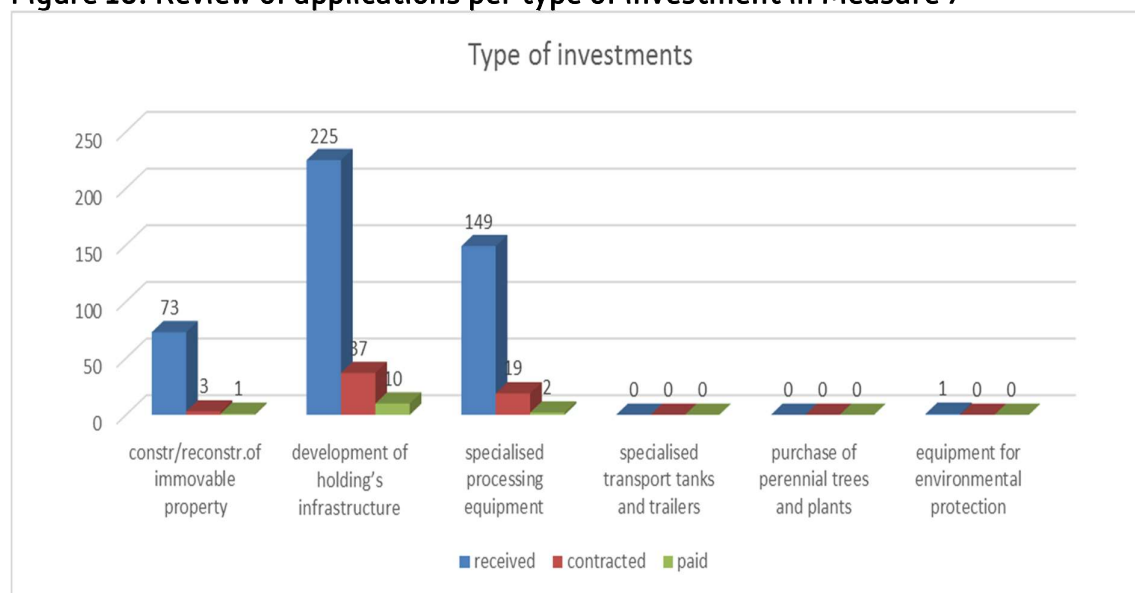
**Table 30: Review of applications per priority sectors in Measure 7**

	Received (A)	Contracted (B)	EU part contracted	Paid	EU part paid	% of approval (B/A)
Alternative agriculture production <sup>11</sup>	142	28	302.866	6	7.276	2 %
Manufacture of food products and beverages	44	4	283.401	1	19.301	7 %
Manufacturing of non-food products	108	15	2.714.592	3	474.256	37 %
Development of crafts activities	6	/	/	/	/	%
Provision of services to agriculture	11	3	22.155	2	14.225	64 %
Development of services for the rural population	18	1	487.158	/	/	%
Promotion of Rural Tourism	73	8	1.753.927	1	147.717	27 %
Production and sale of renewable energy	46	0	0	0	0	0 %
<b>Total</b>	<b>187</b>	<b>59</b>	<b>5.564.099</b>	<b>13</b>	<b>662.775</b>	<b>12 %</b>

Source: Managing Authority

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

**Figure 10: Review of applications per type of investment in Measure 7**



Source: Managing Authority

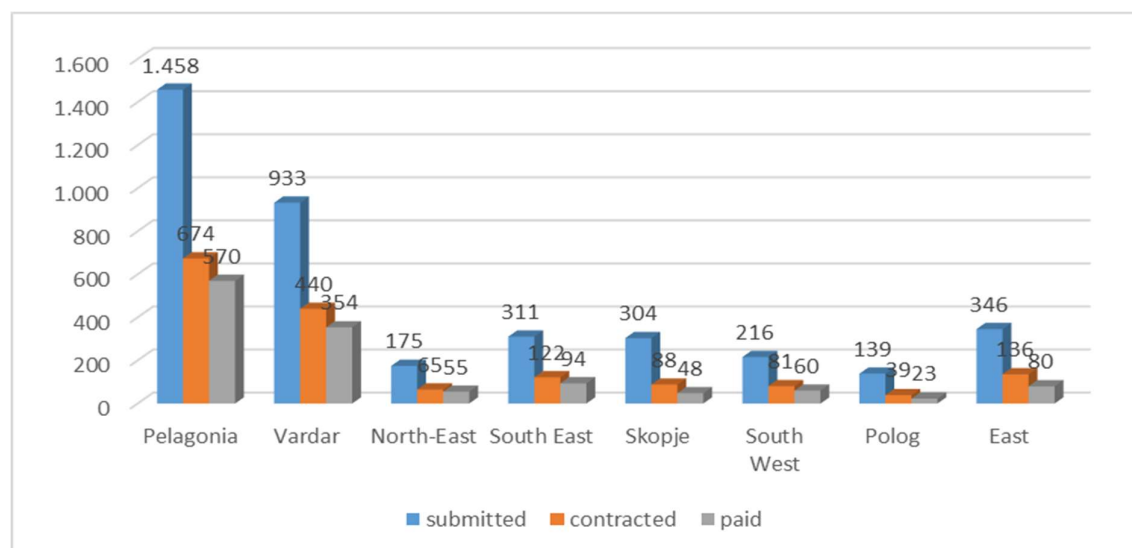
<sup>11</sup> Out of which 98 for bee keeping, 18 contracted and 1 paid

### 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 and Vardar. 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.

**Figure 11: Review of the applications by statistical regions**

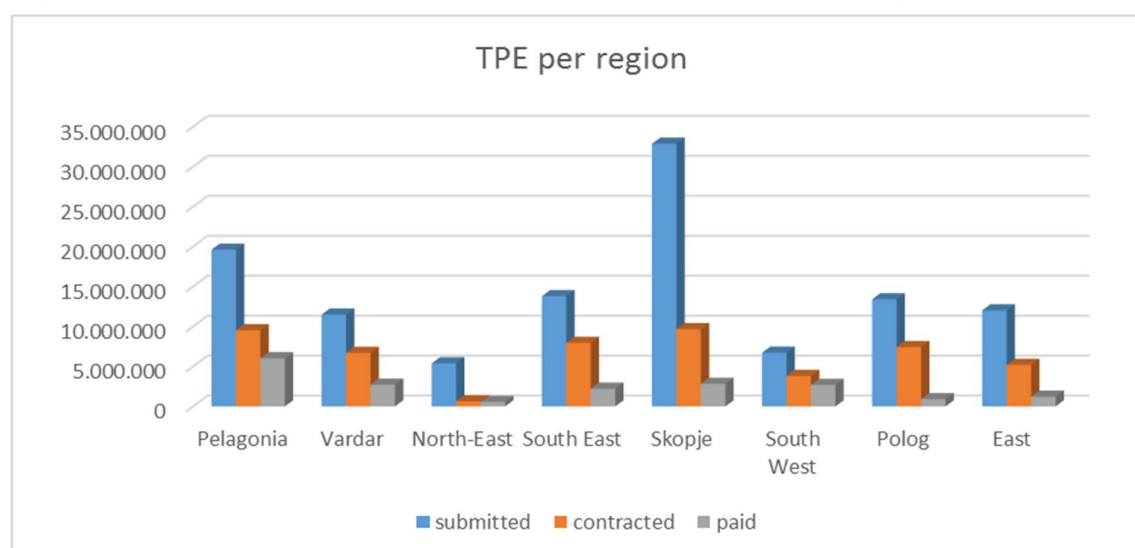


Source: Managing Authority

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 mixed (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. This was not met by many applicants since their livestock production is small scale not fulfilling the required standards.

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 Macedonian territory.

**Figure 12: Review of the total public expenditure by statistical regions**



Source: Managing Authority

**Table 31: Review of applications per Municipalities**

Municipality	No. of applications			Total public expenditure in EUR		
	received	contracted	paid	received	contracted	paid
Resen	451	223	207	7.013.431	2.136.779	1.368.773
Bitola	356	141	106	9.712.612	1.302.473	748.635
Kavadarci	201	107	94	6.569.969	507.624	324.623
Prilep	195	73	60	4.751.672	865.198	682.974
Mogila	181	106	91	2.000.886	844.012	430.440
Negotino	175	91	77	2.926.750	563.768	395.390
Veles	143	55	36	4.270.902	1.011.521	306.377
Sveti Nikole	117	49	36	4.536.468	581.268	190.413
Kumanovo	99	42	34	4.003.737	375.138	369.277
Rosoman	93	50	46	1.256.529	466.329	354.310
Novaci	82	45	38	2.348.106	310.363	223.730
Lozovo	79	32	24	1.523.957	859.143	131.180
Krivogastani	67	29	24	1.574.112	267.209	148.357
Debarca	66	31	26	2.217.987	240.701	213.877
Ohrid	65	27	18	1.348.962	126.481	96.165
Dolneni	51	27	25	1.752.204	536.872	509.716

Source: Managing Authority

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

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

Bearing in mind that due to the coronavirus pandemic outbreak and the declared state of emergency in the first quarter of 2020, the capacities of the IPARD Managing Authority were reduced. In order to establish a normal functioning of the system, to overcome this situation and timely execution of planned activities, some of the Managing Authority employees were organized to perform their duties from home. However, this situation had impact for postponement and slowing down the Managing Authority tasks in the period ahead as it is with the already planned IPARD Monitoring Committee, scheduled for the second quarter of 2020 as well as in the implementation of public procurement procedures planned through the Technical Assistance measure. In this regard, Managing Authority together with the IPARD Agency and the NAO/MS, began a comprehensive analysis of the potential impacts on meeting the obligations for IPARD implementation due to the emergence of the coronavirus pandemic outbreak and proposed and prepared measures that should help to overcome this new unexpected situation.

At the beginning of 2020, changes took place in terms of filling the managerial positions in the Unit for monitoring and reporting. Senior associate in the Unit was promoted to Head of the Unit. In addition, Advisor in the same Unit was transferred to other MAFWE Department. Consequently, the number of employees in the Unit decreased. Thus, out of the 5 managerial posts in the Managing Authority, 4 are filled with permanent decisions for the respective posts, not with authorizations. At the same time, 2 persons in managerial positions are practically promoted and are long-term employees of the Managing Authority.

Due to the coronavirus pandemic outbreak, no activities for employment were realized in 2020. Within the reporting period, one Managing Authority employee (Junior Associate in the Unit for programming and evaluation) was temporarily transferred to MAFWE's regional office in Tetovo and one was temporarily employed in the same Unit. At the end of 2020, the number of employees was 14 (Including HoMA).

Even in difficult circumstances, respecting pandemic protection rules, Managing Authority managed to organize one forum for improvement of implementation of IPARD 2014-2020 in October. The programme of the forum included presentations of each measure and it's implementing procedures in the IPARD Agency, followed by discussions per each measure (with concerned technical bodies included in the discussions). The conclusions at the forum significantly influenced the implementation of the Programme by overcoming some aspects related with documentation needed for applying for support:

- The representative of the Employment Agency (EA) informed that the forms M1/M2 are valid and are the only forms issued by the Employment Agency of RNM that confirm the employment of the applicants. There are no receipts and any other documents that are issued and the IPARD Agency should only consider the M1/M2 forms. These forms are valid without a stamp and signature because that is how the EA e-system issues them.

- The EA representative confirmed that the M1/M2 forms are valid proof that the manager is a permanent employee.
- The issuance of general certificates for vocational education/training by NEA only burdens NEA. The representative of the Centre for Adult Education explained the procedure for verification of training providers and suggested, for the future, to certify training providers and to realistically transfer their knowledge to applicants.
- A working group from MA, IPARD Agency and Centre for Adult Education will review and determine for which occupations a certificate of education will be required, because there is no need for a certificate of education for every occupation, and in some cases there is no institution to issue such certificate.
- The representative of the Ministry of environment and physical planning (MoEPP) explained in detail the procedure for obtaining a permit for the use of groundwater for irrigation. In the interest of the applicants, an Instruction will be made for legalization of wells/boreholes for irrigation of agricultural areas. The Instruction will be prepared by a working group from MA, IPARD Agency and MoEPP.
- The representative of the MoEPP confirmed that neither the MoEPP nor the Municipalities issue the document "DECISION ON APPROVED ENVIRONMENTAL PROJECT WITH AN APPROVED ACTION PLAN" and it should be removed from the list of required documents in the instructions and the request.
- It should be clarified that there is no need for an environmental protection plan for an applicant from a mixed agricultural holding and it should be clearly stated that the certificate refers to the entire agricultural holding and not to the part related to the investment.
- For the sake of uniformity, it is necessary to make templates of the statements given by the applicants themselves.
- To determine exactly for whom the ban on performing activity refers. IPARD Agency requests it only in case when the applicant is a legal entity, and it is also needed for individuals and managers. This should be checked in the Central Registry Office.
- Confirms that the investment is in line with the local economic development strategy should be unified. Each municipality submits different, and in many cases incorrect confirmations.
- The building permit should be accepted in electronic form, just as the investors submit it to the municipalities for approval (e-approval).
- Despite the constant improvement of the requirements in terms of precisely defining the required documents, their format and source (exact indication of the technical body-institution that issues them), there is a need to further define the requirements (in which case and for which users a certain document is required) .
- When reviewing the two requests (for financial support and payment) for any measure, a discrepancy is found in the definition of the documents (the same document is referred differently in approval of projects and approval of payments) or in the Approval of Payments Department documents are required that the applicant previously submitted to the Project Approval Department.

Managing Authority took responsibility, together with the technical bodies concerned (Water Department and Environment Directorate within the Ministry of environment and physical planning), for preparing two guidelines:



- Guidelines for the procedure for obtaining the opinion or permit for irrigation of agricultural land and
- Guidelines for the procedure for issuing documents for project environmental impact assessment .

Managing Authority received observations on the 2019 Annual implementation report on 30<sup>th</sup> of October. In order for the observations to be addressed, Managing Authority submitted the letter of observations together with the observation matrix to all IPARD structures and received their feedback. By the end of 2020, all IPARD structures have Final improved version of the 2019 Annual Implementation Report shall be agreed with DG AGRI services at the beginning of 2021.

In the third quarter of 2020, the IPARD Managing Authority started with preparation for development of the new IPARD Programme for programming period 2021-2027. After receiving the draft Guidelines for preparation of the IPARD III Programme, Unit for programming and evaluation prepared a timetable with precise schedules for all the necessary steps for development of IPARD III Programme. In addition, all relevant data needed for preparation of Part I of the Programme – “Description of the current situation” have been collected in and finalized by the end of 2020. Moreover, the review of the sectoral analysis is planned for the same period of the year in order to be ready for the beginning of 2021 to start the development of measure fiches.

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 customized 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. Managing Authority defined the set of reporting requirements and delivered them to the Agency.

## **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 Agreement<sup>12</sup> 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;

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<sup>12</sup> Framework Agreement - (OJ no. 99, 16 June 2015, p.2).

<sup>12</sup> Financing agreement 2014-2020

- 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 21<sup>st</sup> 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 04<sup>th</sup> 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;
- 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 IPARD II authorities as follows:
  - NIPAC – Deputy Prime Minister for European Affairs;
  - NAO – State Advisor within the Ministry of Finance; Head of Audit Authority;
  - Director of the IPARD Agency) and
  - Head of Managing Authority

Referring to the legal framework, according to the Constitution of Republic of North Macedonia, in a state of emergency, the Government has the right to adopt Decrees with power of Law. In this context on 09<sup>th</sup> of April 2020 due to COVID 19 outbreak, the Government adopted Decree with power of Law for application of the Law on establishment of the Agency for financial support in agriculture and rural development. During the period of the state of emergency, the provisions of this legally binding Decree were valid. The state of emergency was in force as of 18<sup>th</sup> of March 2020 until 23<sup>th</sup> of June 2020.

According this Decree, during the period of the state of emergency following provisions were applicable:

- The deadlines for decision making regarding the authorization and payment of the applications for financial support, signing contracts for financial support, reducing the financial support due to failure of meeting the contractual liabilities, providing additional documents to the applications for financial support, performance of on-the-spot controls prior the expiration of the contracts for financial support, the deadlines specified in the Contracts for financial support, as well as the announced Calls for submission of applications for allocation of financial support under the IPARD Programme 2014-2020, during the period of the state of emergency, shall be valid the provisions of this legally binding Decree.

- The deadlines defined according to the Law on establishment of the Agency for Financial Support of the Agriculture and Rural Development for decision making in regard to the authorization and payment of the applications for financial support, signing contracts for financial support, reducing the financial support, reducing the financial support due to failure of meeting the contractual liabilities, providing additional documents to the applications for financial support, the deadlines for implementation of the investments subject to the Contracts for financial support, performance of on-the-spot controls for contract that are due to expire or shall expire during the state of emergency, shall be postponed and shall accordingly be extended for 60 days after the cease of the state of emergency.
- The deadlines specified in the Contracts for Financial Support for implementation of the investment subject to the Contract shall be suspended during the period of the state of emergency and shall be postponed after the cease of the state of emergency, but only for such number of days for which they were suspended, from the date of the cease of the state of emergency.
- The deadlines for submission of applications for financial support as specified in the Public Call for submission of applications for financial support under the IPARD Programme 2014-2020 shall be postponed during the period of the state of emergency and shall be postponed until after the cease of the state of emergency.

As regards to the changes related to the formal designations of authorities, new National IPA Coordinator was appointed during 2020 (Decision for appointing NIPAC as of 2<sup>nd</sup> September 2020).

During 2020, changes were made in the top management of the IPARD Agency where new Acting Director was appointed (Governmental Decision No. 20-12186/1 entered into force on 15<sup>th</sup> of December, 2020) as well as the new Acting Deputy Director of the IPARD Agency (Governmental Decision No. 20-10016/1 entered into force on 22<sup>nd</sup> of October, 2020). For all this changes formal notification to DG AGRI was submitted by NAO.

Regarding the Management Structure, in January 2020, through internal promotion, the positions of Head of National Fund Unit and Head of NAOSO Unit were filled. The position of Deputy Head of the IPA Funds Management Department was vacant as of 9<sup>th</sup> October 2020, when Ms Tanja Zhezhova was appointed to other working position in the Ministry of Finance (Deputy Head of CFCD). Till the appointment of new Deputy Head, the Head of MS is undertaking the responsibilities according to the substitution plan.

During 2020, further improvements of the IPARD Agency Manual of Procedures were made. Namely, Version 2.1 (Sector for Project Approval) was approved in order to speed up contracting, realisation of the investments and to decrease the burden of lot payment requests at same time in authorisation of payments process. All these changes shall influence on decreasing risk of de-commitment of funds. These changes enabled eligible applicants, according to the draft rank list to sign contracts before officially approving the final rank list if they are in the frame of the available budget. These modifications of IPARD Agency Manual of Procedures (version 2.1) were qualified as non-significant and were approved by NAO on 13<sup>th</sup> of August 2020.

In addition, as a result of COVID-19 outbreak and taking into account the necessity to apply preventive measures, exception from the applicable procedural arrangements of the IPARD

Agency for on the spot verifications before signing the contract was approved. The approved exception refers only for processing the applications for financial support submitted under public call 01/2020 referring to agricultural equipment and/or mechanisation only, where on-the-spot controls prior approval will not be performed, but all necessary controls (completeness, eligibility, minimum required capacity, etc.) shall be performed administratively by using available databases such (Farm register, Veterinary Information System (VIS), Cadastre, LPIS (Land Parcel Identification System)).

During 2020, non-substantial modifications of the Internal Manual of Procedures of Management Structure version 2.0 December 2020 have been prepared as well. Modifications were implemented by Management Structure, assessed by the NAO Support Office, adopted by NAO on 11.01.2021 and consent given by the Minister of Finance on 15.01.2021. The need to modify the Manual of Procedures of the Management Structure arose from the recommendations for improvement the system, given by the experts within the Technical assistance project "Support to the National Authorities for effective fulfilment of the conditions stipulated in the financing agreements and audit findings regarding the implementation of IPA II assistance - Project No. 2018/399593/2", as well as the lessons learned during the practical implementation of the Programmes. Assessment and details of each change were submitted to DG AGRI on information and consideration.

#### **Functioning of the management and internal control systems under IPARD programme 2014-2020**

##### **a) DG AGRI observations and recommendations**

During 2020, the communication with DG AGRI was mainly related to the entrustment of the measure Investments in Rural Public Infrastructure (IRPI), clearance of accounts procedure for FY 2019. In addition, extensive communication was noted during 2020 due to the impact of COVID-19 outbreak and measures needed to be undertaken to secure continuity of the implementation.

##### Entrustment of the measure Investments in Rural Public Infrastructure

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 13<sup>th</sup> November 2018.

However, National Managing and Operating structure with coordination of the Minister of MAFWE agreed that due to the limited number of HR capacity the Entrustment of the measure Investments in Rural Public Infrastructure to be continued when the optimal number of employees shall be secured in the structures (especially IPARD Agency). For the moment, the national authorities agreed the focus of the employees to be over implementation of already accredited measures, till securing optimal number of staff for implementation of new measure. This issue is regularly discussed on the IPARD coordinative meetings between IPARD structures internally and with DG AGRI in general.

##### Clearance of accounts procedures

Within the frame of clearance procedures, during 2020, with the letter Ares(2020)3743951 as of 15.07.2020 the clearance of the annual accounts for the FY 2019 was initiated by DG AGRI. With this communication pursuant to Article 41 of the Sectoral Agreement DG AGRI proposed financial reductions for exceeding the six-month deadline for payment to final beneficiaries in

amount of around 1.8 mil. EUR. Having in mind that exceptional management conditions were encountered for Measure 1 during 2019, national IPARD structure proposed, payments realized during 2019 related to group of paid projects which in the application includes purchase of tractor, affected from the inconsistency of IPARD Programme and List of eligible expenditures, to be considered as on time payments.

Bilateral meeting was held on 22 January 2021. The procedure is ongoing.

#### Communication regarding COVID - 19 outbreak

During 2020, intensive communication with DG AGRI was conducted regarding the impact of COVID-19 over implementation of IPARD Programme.

DG AGRI with letter (Ref. Ares(2020)2205529 - 23/04/2020) proposed short term actions which could be taken into account by national authorities to address the negative impact of the COVID-19 pandemic over the implementation of the programme. Based on this communication, exception from the applicable procedural arrangements of the IPARD Agency, mentioned above in this text, was approved.

#### Other communication with DG AGRI

Also, during 2020, following communication with DG AGRI was conducted:

- Guidance for sectoral analyses for IPARD III and indicative timetable for IPARD III programming (Ref. Ares(2020)1633099 - 18/03/2020),
- Communication concerning Early Detection and Exclusion System Database (Ref. Ares(2020)2172987 - 22/04/2020),
- Guidance on the responsibilities of IPARD recipients concerning information and communication towards the public (Ref. Ares(2020)2698488 - 25/05/2020);
- Guidance for ex-ante evaluation of IPARD III Programme (Ref. Ares(2020)5299790 - 07/10/2020).

Upon all this Guidance and communication necessary activities were undertaken by the IPARD Operating structure.

#### **a) Audit Authority Reports**

The IPA Audit Authority during 2020 issued the following Final Audit Reports:

- Final Audit Report for the system audit for 2019 in NAO/MS for implementation of IPARD II Programme - Policy area 4 - Agriculture and Rural development as of 12<sup>th</sup> of February 2020;
- Final Audit Report for the system audit for 2019 in MA for the programmes financed from IPA II - Policy area 4 - Agriculture and Rural development as of 11<sup>th</sup> of February 2020;
- Final Audit Report for the system audit for 2019 in AFSARD for implementation of IPARD II Programme- Policy area 4 - Agriculture and Rural development as of 10<sup>th</sup> of February 2020;
- Final Audit Report for the audit of operations 2 and audit of operations 3 for 2019 in AFSARD for implementation of IPARD II Programme - Policy area 4 - Agriculture and Rural development as of 24<sup>th</sup> of March 2020;
- Final Audit Report for the audit of accounts and annual financial statements for 2019 in NAO/MS and AFSARD for IPARD II Programme as of 25<sup>th</sup> of March 2020;

- Final Audit Report for the financial audit of the accuracy and completeness of the financial statements relating to debt for projects financed by IPARD II Programme as of 23<sup>th</sup> of March 2020;
- Final Audit Report for the audit of operations 1 for 2020 in AFSARD for implementation of IPARD II Programme - Policy area 4 - Agriculture and Rural development as of 11<sup>th</sup> of November 2020;
- Final Audit Report for the system audit for 2020 in NAO/MS for implementation of IPARD II Programme - Policy area 4 - Agriculture and Rural development as of 24<sup>th</sup> of December 2020;
- Final Audit Report for the system audit for 2020 in MA for the programmes financed from IPA II - Policy area 4 - Agriculture and Rural development as of 16<sup>th</sup> of December 2020;
- Final Audit Report for the system audit for 2020 in AFSARD for implementation of IPARD II Programme- Policy area 4 - Agriculture and Rural development as of 29<sup>th</sup> of December 2020.

During 2020, Annual Audit Report and Annual Audit Opinion from the Audit Authority for 2019 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 emphasis of matter regarding legality and regularity of expenditures and functioning of Management and control systems. With the opinion, the auditors expressed assurance that the expenditures for which the reimbursement has been requested from the Commission is legal and regular and the MCS put in place function properly.

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 2019 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 and final reports that were issued during 2020, 30 open findings were followed by NAO related to IPARD 2014-2020 from, presented in the table:

Institution	Major	Intermediate	Minor	Total	Implemented findings during 2020	% implemented findings
NAO/MS	/	2	2	4	1	25%
MA	/	2	2	4	2	50%
IPARD Agency	10	10	2	22	8	36%
Total:				30	11	37%

As regards to the Annual Audit Activity Report for 2019, 23 findings in total were open for whole IPARD Structure. Out of this 23 findings, 10 findings were closed till the end of 2020 or 43,5 %.

In addition, it 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.10-3699/1 dated 27<sup>th</sup> April 2020) and Revised Action Plan (Ref. No.10-sl dated 29.01.2021). With the Action Plan activities for overcoming the findings are envisaged. The NAO support office performs analysis and follows the dynamic of implementation of activities and informs NAO on a regular base regarding the status of implementation of the recommendations.

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 inter-institutional coordination. Regarding the retention and motivation policy, initiated by NIPAC (on the basis of Governmental conclusion), working group was established for preparing retention and motivation policy model for IPA staff.

According to the last status from the audit on operations, it can be concluded that 8 (eight) findings regarding IPARD Agency are closed related with: wrongly applied aid intensity rate; wrong calculation of eligible costs and funds for co-financing; less paid funds to aid recipients; higher amount paid for supply of equipment and finding related to suspicion for purchase of used equipment.

In addition, following findings remain open:

- 7 (seven) findings from audit on operations related to delay in payment to aid recipients; delay in submission of data by the Technical bodies; delay upon processing of applications; authorisation and payment of transport costs and finding related to wrong calculation of the general costs.
- 5 (five) findings from system audits remain open related to HR capacities in the Agency; IT - back up system and delay in submitting reports to MA and NAO.
- 2 (two) findings from financial audits remain open related to budget report and not recorded interest in the Debtors ledger.

Regarding MA, during 2020, 2 (two) findings were closed related to: not finalised ex-post evaluation for the IPARD Programme 2007-2013 and finding related to Annual Monitoring Report for 2018. In addition, 2 (two) findings remain open related to: securing optimal HR capacities (qualified as medium risk finding) and not respect of procedures for preparation of Monitoring Tables (qualified as low risk finding).

Regarding the NAO/MS, 1 (one) finding was closed related to delay in authorisation of request for funds. In addition, 3 (three) findings are still open related to not secured optimal number of HR resources according the WLA (this finding with the latest report is increased from low into medium risk finding due to huge turnover rate - confirmed with the last system audit in 2020); recruitment of a person seconded from the employment agency (qualified as medium risk finding) as well as finding related with inadequate legal status of persons performing task and inconsistent systematization with the needs of the sector (qualified as low risk finding).

## **b) Internal Audit**

### **Management Structure**

According the Annual Audit Plan for 2020 of the Department for Internal Audit within the Ministry of Finance (No.23-4/1 dated as of 02.01.2020) one audit mission was planned and



realised within NAO/MS. The audit mission was performed during third quarter of 2020 related to the process of preparation of Annual Management Declaration and Irregularity Reporting Processes in the IPA Funds Management Department. According the Final Audit Report number 23-6044/3 as of 14<sup>th</sup> October 2020, one high risk finding was identified related to insufficient number of staff within the Management Structure needed for performing the tasks and one low risk finding related to the working procedures - procedures do not contain a detailed job description and responsibilities for the job position Deputy Head of IPA Funds Management Department. With the changes of the MoP of IPA Funds Management Department, version 2.0 December 2020 the finding related to the design of the procedures was overcome.

#### IPARD Agency

The Annual Audit Plan in IPARD Agency for 2020 (No.32-3593/1 dated as of 16.12.2019) is adopted. According the Annual Plan, 11 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 2020, following audits were conducted: Follow up audit on the implementation of recommendations, Audit over the process of project approval and contracting from measure 3 and Audit over the process of project approval and contracting from measure 1. Audit of process of authorization of payments from IPARD Programme 2014-2020 and Audit of process on the spot control before payment from IPARD Programme 2014-2020 were initiated as of November 2020 and is expected to be finished by the end of Q1 2021.

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 2021 (No.32-2872/2 dated as of 14<sup>th</sup> December 2020) is adopted. According the plan 10 audit missions are planned, out of which 5 audits over processes concerning IPARD and one general audit of process of recording working hours and salary preparation of AFSARD employees (horizontally applicable for IPARD as well). Also one audit upon request by the director is foreseen (which might be also on IPARD if needed). The other planned 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.

The Annual Audit Plan for 2020 of the Ministry of Agriculture, Forestry and Water Economy foresees audit mission over the work of the IPARD Programming Unit. The audit started in October 2020 and Draft Audit Report is issued in December 2020. One draft finding was issued concerning under staffing in the MA and one remark is expressed concerning modalities of formalising relations with the technical bodies. Till the preparation of this assessment the findings are still draft.

For 2021 the Annual Audit Plan of the Ministry of Agriculture, Forestry and Water Economy (No.20-777/1 dated as of 18.01.2021) foresees audit mission over the process of publicity of IPARD Programme.



### **c) External audit**

During 2020, audit pursuant to Article 50(1)(c) of the IPARD II Framework Agreement was conducted. The audit mission was conducted by an external audit company (contractor).

The main objective of the audit was to examine whether the IPARD Agency complies with the ISO 27002:2013 information security standard and limited review with focus on follow up of information security of the systems used by the National Fund and National Authorising Officer. The audit was conducted from 21-25 September 2020 and the preliminary findings were presented on the closing meeting. Official report from this mission is expected.

### **d) Verification visits carried out by the MS/NAOSO**

NAO support office within the Annual plan for verification visits for 2020, planned three verification visit.

The first verification visit was performed over implementation of measure Technical Assistance and a Final report was issued in April 2020. Main recommendations issued from this verification visit were related to improvement of the way of managing the database of economic operators (ROSTER) kept for small scale supplies, recommendations for improvement of the Internal Manual of procedures of MA in way of streamlining the compliance with PRAG Guideline, recommendation for prevention of conflict of interest regarding persons involved in the preparation of technical documentation/ToR not to be involved further on in the evaluation process. Three of these findings were with medium priority and one finding with low priority.

Second verification visit was related to the process of Administrative check of the projects before contracting under Measure 3 from Public Call 01/2018. Verification process has started in October 2020 and a Final report was issued in January 2021. With this verification visit were checked projects in amount of 1.055.235,83 EUR which amount represents around 12 % of the contracted amount of this measure under this call. Within this visit one finding with financial impact was detected for which appropriate recommendation was issued. The activities for overcoming this finding are ongoing.

Third verification visit for checking compliance of the implementation of approved exception related to use of alternative means for on the spot verifications before contracting (from public call 01/2020 for M1) started in December 2020. Expected period for finishing this activity and concluding the report of this visit is Q1 of 2021.

Annual Plan for Verification Visits for 2021 is adopted on 29<sup>th</sup> January 2021 foreseeing three visits (continuation of the visit from the 2020 plan and two visits related to the processes of project approval and payments within the IPARD Agency).

## **Administrative capacities of the institutions within IPARD structure**

### **Management Structure**

The number of employees in the Management Structure at 31<sup>st</sup> of December 2019 was 17 (seventeen), including NAO.

During January 2020, two positions, Head of NF Unit and Head of NAOSO Unit, are filled in by internal promotions from the employees within these Units. Also, one person accountant in NF from 21 January 2020 has been promoted through an internal announcement as the Head of Unit

at CFCD and one person accountant from NF in June 2020 was internally transferred to another sector within the Ministry of Finance. As of 15<sup>th</sup> July through internal transfer one employee from PIFC Department within MoF is transferred to Management Structure. Additionally, in October 2020 the Assistant Head of MS was internally transferred on the position Assistant Head of CFCD.

Accordingly, at 31<sup>st</sup> of December 2020 the number of employees in MS is 15 employees including NAO.

According to the situation at the end of 2020, the occupancy rate of the working posts in the IPA Funds Management Department is 79% and huge turnover rate of nearly 18% is noted during 2020, meaning that the Management Structure was decreased by 3 employees during 2020.

The Workload Analysis for the period 2021-2023 was prepared and the results of the calculations showed that the optimal number of employees in MS for 2021 is 19 (nineteen).

#### IPARD Agency

According to the Workload Analysis (WLA) for 2020, the optimal number of employees needed in IPARD Agency for implementation of the accredited measures, including the measure Investments in Rural Public Infrastructure (IRPI) was 158 employees. At the beginning of 2020, IPARD Agency numbered 117 employees designated to work in IPARD structure (Department for Analysis is included in the IPARD structure with WLA 2020 - however this Department does not affect the status of the needed or current employees).

During 2020, IPARD structure within IPARD Agency was increased for 12 employees (six new administrative civil servants from employment procedure that started in November 2019 and finished in January 2020, five temporary employments as well as one employee transferred to work from non IPARD to IPARD related issues) and in the same time during 2020 the number of employees in the Agency was decreased for 6 employees (three temporary employees and three permanently engaged employees).

The occupancy rate of the working posts in the IPARD Agency is 78%, having in mind that the WLA for 2020 shown need for optimal number of 158 employees accordingly, the number of employees within IPARD structure of the Agency at 31<sup>st</sup> December 2020 numbered 123 employees.

According to the WLA analysis of the IPARD Agency for 2021 the optimal number of employees in the Agency is 151.

#### Managing Authority

According to the Workload Analysis (WLA) for 2020, Managing Authority has set optimal level of staff on 19 employees for 2020. At the beginning of 2020, MA numbered 15 employees.

On 31<sup>st</sup> December 2019, one employee from TA Unit was promoted on higher position in Department in MAFWE outside MA, outflow which is registered for 2020.

Also, during 2020, one person was employed in MA with temporary contract. According this changes the number of employees in MA at the end of 2020 is 15 (Including HoMA).

The Workload Analysis for the period 2021-2023 was prepared and the results of the calculations showed that the optimal number of employees in MA for 2021 is 17 (seventeen).

### IPARD Structure capacities

In the table below are presented the data regarding the human capacities in the IPARD Management and Operating structure for the year 2020:

Institution	Number of staff on 01.01.2020	Number of staff needed as per WLA 2020	Number of staff needed as per WLA 2021	New employees by 31.12.2020	Left the position by 31.12.2020	Number of staff 31.12.2020	Occupancy rate 31.12.2020	Turnover rate 31.12.2020
NAO/NF	17	19	19	1	3	15	79%	17,65%
IPARD Agency	117*	158	151	12	6	123	78%	5,13%
Managing Authority	15	19	17	1	1	15	79%	6.6%
Total	148	196	187	14	10	153	79%	9,79%

\* Department for Analysis is included in the IPARD structure with WLA 2020 - 3 employees  
- Management Structure - public calls for employment of 7 staff members were published in December 2020.

In addition, Government of Republic of North Macedonia adopted conclusion where line ministries part of the operating structure are obliged urgently to revise their recruitment plans according the needs within IPA structure and to fulfill empty working posts within the IPA structures.

### **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 15<sup>th</sup> January and 13<sup>th</sup> July 2020. 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 MS by IPARD Agency. MS view is that cooperation among the relevant sectors in the Agency for this exercise is still not on at satisfactory level and regularly point out by email and on meetings for providing realistic 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 MS/NAO in the past years on a regular base. Being aware of the situation, MS performs additional analyses taking into consideration the experience and disbursement pace from previous years, obtained information from Agency on contracts status, problems encountered availability of funds in the national budget, etc. Once, having all of this information processed, MS prepared Forecast of its Likely Payment Request.

In the tables below are presented the executed payments – IPA contribution in Euros in 2020 and for the period 2014-2020, as well:

Measure	Executed payments in 2020 – IPA contribution in Euros
Measure 1	1,646,659.43
Measure 3	2,084,697.11
Measure 7	11,807.30
Measure 9	602,854.22
<b>Total</b>	<b>4,346,018.06</b>

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	14.367.636,80	4.785.900,98	19.084.621,17	24%

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 served as Payment requests for the expenditure incurred and revenues generated in the course of 2020. The payment requests were regularly sent through SFC 2014 by National Fund. There was no de-commitment of funds at the end of 2020.

IPARD II Calculation of De-commitment Risk According N+3 / N+4 Rule		
Reference		Community Contribution in €
1	Allocations 2014-2017	21,000,000.00
2	Received Pre-financing	11,700,000.00
3	Disbursed by 31.12.2020	14,359,486.58
4	<b>No De-commitment at the end of 2020 i.e amount of secured 2018 allocation (4 = 3+2-1)</b>	<b>5,059,486.58</b>

The analyses refers to the EU contribution express in Euro

Available budget within the IPARD Programme 2014 – 2020 is 79.766.274,51 EUR (EU+NCF) out from which by the end of 2020 is contracted nearly 62%.

### 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 2020, the IPARD Agency within 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 2020, 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 2020 IPARD Agency signed contracts for 1.658 applications in the supported amount of 38.419.104,00 €.

For the public calls 01/2017, 01/2018, 02/2018, 01/2019, 02/2019 and 01/2020, IPARD Agency approved and signed cumulative 1.293 claims for payment. For measure 1, approved and signed 1.217 claims for payment in the amount of 7.418.942,00 €. For measure 3, approved and signed 55 claims for payment in the amount of 6.264.792,00 €, for measure 7, approved and signed 13 claims for payment in the amount of 662.775,00 € and for measure 9, approved and signed 8 claims for payment in the amount of 21.126,00 €.

On 29.02.2020 the IPARD Agency had publish public call 01/2020 for IPARD II Programme for measure 1 "Investments in physical assets of agricultural holdings.

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 2020, the IPARD Agency from all publish calls received 3.894 claims for payment which were processed or are still processing in the current year. IPARD Agency approved cumulative 1.658 claims for payment and paid claims for payment 1293 in total amount is 14.367.635 €.

Data in given in the table for received, approved and paid claims for measure 1, measure 3, measure 7 and measure 9, cumulative from 2018 year to 2020 year.

	Measure 1	Measure 3	Measure 7	Measure 9	total
Received claims for payment in 2018	1.404	57	187	3	1.651
Received claims for payment in 2019	2.503	122	187	8	2.820
Received claims for payment in 2020	3.251	183	448	12	3.894
Approved and signed claims for payment in 2018	902	30	20	3	955
Approved and signed claims for payment in 2019	1.156	67	23	8	1.254
Approved and signed claims for payment in 2020	1.485	101	60	12	1.658
Total approved amount for payment in 2018	116	8	0	3	127
Total approved amount for payment in 2019	801	28	7	7	843
Total approved amount for payment in 2020	1.217	55	13	8	1.293
Paid claims for payment in 2018	452.878	546.071	0	3.836	1.002.786
Paid claims for payment in 2019	5.772.283	4.180.095	59.921	9.319	10.021.618
Paid claims for payment in 2020	7.418.942	6.264.792	662.775	21.126	14.367.635

During 2020, 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 calls	Measure 1	Measure 3	Measure 7
01/2017, 01/2018, 02/2018, 01/2019, 02/2019, 01/2020	466	26	3

- 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 calls	Measure 1	Measure 3	Measure 7
01/2017, 01/2018, 02/2018 01/2019, 02/2019 01/2020	25	5	89

Eligibility:

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

Public calls	Measure 1	Measure 3	Measure 7
01/2017, 01/2018, 02/2018 01/2019, 02/2019 01/2020			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 calls	Measure 1	Measure 3	Measure 7
01/2017, 01/2018, 02/2018 01/2019, 02/2019 01/2020	2	2	4

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

Public calls	Measure 1	Measure 3	Measure 7
01/2017,01/2018,02/2018 01/2019,02/2019 01/2020	194	5	163

- 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 calls	Measure 1	Measure 3	Measure 7
01/2017,01/2018,02/2018 01/2019,02/2019 01/2020	1	1	2

Reasons for rejection of received applications are not fulfillment of the criteria of the IPARD Programme.

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 2020, Sector for authorization of payments rejected/canceled 10 claims for payment. The reasons for rejection of claims/cancellation 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:

- 530 on-the-spot controls prior approval of which:
  - 373 on-the-spot controls at investments under Measure 1
  - 53 on-the-spot controls at investments under Measure 3
  - 104 on-the-spot controls at investments under Measure 7
- 564 on-the-spot controls prior payment, of which:
  - 536 on-the-spot controls at investments under Measure 1
  - 23 on-the-spot controls at investments under Measure 3
  - 4 on-the-spot controls at investments under Measure 7
- 341 ex-post on the-spot controls, of which:
  - 336 on-the-spot controls at investments under Measure 1
  - 4 on-the-spot controls at investments under Measure 3
  - 1 on-the-spot controls at investments under Measure 7

In order to reduce the risk of COVID – 19, the Agency made changes regarding the procedures for performing OTSC prior approval for applications involving only purchase of agricultural equipment and mechanization. For those investments, OTSC prior approval was replaced by administrative verification of the declared data using the available data bases and registries (Farm registry, LPIS, VIS, direct payments data base etc.). This procedure was approved by NAO



on 30.06.2020 as it is only applicable for a certain type of investments and only for applications received in call for applications 01/2020.

At the moment, we are still encountering with issues connected to COVID-19 (infected employees, preventive self-isolation etc.), but for now it's a small number of projects.

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 MAFWE 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, 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 2020, the IPARD Programme 2014-2020 was modified and the Agency accordingly made certain changes in the internal procedures and the control lists according to the proposed modifications. One of the most significant changes 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.



### **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.

While processing the claims for payment in 2020 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 6 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 6 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 7 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 now 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.

In agreement with the representatives from DG AGRI and caused by the pandemic, during 2020 one meeting of the Monitoring Committee was held in November. The meeting was organized using Technical Assistance support and held on-line.

Main Decisions taken by the Monitoring Committee during 2020:

- The IPARD Monitoring Committee reviewed and adopted the third version of the Action Plan for activities envisaged in the technical assistance measure for 2020 (APTA 2020).
- The IPARD Monitoring Committee reviewed and adopted the Action Plan for activities envisaged in the technical assistance measure for 2021 (APTA 2021).

- The IPARD Monitoring Committee reviewed and adopted the Annual Action Plan for Communication and Publicity for 2021 for the IPARD Programme 2014-2020.

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

The activity, ex-post evaluation of IPARD Programme 2007-2013 has been realized. Final report is approved and paid to the contractor. The activity of engaging an independent evaluator to conduct ad hoc evaluation of the implementation of IPARD Programme 2014–2020 is postponed for 2021.

In a line with the preparation of IPARD Programme 2021-2027 the activity for procurement of services for ex-ante evaluation of the IPARD Programme 2021-2027 has started. Tender dossier is prepared and application has been submitted to the IPARD Agency on 30th of October 2020.

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.

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 the Agency 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.

At the 7<sup>th</sup> 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.

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

The pandemic has influenced the work and activities in the Unit for Technical Assistance at most, especially regarding implementation of publicity campaign and organization of events, but also in respecting provisions and deadlines provided in PRAG.

In APTA 2020 organization six meetings of the Monitoring Committee was envisaged. Managing Authority published a call and one offer has been submitted. Due to the Corona outbreak, the members of the evaluation committee were not able to meet and the Government introduced restrictions on gathering and event organization, which influenced the number of meetings of the Committee. The procedure for procurement was terminated and the activity was postponed for 2021 for organization of appropriate number of meetings.

In addition, in this reporting period, the Technical assistance unit prepared Tender Dossier for procurement of Data Base for control of related companies, for the needs of the IPARD Agency.

The Tender Dossier was sent to unit for Public Procurements in the Agency for control and approval.

One small procurement for office supplies was also realised during the second quarter of 2020.

Unit for Technical Assistance in this reporting period was committed to identify the needs of the Managing Authority and IPARD Agency, to include them in the new, modified APTA 2020. Modification of APTA 2020 was one of the priorities to UTA, having in mind that the Covid-19 situation caused many problems in realisation of APTA 2020. For that purpose, meetings were held with other units in Managing Authority and with Project approval department in the Agency, to modify planed procurements, which are intended for them. The modified APTA 2020 was prepared and sent to the Monitoring Committee for adoption, by written procedure on 25.09.2020.

At the end of 2020, the Unit for Technical Assistance organised the 7<sup>th</sup> meeting of the IPARD Monitoring Committee. Due to Covid-19 situation, the Monitoring Committee meeting was held online.

Moreover, in 2020, Unit for Technical Assistance, submitted claim for payment to the Agency for three successfully realized projects: IPARD publicity campaign, organization of Monitoring Committee meetings in 2019 and procurement of office supplies.

In addition, applications for organization of 4 next Monitoring Committees meetings, Data base (for Agency's needs) and translation of the IPARD Programme were submitted to the Agency.

#### **Envisaged activities within APTA 2021:**

In November 2020, on the 7<sup>th</sup> meeting of the IPARD II Monitoring Committee, APTA for 2021 was adopted. The following activities are subject of procurement:

- Training for the members of the Monitoring Committee - organizational set-up and role of the overall IPARD structure, role of the members of MC, the importance of the contribution of the members of MC in the process of implementation of IPARD, in indicative amount of 8.500 €.
- IPARD Programme 2014-2020 Publicity Campaign, in indicative amount of 127.500 €.
- Participation of national representatives on visits and seminars, in indicative amount of 55.250 €.
- Training to prepare potential LAGs for implementation, in indicative amount of 1.275 €.
- Stationary, office materials and cartridges, in indicative amount of 1.275 €.
- Realization of evaluation activities as foreseen in the Evaluation plan for 2018, 2019 and 2020, (expert services), in indicative amount of 17.548 €.
- Organization of the meetings of steering groups for evaluation, in indicative amount of 2.040 €.
- Meeting with sub-sectoral groups according to the sectors covered in IPARD Programme, in indicative amount of 1.275 €.
- Improvement and upgrade of the IPARD monitoring system in anticipation of the new programming period, in indicative amount of 8.925 €.

#### **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 continued the coordination meetings with representatives of the rural development network and MAFWE colleagues from the rural development Department. 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.

In the scope of the communication and publicity campaign, several events (workshops, forums, meetings) were the held in order to improve cooperation inbetween IPARD structures and between IPARD structures and other stakeholders (Technical Bodies, Nongovernmental organizations, Consultants). Direct communication with the stakeholders at these events contributed to significant improvements in the implementation of the Programme (overcoming open issues with the necessary documents in the application approval process, harmonization of documents between the Sectors in the Agency - not to burden applicants to submit the same documents at project approval and payment authorization stage in the Agency, information on changes in the list of eligible expenditure), as well as increased cooperation and trust of external stakeholders in the IPARD structure in anticipation of the new programming period.

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**

Implemented activities with the IPARD Publicity Campaign 2014-2020 are foreseen in the IPARD 2014-2020 Publicity and Communication annual action plan for 2020, and implemented in accordance with the Annual Plan (Appendix 1). Planned activities separately refer to:

- Organization of IPARD info educational days by promoting good projects;
- IPARD Forum for more successful implementation of IPARD 2014-2020;
- IPARD workshops for preparation of IPARD Application forms;
- Appearances/interviews in electronic media and newspapers;
- The publication of the list of final beneficiaries of funds from the IPARD Programme;
- Development and distribution of the Application forms and Guidelines dedicated to IPARD 2014-2020;
- Preparation and distribution of brochures dedicated to the publicity of IPARD 2014-2020;
- Preparation of posters dedicated to the publicity of IPARD 2014-2020;
- Creation and publishing audio and video clips;
- Updating the website: [www.ipard.gov.mk](http://www.ipard.gov.mk)

Institutions responsible for implementation of the above activities in accordance with their competences and functions are the Managing Authority and the IPARD Agency.

#### **REALIZED ACTIVITIES**

##### **Organization of IPARD info days**

In the period from January to November 2020, the Publicity Campaign continued to be implemented, which started with the signing of an Contract with the company 3D Project Studio-Skopje. The activities of the contract were realized in a period of 18 months. Due to the fact that the pandemic with COVID-19 postponed the realization of the events (all activities related to the physical presence of presenters and other members), the contract was extended until November 21, 2020, ie the realization of activities from 18 months was extended to a total of 24 months.

In the first three months of 2020, the campaign held 46 info days in municipalities/rural areas where potential beneficiaries of the IPARD Programme 2014-2020 were informed about the implementation and use of the IPARD 2014-2020. Info days were dedicated to public calls 02/2019 and 01/2020.

##### **Organization of the IPARD Forums**

### **Forum in Berovo, October 2020**

In October, Managing Authority held a forum for improvement of the implementation of the IPARD Programme. The presentations and discussions referred to Measure 1, Measure 3 and Measure 7 and the ways of submitting applications for financial support and payment requests were explained in details, and in particular all the necessary documents when submitting the applications.

Through the open discussions, several open issues were overcame and conclusions were reached for further action (see part 4.1).

### **Forum in Valandovo, November 2020**

In order to inform or exchange experiences with the NEA on the conditions offered by the IPARD Publicity Campaign and to achieve a more comprehensive analysis on its' implementation a forum was held in Valandovo in November. Participants were from NEA, Managing Authority and IPARD Agency. The plan for publicity in the period of completion of IPARD 2014-2020 and beginning of the next programming period of IPARD in terms of distribution of materials was presented. Among other things, the development of electronic software for applying for IPARD funds was discussed. The participants received information that this type of software solution is being prepared for application under the IPARD measures. The difference that exists in the interpretation of the English and Macedonian version of the IPARD Programme was emphasized, which is due to the lack of professional translation.

### **IPARD workshops**

Within the IPARD Campaign, three workshops were held. At the workshop in Bitola, problems faced by the NEA in the process of completing the application forms under the IPARD Programme were discussed between MA, IPARD Agency, NEA and NAO representatives.

The next workshop was organized in Stip in September and discussion was focused on problems faced by the advisory service and private consultants in terms of information, application under IPARD measures and of course the success of applications by consultants.

The last event was held in November in Kumanovo where the results of the successfully conducted Campaign and informing the general public about the way of organizing, achievements and of course announcing the next steps for new campaign for Publicity of the IPARD Programme were presented.

### **Delivery of direct information**

The delivery of information, by phone and e-mail, to potential users is covered continuously, in the calling centre of the Agency. In the last six months, over 290 calls were recorded and over 90 visits were made to potential users in the premises of the Agency and the Managing Authority. Data on promotional activities of the Agency are included in the monthly reports of the Managing Authority. The questions and answers asked by the interested parties, by e-mail and at the events organized by MA with the IPARD funds, are published on the MA and IPARD Agency websites.

### **Appearances in national and local media**

Appearances, announcements and information about the Programme are continuously published in the media despite the COVID-19 pandemic.

#### **Publishing a list of final beneficiaries of the IPARD 2014-2020 Programme**

The list of end users is quarterly and is published on the website of the Agency.

#### **Preparation and distribution of application forms, guidelines, brochures and posters dedicated to IPARD 2014-2020 Programme**

The printed materials for the measures, were in full circulation and were used/distributed to the users on the info days, workshops, forums to all interested parties to apply for the measures under IPARD, as well as to the NEA and the IPARD Agency. The materials were also publicized in addition to each public call announced before and during 2020 and can be seen on the IPARD Managing Authority website.

#### **Creation and publishing audio and video clips**

Within the Campaign, three videos were realized which referred to all three implemented measures, namely 1, 3 and 7. The videos were posted on the IPARD Managing Authority website and were submitted to other institutions for their display and advertising.

#### **Update of the website [www.ipard.gov.mk](http://www.ipard.gov.mk)**

Updating the website [www.ipard.gov.mk](http://www.ipard.gov.mk) was realized continuously during 2020. In the period of realization, a new design of the website has been made. In the period since the end of the contract of initial web-page design, it has been noticed that it is not only necessary to update the content but also to continuously improve and maintain the website. Under the measure Technical Assistance the procurement for improvement and continuous maintenance of the site (small procurement up to 2.500 euros) was realized.

During 2020, the site shows good traffic statistics, shown in Annex 2, and is as follows:

- Users of the website 18.362,
- New users 17.663,
- Total page views 91.934.



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

**Table 32: Financial implementation of the IPARD Programme 2014-2020**

	Sector	Contracted		Paid	
		Total public expenditure	EU contribution	Total public expenditure	EU contribution
M1	Livestock sector	3.571.836	2.654.132	110.258	82.695
	Crop sector	15.443.069	11.519.032	9.744.497	7.317.108
	On-farm processing	37.737	28.303	17.048	12.786
	Renewable energy	8.470	6.353	8.480	6.353
M3	Milk and dairy products	2.045.408	1.534.081	733.615	550.212
	Meat and meat products	4.092.978	3.069.734	3.089.558	2.317.169
	Fruits and vegetables processing	13.704.880	10.380.371	3.055.386	2.288.174
	Cereal, milling and starch products	426.709	320.032	143.680	107.760
	Vegetable and animal oils and fats	32.821	24.616	12.826	9.620
	Grape must, wine and vinegar	3.797.972	2.905.513	1.322.476	991.857
	Production of energy	/	/	/	/
M7	Alternative agriculture production	403.821	302.866	9.704	7.276
	Manufacture of food products and beverages	384.717	283.401	25.734	19.301
	Manufacturing of non-food products	3.619.456	2.714.592	632.341	474.256
	Development of crafts activities	/	/	/	/
	Provision of services to agriculture	29.540	22.155	18.964	14.225
	Promotion of services for population	649.544	487.158	/	/
	Promotion of Rural Tourism	2419847	1.143.413	196.956	147.717
	Production and sale of renewable energy	/	/	/	/
M9	Monitoring Committee	166.892	142.706	18.406	15.644
	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		50.841.983	38.154.454	19.146.367	14.367.635

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 3.215 applications submitted in measure 1, 3.154 are in crop sector, 81 are in livestock sector, 11 in on-farm processing and 5 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 183 applications submitted, 86 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 33: Annual payments to recipients (2020)**

Measure	EU part	National	Private	Total expenditure
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Measure 1	2.099.534	689.731	1.704.350	4.493.615
Measure 3	2.630.769	881.238	3.580.288	7.092.295
Measure 7	602.854	200.953	483.766	1.287.573
Measure 9	15.644	2.744	0	0
Total	5.348.800	1.774.666	5.774.870	12.873.483

**Table 34: Cumulative payments to recipients**

Measure	EU part	National	Private	Total expenditure
Measure 1	7.418.942	2.461.331	5.848.054	15.728.327
Measure 3	6.264.792	2.092.749	9.265.142	17.622.683
Measure 7	662.775	220.924	530.543	1.414.242
Measure 9	21.126	3.728	0	0
Total	14.367.635	4.778.732	15.643.739	34.765.252

**Table 35: 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) <sup>13</sup> (B)	Financial performance (A/B)
Measure 1	7.418.942	2.461.331	9.880.273	9.080.000	81,7 %
Measure 3	6.264.792	2.092.749	8.357.541	8.330.000	75,2 %
Measure 7	662.775	220.924	883.699	3.410.000	19,4 %
Measure 9	21.126	3.728	24.854	180.000	11,7 %
Total	14.367.635	4.778.732	19.146.367	21.000.000	68,4 %

<sup>13</sup> Allocations from 2014, 2015, 2016 and 2017 taken into consideration

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

### **a. 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 MS 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 MS.

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

### **b. 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/MS) 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.

**c. 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.

**d. 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 2020

**Large number of applications and interest for investments under the IPARD Programme 2014-2020.** Number of applications submitted on 6 public calls reached 3.882 (applying for 187.568.522 EU contribution). The requested amount for support for all received applications up to now overpassed the programming period 2014-2020 available budget for approximately 2,5 times. 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 15 months (public call 01/2017) due to:

- Understaffing in the Agency (especially Department for authorization of payments),
- 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.

**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 12 (twelve) procurements were realized with an overall amount of 0,15 million € EU contribution, 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.

**ANNEX 1:**

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

Status: 31.12.2020