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Ex-ante Evaluation of the IPARD Programme 2021 – 2027, Republic of North Macedonia

IPARDMA/03/2020

FINAL REPORT

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Submitted by
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Abbreviations and Acronyms

AWU	Annual Work Unit
CMES	Common Monitoring and Evaluation System
DG AGRI	Directorate General for Agriculture and Rural Development
DG ENLARGE	Directorate General for Enlargement
EC	European Commission
EIA	Environmental Impact Assessment
EU	European Union
EUD	Delegation of the European Union
F&V	Fruits and Vegetables
FTE	Full-Time Equivalent
FVA	Food and Veterinarian Agency
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GHG	Greenhouse Gas
GVA	Gross Value Added
HACCP	Hazard Analysis Critical Control Point
IA	IPARD Agency (paying agency)
IFI	International financial institutions
IPA	Instrument for Pre-accession Assistance
IPARD	IPA Component for Rural Development
IRR	Internal Rate of Return
LAG	Local Action Group
LEADER	Links between Actions for the Development of the Rural Economy
LU	Livestock Unit
MA	Managing Authority
MAP	Medicinal and Aromatic Plants
MAFWE	Ministry for Agriculture, Forestry and Water Economy
MIS	Management Information System
MoEPP	Ministry of the Environment and Physical Planning
MoF	Ministry of Finance
MoP	Manual of Procedures
MoTC	Ministry of Transport and Communications
MS	Member State
NEA	National Extension Agency
NMS	National Minimum Standards
NPV	Net Present Value
NRDN	National Rural Development Network
NRN	National Rural Network
OA	Operational Agreement
OS	Operating Structure
OTSC	On-the-spot Controls
PA	Paying Agency
RDR	Rural Development Regulation
Rol	Return on Investment
TA	Technical Assistance
TB	Technical Body
TFP	Total Factor Productivity
TNA	Training needs assessment
UAA	Utilised Agricultural Area
WB	World Bank
WLA	Workload Analysis

1. EXECUTIVE SUMMARY

An *ex-ante* evaluation of the IPA Rural Development Programme 2021-2027 of the Republic of North Macedonia (abbreviation: IPARD III), coordinated by Ecorys Croatia, was carried out by a team of evaluators in the period August – October 2021. The work comprised (i) review of relevant documents/studies, (ii) assessment of the programme-related SWOT analysis, (iii) assessment of expected impacts, (iv) assessment of proposed implementation procedures, including monitoring, evaluation, and financial management, and (v) preparation of the *ex-ante* evaluation report. The *ex-ante* evaluation furnishes the responsible authority (Ministry for Agriculture, Forestry and Water Economy of the Republic of North Macedonia) with comments and recommendations aiming at improving the IPARD III programme's relevance, coherence, quality, efficiency, effectiveness, EU added value, consistency, and synergy with relevant policies

Approach & methodology

The evaluation approach and methodology largely follow the instructions provided in the EC's Guidelines for *ex-ante* evaluations of rural development programmes under the Instrument for Pre-Accession Assistance Rural Development (IPARD III) from October 2020. A combination of qualitative and quantitative evaluation methods was employed. The basis for the evaluation was the Draft IPARD III Programme for 2021-2027, dated September 2021. The consultant also studied numerous other documents and statistical information. Additionally, a series of interviews with relevant stakeholders and representatives from MAFWE and IPARD Agency has been undertaken. The relevance of the *ex-ante* evaluation is achieved through a comparative assessment of (i) the situational analysis in the North Macedonian agricultural and food sectors presented in the draft programme chapters 2 to 4; and (ii) the strategy, the selected measures and their design as presented in chapters 6 to 8. Efficiency is achieved through an estimation of the expected results and impacts generated by the programme interventions compared with the resources spent. Effectiveness is achieved by assessing the implementing structure in terms of the effectiveness of applied systems. The *ex-ante* evaluation also provided recommendations to the beneficiary regarding possible improvements to the programme text reflecting initiatives to increase relevance, efficiency, and effectiveness.

Key findings

General

Overall, the document is of a good quality and largely conforms with the EC requirements. The document style, layout and English is good. The Table of contents, figures and tables should be properly numbered, and the missing parts (notably numbers) in some sections completed. The description of measures is generally good, but improvements of text and explanations can still lead to even better measure descriptions. The implementing structures are well described and are in place to facilitate an effective implementation of the programme. However, steps should be taken to increase effectiveness in the IPARD agency. Recruitment of staff to vacant jobs in the Agency is still not accomplished to support the implementation, but the recruitment processes are started, and training will be ensured with the help of funding from the technical assistance measure.

The appraisal of the current situation

General characteristics of the IPARD III Programme are well described. Chapter 2 (country profile) and chapter 3 (description of the current situation) are well written chapters and provide an appropriate balance of overall and detailed information about the state of play in the various areas related to agricultural, environmental, and rural development in the country. The data used are to a large extent solid. Most inconsistencies in the economic data for core indicators presented in the earlier drafts of the programme have been fixed and improved in the final version of the programme. The frequent use of references to EU data and to regional data is appreciated.

Chapter 3 featured inconsistent data on core economic indicators such as employment, AWU and GVA for agriculture; for the food industry, organic farming, AKIS, advisory services, access to credit and rural economy. However, most of these are fixed and improved in the final version of the programme

SWOT, strategy and needs

The four summary SWOT tables follow the structure of the analysis of the current situation in chapter 3. The tables are appropriate regarding detailed information, and present SWOT elements that are described in chapter 3, which is appreciated. However, some SWOT elements are not categorized correct. Furthermore, some factors are referred to as opportunities, although they are not opportunities in a SWOT context, but are actions to take. Chapter 6.2 describes the identified 17 needs and the summary of the overall strategy for IPARD III. The needs are in compliance with the SWOT in chapter 4 and the analysis of the current situation in chapter 3. The needs will be addressed with the help of 8 selected IPARD III measures, and the draft programme presents in a fine table, how each measure will address specific needs under four overall objectives. Chapter 6.6 presents the summary table of the intervention logic describing the quantified targets of the selected measures as well as the targets at programme level, although the table does not yet include quantified targets for all measures.

It is recommended to edit the SWOT and take the basic SWOT principles described in this report into consideration when the SWOT is edited. It is also recommended to elaborate a short text summarizing the SWOT tables. The text can be used in chapter 6, where the needs are identified.

Programme objectives

The overall objectives of the IPARD III programme are in line with the objectives of the national strategy for agriculture and rural development 2021 - 2027 and with the CAP. The consistency between IPARD programme and the IPA framework and Strategic response is described in chapter 6.4. In chapter 6.5 reference is made to the Green Deal and to the Green Agenda for the Western Balkans. The text is appropriate. Furthermore, many of the planned national interventions will also provide complementary contributions addressing important needs in the sector.

Measures

The description of the selected measures in chapter 8 is good and only few comments are made to each of the measure descriptions, including comments to lack of quantification of targets. The chosen measures to be implemented from the start of the programme period in 2022 will contribute to addressing the needs, but due to the scale of available support under the programme as a whole and for some of the measures specifically, the needs will only be met for few beneficiaries and not for the sector in general. Following high priority recommendations are identified for Chapter 8:

Measures 1 and 3: (i) insert a maximum level of eligible investment per project and not only per beneficiary, and (ii) to reassess the quantified targets for the measure and correct the financial frame in the indicator table.

Measure 6: (i) check with EC about the eligibility of the expenditures listed in this evaluation report as questionable, and (ii) provide baseline and target values by 2027 for all four indicators.

Measure 9: add baseline and target values by 2027 for all nine indicators.

Measure 10: (i) clarify complementarity and demarcation with other IPARD measures, notably regarding the three non-planned measures, and (ii) provide target values for each of the six indicators.

Medium and low priority recommendations for Chapter 8 are provided in Chapter 4 of this evaluation report.

Balance of the programme

According to the preliminary financial plan, the main measures in the programme are measure 1 and 3 with 32% and 38% of the total budget respectively, including private co-financing. It is 70% in total. Measure 7 on farm diversification and business development is third on the ranking list with 17.6%, while measure 6 on Rural infrastructure is fourth with 9.2%. Measure 4 on environment, measure 5 on LEADER and measure 10 on advisory services sweep the bottom with 0.8% to 1.2%. The programme is not in balance compared to the identified needs. The prioritization of the needs and the break-down of the financial plan in chapter 7 on measures is not clear. It should be made transparent and as objective as possible, leading to an understandable distribution of funds. The balance of the programme would have been improved with reallocations of funds in particularly to measure 4 environment and climate change and measure 10 advisory services. However, if conferral by EC for these measures is reached and implementation starts as foreseen, these financial allocations can be introduced with programme modification.

In Chapter 6.2 it is recommended to use a prioritization model and make transparent the prioritization of the needs and the distribution of funds on the individual measures. In Chapter 6.6. it is recommended to fill in the missing targets, where it is relevant and to state where targets will be quantified at a later stage for measures implemented later in the programme period.

Expected output, results, and impacts

The expected economic, environmental, and social impacts of IPARD III are summarized. The four revenue generating measures will contribute to additional 13.4 million EUR in GVA in the rural areas and will generate 841 new jobs and ensure that 619 jobs are maintained. The labour productivity will increase for supported beneficiaries in agriculture from 8,127 EUR/AWU to 8,777 EUR/AWU and from 9,010 EUR/AWU to 9,731 EUR/AWU in the food processing industry. Around 1,000 beneficiaries under measure 1 and 100 under measure 3 will be supported under the 2 main measures. Furthermore, 100 beneficiaries will be supported under measure 7 and 250 small projects together with 10 LAGs under measure 5. The numbers of beneficiaries and supported projects/hectares/interventions under other measures are not provided.

Increase of agriculture production and food processing, more intensified agricultural production and diversification and development of economic activities in rural areas may lead to additional pressures and negative impacts on nature and environment. However, enforcement and compliance with National Minimum Standards and EU standards will have important positive impact on the environment and nature.

Social impacts will include increased welfare and economic opportunities in rural areas for those able to take advantage of the possibilities provided by the IPARD III programme. However, there will be growing disparities between the regions, which will take advantage of the possibilities provided by the IPARD III programme and those, who will not. Thus, other support schemes, such as the national and donor-funded schemes targeting this large group of family holdings with investment support and advice on how to improve their working and living conditions, will be urgently needed for their further growth and development.

Implementing structures

Increased effectiveness is anticipated in MA and IA due to recruitment of additional staff in compliance with the WLA. Also, dynamic effects due to increased experiences, learning by doing and planned training will contribute to higher effectiveness. The turnover rate of staff in MA and IA will be reduced with the help of improved retention policies and better working environments. Better and complete applications due to better learning of applicants and better advice from NEA will lead to faster processes both regarding processing of applications and payment claims. In Chapter 10 it is recommended to prepare a text and/or a table describing the objective and measurable demarcation lines between IPARD III and national instruments.

Monitoring and Evaluations

M&E will be improved due to better digitalization of data systems, and to better competences in MA and IA regarding M&E. The risk for deadweight of supported investments must be avoided with the help of appropriate tools reducing the risk for deadweight. A coherent monitoring and evaluation system in MAFWE covering all instruments targeting agriculture and rural development is needed. A well- functioning M&E system will contribute to increased effectiveness and efficiency of policies, better results and impacts to the benefit of rural dwellers and a more effective policy development process in MAFWE. An updated evaluation plan based on the current plan for IPARD II, must be prepared no later than 1 year after the launch of the programme as an integral part of the M&E system. Eight high priority recommendations are identified for Chapter 12: (i) push forward to recruit vacant positions according to the WLA, (ii) improve the monitoring tables so that they can provide a full overview of the financial situation of the programme implementation (by a glance), (iii) improve the competences in MA regarding programme evaluation and utilize existing and future evaluation results, (iv) establish a comprehensive monitoring and evaluation system in MAFWE covering both IPARD III and national instruments, (v) push forward to recruit vacant positions according to the WLA. (vi) provide relevant training programmes for staff, (vii) take steps to assess the effectiveness of existing work processes in IA, and (viii) consider using the proposed tool for assessing of the risk for deadweight.

Stakeholder involvement

The information about the process of consultation with relevant stakeholders on IPARD III programming and provisions, and its results are provided in Chapter 13, Annex 7, and Annex 8. From this information, it can be concluded that a good, participatory, and an inclusive consultation process was undertaken.

Finally, a full list of recommendations can be found in table 23 in chapter 6 of this report. The ex-ante evaluator has received the draft final IPARD III programme dated 02.11.2021 from MAFWE and have had the opportunity to check to what extent the proposed recommendations in this ex-ante report have been addressed. The ex-ante evaluator can conclude that most recommendations are addressed, and it is justified by MAFWE, why a few

recommendations were not followed. The response from MAFWE to each of the main recommendations are also inserted in table 23 of this report.

2. INTRODUCTION

2.1. Purpose of the ex-ante evaluation report

The *ex-ante* evaluation is mandatory for the Ministry for Agriculture, Forestry and Water Economy (MAFWE), and the requirement for the *ex-ante* evaluation of all programmes financed from the European Union (EU) budget is provided for in the Financial Regulation (Articles 18 and 30 of Delegated Regulation (EU) n° 1268/2012). The purpose of the *ex-ante* evaluation is to provide the responsible authorities, in this case MAFWE, with an independent and external evaluation of the draft IPARD III programme with a view to improving its relevance, coherence, quality, efficiency, effectiveness, EU added value, consistency and synergy with relevant policies, where appropriate and necessary.

The content of the *ex-ante* evaluation is defined by the Financial Regulation and shall assess the topics as indicated below:

- a) The needs to be met in the short or long term.
- b) The added value of Union involvement.
- c) The policy and management objectives to be achieved, which include the measures necessary to safeguard the financial interests of the Union in the field of fraud prevention, detection, investigation, reparation and sanctions.
- d) The policy options available, including the risks associated with them.
- e) The results and impacts expected, in particular economic, social and environmental impacts, and the indicators and evaluation arrangement needed to measure them.
- f) The most appropriate method of implementation for the preferred options.
- g) The internal coherence of the proposed programme or activity and its relations with other relevant instruments.
- h) The volume of appropriations, human resources, and other administrative expenditure to be allocated to the implementation of the programme with due regard for the cost-effectiveness principle; and
- i) The lessons learnt from similar experiences in the past.

In this respect, the *ex-ante* evaluation focuses on the extent to which the Rural Development component of the Instrument for Pre-Accession Assistance (IPARD III) 2021-2027 in the Republic of North Macedonia reflects the priorities and overall country strategy. The *ex-ante* evaluation results from a situational analysis in the agricultural and food sectors in North Macedonia, taking due account of the North Macedonian Enlargement Strategy and of European Commission (EC) Progress reports.

According to the Terms of Reference (ToR) (see annex 1), the *ex-ante* evaluation objectives are:

Global objective

Contribute to improving the relevance, efficiency, and effectiveness of EU pre-accession assistance under the IPA III Component for Rural Development in North Macedonia.

Specific objective

Carry out an *ex-ante* evaluation of the North Macedonian Rural Development Programme under IPARD 2021-2027.

Requested services

The ToR requested that the Ex-ante evaluation is based on the Draft Guidelines for Ex-ante Evaluation of the Directorate General for Agriculture and Rural Development. The following activities were implemented by the Consultant:

Table 1: Requested services (ToR)

Activities
<p><i>Review of documents/studies (home-based) including:</i></p> <ul style="list-style-type: none"> • Draft IPARD III programme 2021-2027, various versions • <i>Ex-ante</i> evaluation of the draft IPARD programme 2014 -2020 • Agriculture and Rural Development Strategy 2021-2027 • Updated and new sectoral studies • Recent policy papers useful to the evaluation • Recent technical reports useful to the evaluation
<p><i>Assessment of the programme-related SWOT analysis</i></p> <ul style="list-style-type: none"> • Assess the completeness of the SWOT analysis • Analyse the causes of any disparities identified • Identify and assess the driving forces toward sustainable rural development and the preparation for the implementation and management of the Community's agricultural policy • Contribute to the quantification of context- and objective-related baseline indicators (common and programme-related) by verifying and, where appropriate, suggesting modifications of the proposed indicators and figures • Assess and, where appropriate, suggest revisions to the ranking of disparities and priorities assigned to identified needs and their translation into objectives and concrete priorities for action
<p><i>Assessment of expected impacts</i></p> <ul style="list-style-type: none"> • Assess whether targets are quantified in a meaningful and verifiable manner, allowing subsequent programme monitoring and evaluation, in particular with respect to the utility and sustainability programme • Assess the correct application of common baseline indicators and the usefulness of programme-specific baseline indicators, as well as programme-specific impact indicators reflecting the specific objectives and circumstances of the programme concerned • Assess the expected results and impacts of measures; in this respect the <i>ex-ante</i> evaluation should pay particular attention to the verifiability of the results of the measures concerned • Verify the functioning of data collection mechanisms in view of ensuring regular follow-up on the trends during different phases of the programme reflected in the indicators applied
<p><i>Assessment of proposed implementation procedures, including monitoring, evaluation, and financial management</i></p> <ul style="list-style-type: none"> • Assess the implementing provisions for managing, monitoring, and evaluation of the programme with a focus on ensuring a sound and efficient management. This will include an appraisal of risks resulting from possible bottlenecks which might impede implementation of the programme and recommendations for preventive actions • Ensure, with respect to evaluation, that targets and related indicators are applied in a meaningful manner to form an appropriate basis for monitoring and evaluation of performance • Analyse difficulties in implementation and critical incidents in the light of experience gained during the previous programming periods (national and/or Community or other donor-assisted programmes) • Assess the quality and the extent of partnership arrangements

2.2. The process and methods: description of steps in conducting the ex-ante evaluation of the IPARD III programme and interaction of the ex-ante evaluator with the Managing Authority

The ex-ante evaluation is prepared with reference to the Guidelines for ex-ante evaluations of rural development programmes under the Instrument for Pre-Accession Assistance Rural Development (IPARD III) as prepared by DG AGRI (October 2020). These guidelines also determine the objectives of the ex-ante evaluation and the indicative outline of the report.

The relevance of the ex-ante evaluation is achieved through a comparative assessment of a) the situational analysis in the North Macedonian agricultural and food sectors presented in the draft programme chapters 2 to 4; and b) the strategy, the selected measures and their design as presented in chapters 6 to 8. Efficiency is indicatively achieved through an estimation of the expected results and impacts generated by the programme interventions compared with the resources spent. Effectiveness is achieved by assessing the implementing structure in terms of the effectiveness of applied systems. The evaluation also provides recommendations to the beneficiary regarding possible improvements to the programme text reflecting initiatives to increase relevance, efficiency, and effectiveness.

The evaluator uses a combination of qualitative and quantitative methods. These are:

- Desk research (see section 2.3 of this report for references and also Annex 2)
- Personal interviews with representatives of relevant institutions, organisations and stakeholders (see Annex 3 describing all interviews accomplished)
- Quantitative analyses of data provided by MAKStat, Eurostat, MAFWE and the IPARD Agency (IA) and
- Qualitative analyses of information and data using international recognised evaluation criteria.

The ex-ante evaluation was undertaken in the period from August 30 to November 3 2021. The evaluation process comprised five phases:

1. Desk research
2. Interviews with stakeholders and data collection (September 2021)
3. Analysis and reporting
4. Finalisation of the ex-ante evaluation report

Comments and revised input from MAFWE and IA provided in the period from the submission of the draft report to the finalization of the report were reflected in the final ex-ante evaluation report. The table of recommendations are supplemented with the response from MAFWE and IA to the recommendations. The ex-ante evaluator can conclude from an assessment of the final version of the IPARD programme dated 02.11.2021 that most recommendations are addressed and that MAFWE has justified when only a few recommendations are not addressed.

2.3. Main sources of evidence and information incl. reference to past evaluations, audits, studies, or implementation reports of similar interventions and to sectoral analyses

To be able to prepare this ex-ante evaluation, the evaluation team has started studying the most relevant documents, as well as statistical information. The most important source of information comprises the following:

- Draft IPARD III programme, version 9 September 2021 with supplementary information 20 September 2021
- Sectoral studies (Value Chain Analyses) prepared for IPARD III programme
- Ex-ante evaluation of IPARD II programme
- EC fiches for IPARD III programme
- EC guidelines for ex-ante evaluations for IPARD III programmes
- EC guidelines for IPARD programming
- Minutes of the Monitoring Committee meetings
- Monitoring reports and Annual Implementation Reports (AIR)
- Reports of relevant international projects implemented in RNM
- State Statistical Office
- FAO and the World Bank databases
- Web pages of the relevant Ministries

The complete list of documents consulted during the work is provided in Annex 2.

An important source of information was a series of 13 interviews made with various stakeholders in the period September 25 – October 1. Representatives of the following organisations were interviewed:

- Association of millers and agricultural producers - "Agro-mel" Kumanovo
- Association of wine producers - "Wines of Macedonia"
- Balkania - Balkan Association for Alternative Tourism
- Beekeeping association "Nektar"
- Beekeeping association "Pcela", Kumanovo Bee-keeping
- Chamber of commerce
- Company Fungi Mak DOOEI
- Craft chamber - Macedonian association of producers (MAP). Represents the interests of food processors (plant processing)
- Managing Authority (MA), Ministry of Agriculture, Forestry and Water Economy (MAFWE)
- IPARD Agency (IA)
- Rural coalition. Representation and protection of interests of rural population
- Sub-sector group for horticulture. Representation and protection of interest of horticulture producers
- Union of sheep breeders. Representation and protection of interest of sheep breeders.

3. APPRAISAL OF THE DESCRIPTION OF THE CURRENT SITUATION, PRIORITISATION OF NEEDS, SWOT ANALYSIS

Analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT analysis) of the geographical area covered by the IPARD III programme is the first step to define the strategy of the programme. The SWOT analysis refers to the main structural components of rural areas and must lead to an appropriate and coherent ranking of needs to be addressed. The evaluator will assess the relevance and validity of the assessment of the needs and SWOT analysis and the link between them.

The SWOT analysis and the definition of the programme strategy are based on the use of quantified data and appropriate baseline and context indicators. Where appropriate qualitative data shall be used. The evaluator validates if the data used is correct, recent, reliable, and well interpreted. Where data is missing or incorrect, the evaluator will complement the analysis by referring to the indicators based on reliable national and international sources. The indicators should be presented in reference to the EU averages.

In carrying out this task, the ex-ante evaluation shall:

- assess the completeness and relevance of the SWOT analysis (economic, social and environmental aspects)
- check that the needs identified are based on the evidence presented
- contribute to the quantification of context and objective related baseline indicators by providing feedback to the proposed indicators and figures
- assess and, where appropriate, suggest revisions of the ranking of the identified needs and their translation into objectives and concrete priorities for action.

3.1. Appraisal of the current situation, prioritisation of needs and SWOT analysis, incl. the relevant economic, social and environmental indicators (presented in comparison to the EU averages)

Country profile

Chapter 2 of the draft IPARD Programme 2021 - 2027 provides a brief country profile. The description focuses on the geographical location of North Macedonia and the administrative and organisational organization according to NUTS level as well as the geographical area covered by the programme. The text is appropriate. Reference to annex 1 'List of rural areas' where the designated rural municipalities and settlements are listed, can be made already in chapter 2.

It can be considered to let the country profile include a reference to the demographic situation as well as to the general economic situation, described with macroeconomic indicators. The demographic information is provided in chapter 3.1.2, which is fine, but it can still be considered to move the general information to chapter 2 and keep the more detailed description in chapter 3.1.2. Section 3.1.4 describes the macroeconomic situation with the required indicators in table 6. It can be considered to move the table and a brief explanatory text to chapter 2.

Description of the current situation

Section 3.1 gives a good description of the **general socio-economic context**. Rural areas, mountain areas and agricultural regions are all defined well in a clear and precise way. Reference is made to annexes with the listing of the locations.

The **demographic development** is described in detail based on data from the State Statistical Office (SSO). The population is increasing but very slowly, and the population is getting older. The population density is relatively low in the rural and predominantly areas, where the majority of the population lives. The age structure and the population density is also described adequately at regional level. The section summarizes the development trend with reference to remoteness: Population decline in remote rural areas, ageing of the population in remote rural areas, lower education and higher unemployment in remote rural areas, while municipalities close to the capital see a positive demographic trend.

Section 3.1.4 describes the **economic drivers, productivity and growth in the economy**. The role of Foreign Direct Investments (FDI) is emphasized and in general the section provides a good description of the economic development with references to political and financial crises in the country as well as to the COVID 19 pandemic

crisis. Data regarding the contribution of GVA in agriculture to GDP and regarding the employment in agriculture compared to overall employment are presented. This is fine but can be deleted since the text in section 3.2 on the performance of the agricultural, forestry and food sectors is presenting the same data in more details. The section 3.1.4 also presents the important and even dominant role of SMEs in the economy. The labour market and the educational systems is presented briefly.

An important section is 3.1.7 on **land use and ownership**. Emphasis is put on the need for irrigation and on the fact that agriculture in the country is dominated of small scale and fragmented production making investments in new technology and machinery difficult and unfeasible. The effort accomplished by MAFWE with the help of donors to strengthen land consolidation is described.

Section 3.2 on the **performance of agricultural, forestry and food sectors** gives good information about the recent trends from 2014 to 2019. Table 16 provides the reader with essential data on the sector development. A few indicators regarding the food processing industry and its contribution to GVA and employment are lacking for 2018 and 2019. The indicator on employment in agriculture, forestry and fisheries is filled in for all years (20.09.2021), but the data for 2018 and 2019 seems to be dubious. The employment has been rather stable from 2014 to 2017, but according to the data in the table, the sector suffers from a big decline in employment from 2017 to 2018 and again from 2018 to 2019. The data may be correct, but the ex-ante evaluator suspects them to be wrong, since they also are inconsistent with other sources, such as monitoring reports and AIR reports.

Data validity is also a point of concern in the next section describing **agriculture employment and labour productivity**. These indicators are central in the estimation of expected impacts of the programme and should be reliable to the biggest extent possible. The first text section concludes that the employment in agriculture, forestry and fisheries is reduced with 2.3% in 2019 compared to 2017, but referring to table 16, the reduction is much higher: Actually, it is reduced with 38%. Data validation of table 16 may contribute to solve the unclear description in the employment trend in the sector. Data can also be compared to the context indicator list in section 3.6. Indicator 9 indicates that the employment in the primary sector in 2019 is 111,000 persons, and that the employment in agriculture alone (indicator 11) is 106,200 persons. These figures are in compliance with the data in table 16 but are still difficult to believe due to the big reduction from 2017 to 2018.

Reference is also made to labour productivity, and it is stated that the country has experienced a growth in labour productivity (GVA/AWU) by 5% in 2018, but no reference is made to the baseline year and not to the absolute figures. The context indicator list (indicator 12) indicates a labour productivity in agriculture of 7,819 EUR per AWU based on a GVA in the primary sector of 902.1 million EUR and 111,000 employees. The labour productivity in agriculture is inferred to be 8,126 EUR per AWU with 106,200 persons employed, but with no data for agricultural GVA on its own.

The section regarding **agriculture holdings, farm structure and typology** is good, and provides fine information about the structural challenges for agriculture in North Macedonia, which are summarized adequately focusing on small scale, fragmented and unspecialised farms with difficulties meeting national minimum standards as well as EU standards, which are mostly identical.

Agricultural production described in terms of sub-sectors is appropriate and gives a fine overview over the state of agriculture in the country, also with good annexes.

Another important section is about **investments in agriculture**. The main point is that the investment level is too low to compensate for the depreciation of the exiting capital stock. It is probably correct, but the data used to justify the statement are not precise. The text states at page 44:

'Investments in assets in agriculture amounted for around 47 mill EUR in 2018. The annual consumption of fixed capital (depreciation) in 2017 is 9% of the agriculture GVA. The depreciation of the fixed capital in agriculture outweighs the new investments, leading to conclusions that the investment activity in agriculture is still insufficient to modernize the agriculture production.'

Based on this quote, the depreciation is then 9% of 790 million EUR = 71.1 million EUR in 2017. With 47 million EUR in investments in 2018, the conclusion is correct. But the context indicator table in section 3.6 infers a figure of 11,1 million EUR in GFCF in 2017. Can this context indicator value be compared to the figures in the text at page 44? If yes, the depreciation does not outweigh net fixed capital formation with 24 million EUR but with more than 60 million EUR, so the problem is even bigger than data seems to indicate at page 44.

A brief section is devoted to **organic farming**. Data on the area under organic farming show that there was an increase from 2,359 ha in 2014 to 5,206 ha in 2019. However, the share of area under organic production (as percentage of the total utilized agricultural area) in 2019 was only 0.4%, which is one of the lowest percentages of all European countries (EU-27 average is 8.5 %). Under the Green Deal's Farm to Fork strategy, the European Commission has set an ambitious target of 'at least 25% of the EU's agricultural land under organic farming by 2030'. The organic livestock production has increased from 2014 with 58,000 heads to 115,000 heads in 2019. The number of certified organic holdings has also increased in all sub-sectors (crops, livestock production, honey and processing and trade). The average producer is described. It is concluded that there are great opportunities for the organic sector in North Macedonia, among other things due to presence of competitive autochthonous varieties. It is also stated that there is a growing awareness of the consumers and an increase in the demand, but there are no data presented to document the statements. It is recommended to give a description of the development in the market situation of organic products in North Macedonia.

The section describing the **food processing industry** opens with a statement about the contribution of the sector to GVA in 2017 (286 million EUR) and the employment in the sector in 2019 (27,474 persons).

The context indicator list (indicator 11) states that 25,600 persons are employed in the sector in 2019, and that the labour productivity in 2019 is 9,010 EUR per AWU (indicator 14). The GVA of the food processing industry is not included in the context indicator table.

But beside of this unclear text regarding GVA, employment and labour productivity, the section describing the food processing industry is fine, and it provides many important points regarding the trends in the sector, the number of enterprises and their fulfilment of standards (NMS and EU). Still investments are needed to upgrade further regarding standards, capacity, productivity and competitiveness in general. Good examples of investment needs are provided among other things with reference to climate change, environment and working conditions.

Foreign trade is presented briefly in combination with annex 4. The trade balance is still negative in 2019 for agricultural, forestry and fisheries products. Although the export is increasing, the import is increasing even more leading to a stable although weakening trade balance of minus 212.6 million EUR in 2019. The EU is the main market followed by CEFTA countries.

Section 3.2.2 presents the **competitiveness of the forestry sector**. The total forested area covers 42% of North Macedonian territory, mostly state owned (only 13% are privately owned). There are more than 200,000 parcels of forests, owned by around 65,000 households. Main challenges in the forestry sector beside forest fragmentation are extensive illegal logging, forest fires (affecting annually 10,000 ha on average), drying of forests due to drought and climate change, pests and diseases, low level of management activities in private forests due to small size of forest parcels (0.37 ha on average). The forestry sector is expected to experience a high level of impact from climate change. Poorly developed and maintained forest road network prevents proper and timely management, which increases the risks for severe effects of forest fires. The forestry sector lacks a quality scientific research environment, innovations, and technology transfer that can meet the current needs and growing challenges of forests and forestry. There is a need for trainings to improve knowledge in technical matters of forestry work and sustainable forest management, both for public and private forest management.

Some of the opportunities for the development of the forest sector are generated of the climate challenges. Carbon sequestration ensured with the help of afforestation of abandoned agricultural land and other underutilized land is one option, but also the use of wood and wood by-products as a renewable energy source is another. The needs of the sector may to some extent be targeted with the forestry measure under IPARD III, and the actions included here, for example regarding afforestation, prevention of damage to forests from fires, but also the improvement of the resilience and environmental values of forest ecosystems.

The sector of fisheries and aquaculture is of very low economic importance in the country. Only 0.3% of GDP in 2018 and the employment is low as well. The reason is that North Macedonia is land-locked, and fishing is only taking place in the lakes supplemented with aquaculture. The aquaculture production has increased over the late years due to investments in existing and new capacity. It is not clear from the text to what extent the sector experiences an increased demand and to what extent this demand can be met with the existing capacities and/or new investments are needed.

The section describing **human capital and knowledge transfer** is very short, in particularly in the light of the important role of new knowledge and technologies in the modernisation of the sector. The reason to the short text is probably that no formal Agriculture Knowledge and Information System (AKIS) is in place in the country, although informal relationships exist between the individual actors. However, the quality of the current informal system is not presented, and it is obvious that there is an urgent need for MAFWE to take steps to make a formal system and to make a strategy for the operations of the system.

Agriculture and forestry education is described. The text presents the situation in the research sector in the country. The research sector is weak and with big challenges both in general and for agricultural related research. The text is emphasizing lack of funds, lack of equipment, lack of capacities for applied research. Regarding education, there is in general a lack of training and education in topics related to the EU approximation process for agriculture. The research and education sector is criticized for being reactive without proactive involvement in policy design and without a leading role in development of the sector. Although outside the framework of IPARD III, it is serious challenge for MAFWE to take steps to address the problems described, also considering the recommendation above about development of a formal AKIS system, which also must involve the research and education sector as well as the advisory service system, see below.

An interesting survey from 2010 elaborated of the SIPP project presents training needs of farmers. It is relevant to consider accomplishing a similar training needs study today in order to see where the training needs have developed since 2010.

The dominant system for delivery of **advisory services** in North Macedonia is the National Extension Agency. The capacity is referred to in the draft IPARD programme as narrow in its scope regarding farmers, and with focus on information about national support policies. Qualifications are considered to be good, but staff are lacking appropriate updating of their qualifications in particularly in relation to EU accession, standards, new technologies, but also in relation to horizontal topics such as agri-environmental, farm management and finance, business and marketing related topics. Also, qualifications related to rural development topics are weak. Improved cooperation with the research institutions may lead to better qualifications of the staff. NEA is complemented of private advisors. They are still few in numbers but are increasing in importance due to their targeting of the bigger farms and enterprises with high willingness of payments. The relatively weak advisory system is referred to as one of the main reasons to implementation problems under IPARD I and to some extent also under IPARD II. Weak advice to potential applicants, has led to incomplete applications, high rejection rates and wasted time both among the potential beneficiaries and in the IPARD Agency. Therefore, several initiatives are taken from MAFWE to improve the situation in the advisory service system, private as well as public. One of them is the introduction of the advisory measure under IPARD III.

Another problem limiting the implementation of IPARD and thus the development of the sectors is limited access to finance and credit. Only 3% of the business credits in the country is targeting agriculture, forestry, and fisheries. The reasons are both on the demand side (lack of knowledge, lack of collaterals, small scale fragmented farming, seasonal production etc.) and on the supply side in the financial sector (lack of knowledge of agriculture, lack of willingness to take risks in the sector, lack of traditions for lending to agriculture etc.). It is stated that the so-called risk adverse behaviour of the financing sector has been more relaxed under IPARD II than under IPARD I, but it is not documented how this has been measured.

MAFWE has taken several steps to improve the situation and has introduced national instruments (credit line for agriculture, interest rate subsidy scheme), but other instruments are under consideration including a state guarantee fund and micro-lending schemes. It is not clear from the text how far MAFWE are in the process of introducing these instruments and when and how they will be implemented.

Section 3.3. describes **environmental and land management** issues in relation to the agricultural sector. Lots of useful information are provided with regards to land abandonment, climate change impacts on agriculture and on vulnerable crops, biodiversity, water and soil quality, GHG emissions, use of inputs (fertilisers, pesticides, veterinary medicine).

Risks of land abandonment and marginalisation should be explained better and more precise, in particular with relation to more than half a million ha of natural and semi-natural grasslands. A few questions can be mentioned, where the text lacks answers: Is there a process of grassland abandonment and is this process linked to the decrease in livestock production (or not)? Are big areas of grasslands under successions into shrubby vegetation and forests?

It is clear from the description of the situation that waste management, wastewater treatment and manure storage are big problems, but the description of the current management practices should be given e.g., percentage of farms keeping manure in heaps in open space without protection against leakage to surface waters or groundwater which indicates that livestock manure management practices are very poor.

The enforcement of legislation should also be explained. It is not clear from the text, if the cross-compliance requirements are already established and to what extent in the North Macedonian legal framework contains requirements and conditions relating to soil, water, biodiversity, and landscape management, as well as fertiliser and plant protection products, which can be considered as equivalent at different degrees to the relevant mandatory EU standards and conditions.

Environmental problems related to municipal infrastructure in rural areas should be briefly described in this chapter e.g., direct discharge of wastewater into rivers, illegal landfills.

Chapter 3.4 is targeting the **rural economy**. The rural economy is described at regional level using core indicators such as GDP, GDP per capita, GVA in agriculture, employment, structural data for agriculture holdings etc. The data documents that agriculture still is of big importance for the economy in the rural areas. Some data needs verification, for example regarding the employment in agriculture.

The chapter also describes the state of play for the potentials of rural tourism, promotion and development of SMEs in rural areas, the role and importance of crafts, provision of services in rural areas, the provision of all types of rural infrastructure and finally the cultural heritage in villages. The description points in the direction that the rural economy contains several opportunities for growth and development (rural tourism, crafts, rural heritage), but that challenges also are blocking for the process (poor infrastructure, lack of services, lack of business development due to lack of qualified employment).

Chapter 3.5 describes the state of the art regarding **community-led rural development and LEADER approach**. North Macedonia has a substantial experience with the LEADER approach, and the chapter gives a good overview and information on different LEADER-type projects and initiatives implemented in the last 15 years. Relevant legislation and institutional settings are in place, including procedures for implementation of the measure, calculations for the necessary allocations of funds as well as manuals and other necessary documentation. MAFWE has already granted LAG status to 13 groups, which cover more than a half of the North Macedonia territory and a total of 47 municipalities.

After the consultation with DG AGRI on preparatory work, it is concluded that the Republic of North Macedonia is ready to start the accreditation procedure for the LEADER measure implementation under the IPARD III Programme. However, given the high level of preparation and readiness, it is not clear why the implementation of LEADER measure will start only in the third year of the IPARD III, and this should be explained in order to meet the expected criticism from the LAG environment.

Seven LAGs received the funding for their activities the national budget, for the establishment of LAG for the implementation of local development strategies. These projects are still in the implementation phase.

The topic of the **National Rural Network** is addressed very briefly, but today there is no formal NRN established in the country. The NGO - Network for Rural Development (RDN) is established with donor support. The NGO plays the role of the formal network both in North Macedonia and internationally, but it should be considered formalize the NRN taking the RDN as point of departure.

Chapter 3.6 is **the context indicator table**. The table is well developed and good with recent data and solid data sources. Only a few indicators lack data. It is the indicators 28, 30, 31, 32 and 33, while a few indicators have data inconsistent with other data in the programme text. If this is not possible due to lack of data or other reasons, it is recommended to indicate in the table what MAFWE will do to collect the data, if the process is on-going, or if not, what the reason for this is.

Finally, it should be mentioned that *reference to EU data and to regional data* is made frequently throughout the text in chapter 3. It is not done consequently, but the extent is good and is highly appreciated.

3.2. Appraisal of assessment of the SWOT, the needs and their prioritization

This chapter of the ex-ante evaluation report provides an assessment of the SWOT analysis as well as of the identification of needs.

3.2.1. Appraisal of the SWOT analysis

The current draft IPARD III programme presents four SWOT tables. The four tables follow the structure of the analysis of the current situation in the sectors in chapter 3. The tables are appropriate regarding detailed information, and present SWOT elements that are described in chapter 3, which is appreciated, since only SWOT elements presented in the analyses of the sectors, should be inferred in the SWOT tables. However, it is possible to identify factors described in chapter 3 NOT included in the SWOT tables, for example climate change threats for agriculture in SWOT table 4.1.

It should also be mentioned that some SWOT elements are not categorized correct, but belong to other categories of the SWOT tables, and some elements are symptoms on challenges, which are not described. Furthermore, some factors are referred to as opportunities, although they are not opportunities in a SWOT context, but are actions to take to overcome a weakness, exploit a strength, take advantage of an opportunity, or avoid a threat in the market. A few examples of incorrect categorizations of SWOT-elements are mentioned below for illustrative purposes:

- 'High demand for agriculture and food products on the local/regional markets' is inserted as a strength but is an opportunity. The same is the case for 'Good access and distribution links to the European markets and main European transport corridors.'
- An example of a SWOT element inferred as a weakness but being a symptom is the following: 'Low number of active SMEs in rural areas.' It is a symptom and not a cause or a weakness in itself. Instead, it is relevant to identify the real reasons behind the low number of active SMEs.
- 'Growing domestic tourism for rural attractions (landscapes, traditional villages, hunting, fishing, SPA resorts, etc.)' is inserted as a strength, but is an opportunity.
- 'Low share of rural economy in national GDP' is inserted as a weakness but is a symptom of the low level of competitiveness of the rural economy compared to the urban economy
- 'Strengthening of the role of extension and advisory services and research' is referred to as an opportunity, but it is an action to take in order to address a weakness of low effectiveness of the extension services
- 'Increasing urge for introduction of advanced quality standards HACCP, ISO, among the food processing enterprises' is an action to take to overcome the weakness of the food processing industry regarding lack of fulfilment of standards
- 'Lack of innovations and technology transfers' is referred to as an external threat but is an internal weakness

More - although not exhaustive examples - are made with track change in the draft IPARD Programme and sent to MAFWE.

The SWOT method has been an integral part of EU programming in many years. The reason is that the SWOT method represents a simple tool to structure often complex quantitative findings and qualitative observations from the analyses of the situation in the relevant sectors. The purpose is to identify and select possible strategic actions to take for the relevant actors, for example a ministry, an agricultural holding, or a food processing company.

The usual praxis is that the perspective for the SWOT analysis and for the strategy process is chosen. In the case of IPARD III, the point of view or the perspective for the SWOT analysis is the agricultural, forestry and food-processing sectors as well as the rural areas in a broader sense. Also, MAFWE and its institutions are integrated in the sector, due to the important role of the ministry, its institutions, and the framework conditions/regulatory framework for the development of the sectors.

The SWOT analysis is divided into three parts. The first part is the identification of sector internal SWOT elements, being strengths and weaknesses. Internal elements can be controlled by the operators in the sector: Agricultural holdings, food-processors, rural dwellers, MAFWE, IPARD Agency, the advisory services (public and private) and others. If the productivity and the product quality is low, the operators can take steps to increase both parameters. They can to a large extent control them.

Strengths and weaknesses are relative elements, where reference is made to other relevant operators, being other farmers, other sectors, or other countries. This means that a strength is nothing in itself, but only in relation to other operators.

The next part of the SWOT is the identification of external un-controllable opportunities and threats. Here we look after opportunities in the market, which can be exploited with the help of the strengths in the sectors, or with the help of interventions overcoming the weaknesses, we have identified. Threats are also identified. It may for example be climate changes causing severe weather situations with drought, floods, increasing temperatures, wildfires etc., but it may also be new market trends representing a risk for the sectors. Action can be taken to avoid, mitigate or adapt to these threats utilizing the strengths of the sectors.

The third and last part of the SWOT is the strategic part and is the match between internal controllable strengths and weaknesses with the external uncontrollable opportunities and threats. In the cross field between the two categories, strategic actions can be identified, representing the solutions and the interventions, which are available to meet the challenges expressed as external elements with help of internal elements. The table below illustrates the thinking behind the SWOT method with an example from the wine sector.

Table 2: SWOT of the North Macedonian wine sector as an example.

SWOT matrix - example from the wine sector			<i>Sector external and un-controllable factors identified in sector analysis</i>	
			<i>Opportunities</i>	<i>Threats</i>
			Growing demand for rare, high-quality bottled wines in EU. Trade agreement with the EU	Low recognition and knowledge of quality of North Macedonian wines in EU. Intense competition from well-known brands and countries.
<i>Sector internal and controllable factors identified in sector analysis</i>	<i>Strengths</i>	High quality wine (Awards in international competitions). Autochthone grape varieties (for example Vranec and Smederevka).	Strategic action: Support investments in production of North Macedonian wines based on autochthone grape varieties <ul style="list-style-type: none"> • Plantations (new vines, soil preparation, anti-hail protection, irrigation systems etc.), • Production (cellars, facilities, equipment, fermenters, barrels etc.) and • Collective marketing (fair and competition participation, web sites, social media, printed information), • Introduction of a GI quality system 	
	<i>Weaknesses</i>	Old vineyards. Small scale and fragmented production. High costs. Low investments. No Geographical Indications		

Source: Elaboration of the ex-ante evaluator

3.2.2. *Appraisal of the needs*

National strategy 2021 - 2027

Chapter 4 opens with the presentation of the existing national strategy for agriculture and rural development: NSARD 2021 - 2027. The strategy has these three overall objectives:

- improving the competitiveness of the agri-food sector, the economic sustainability and the income of the agricultural holdings,
- application of environmental practices in production that would lead to mitigation and adaptation to climate change; and
- ensuring sustainable development of rural areas.

The three overall objectives are basically in line with the overall objectives of the CAP, although the formulations are different and also to some extent are lacking precision.

The second of the three overall objectives is related to environment. However, this objective is exclusively focusing on climate change challenges, which is very relevant, but the formulation seems to neglect the other needs for improving the environment, addressing the negative impacts of land abandonment, improving biodiversity and the protection of nature and soil, water, and air from pollution, improve forest management practices to prevent forest fire risks, etc.

Each of the overall objectives are broken down into 3 specific goals, which are relatively identical to the nine specific objectives of the CAP. This compliance 'upwards' to the CAP is appreciated, and it can be expected that the implementation of the strategy will deliver to the fulfilment of the objectives also of the CAP.

Identification of the needs

Chapter 6.2 describes the identified needs and the summary of the overall strategy for IPARD III. It is indicated that the selected needs are identified with the help of the SWOT, although it is not clear how this has been accomplished.

The 17 identified needs are distributed in this way:

- Agriculture, forestry and food industry: 7 needs with emphasis on productivity (1.1), production capacity and standards (1.2) cooperation and value chain integration (1.3), knowledge transfer (1.4) qualifications (1.5), forest management (1.6) and finally small holder development (1.7).
- Environment: 5 needs focusing on sustainable agricultural practices (2.1), improved advice to the sector (2.2), renewable energy (2.3), waste management (2.4) and forest management (2.5).
- Rural economy and Quality of life: 5 needs are addressing business development in rural areas (3.1), physical infrastructure (3.2), training of municipal authorities (3.3), mobilization of rural dwellers (3.4) and renewable energy (3.5)

The needs are addressed with the help of the IPARD III measure toolbox, and the draft programme presents in a fine table, how each measure will address specific needs under four objectives. It is not clear from the text, how and why the needs previously linked to three (3) overall objectives of the national strategy now are distributed in 4 objectives for the strategy of the IPARD III programme, but it is under all circumstances appreciated that the objective 4 is carved out on its own mentioning strengthening of public administration capacity of rural development explicitly.

Chapter 6.6 presents the summary table of the intervention logic describing the quantified targets of the selected measures as well as the targets at programme level. A few observations shall be mentioned.

Firstly, the table does not yet include: Measures 2, 4, 5 and 6 are not quantified. Some targets for measure 7 are still missing. Targets for measure 8, 10 and 11 are also missing. It is recommended to fill in the missing targets,

where it is relevant and to state where targets will be quantified at a later stage, for example for measures implemented later in the programme period (2024 for forestry, for example).

Secondly, the quantified targets for some of the measures, for example measure 1, refer to targets which include already achieved results under IPARD II. The target for farms supported is 1,800 farms, but 800 of these are supported under IPARD II. Thus, the target should be only 1,000 farms. This means that the baseline should be zero (0) for all targets, see also the evaluation of the individual measures later in this report.

Finally, the quantification of targets in the table in chapter 6.6 implicitly expresses a prioritization of the funds for each measure. This is also the case in the financial tables of the programme, which will be commented later in this report.

The ex-ante evaluator is fully aware that the programming guidelines do not include a requirement of a description of the prioritization of the needs, but since this always takes place more or less transparent, and according to the guidelines for the ex-ante evaluation, it is the objective of the ex-ante evaluator to assess this prioritization. Therefore, it is important to express this recommendation.

3.3. Appraisal of lessons learnt from previous interventions

Chapter 5 of the draft IPARD III programme describes the lessons learnt from previous interventions and describes the interventions in these categories: National support policy; EU assistance, Bilateral and multilateral assistance. All three categories are described well and gives a fine overview with the help of well-structured tables, in particularly for the EU and donor assistance. The objectives are presented for all categories of interventions and some actions are presented as well.

Regarding lessons learnt, the most informative part refers to IPARD II implementation, where several factors are referred to as resulting in the slow implementation of this programme. Section 5.2.2. provides these interesting points regarding the slow IPARD II implementation:

- Insufficient administrative capacity of IPARD structure
- Low level of implementation of national legislation (environment, health and animal welfare)
- Low quality of registers and lack of electronic access
- Weak assistance to farmers from research and extension services
- Too strict administrative procedures for IPARD II

It is highly appreciated that these factors are identified and presented, but it could be relevant to insert a text describing how these challenges have been addresses, if this is the case. It is recommended to insert this very relevant text in the chapter 12 of the programme, where the operational implementing structure is described.

The lessons learnt from other categories of interventions are not described in the same precise way, although some important points are mentioned:

- Improved absorptive capacity in the institutions and improved administrative capacity.
- Legislation being prepared and adopted
- Better research and extension service is needed
- Involvement of business and farmers associations generate better understanding of the project benefits and feasibility for farmers and food processors
- The rural credit programme has been successful.

Some of these points could maybe be better explained. For example, how and why the rural credit programme was successful. The positive results and impacts of donor support to land consolidation both regarding capacity development in MAFWE and regarding accomplished projects on the ground could be mentioned.

Section 5.5 on lessons learnt from IPARD II implementation will be added later, but in the current text there is refence to these experiences, as mentioned above.

4. APPRAISAL OF THE INTERVENTION STRATEGY, INCLUDING THE CHOICE OF MEASURES AND THEIR TARGETING (DEFINITION OF RECIPIENTS) AND TARGETS

The ex-ante evaluator assesses in this chapter the coherence of the intervention as a whole, including the choice of measures, targeting for each measure, its financial allocation and how they are based on the SWOT analysis and identification of needs and the economic, social and environmental objectives of IPARD III programme. In fulfilling these tasks, the evaluator takes into consideration complementarity with other IPA III interventions and the national rural development policies.

4.1. Intervention strategy as a whole

4.1.1. *The strategy as a whole*

The IPARD III overall objectives are described in chapter 6.3 and are also presented here for easy reference:

- Enhancing farm viability and competitiveness of agriculture and food processing
- Restoring, preserving, and enhancing ecosystems dependent on agriculture, fishery, and forestry
- Promoting balanced territorial development in rural areas
- Transfer of knowledge and innovation in agriculture, forestry, and rural areas
- Horizontal and cross-cutting priorities such as
 - support to women and young entrepreneurs
 - active agricultural holdings
 - activities benefiting the environment and mitigating climate change effects
 - implementation of innovations and new products
 - development of entrepreneurship and job creation
 - joined initiatives and collective investments
 - diversification of activities in the less economically developed areas (rural areas, mountainous areas, near bordering areas and areas within least developed regions)
 - rural tourism promotion in areas regarded as cultural heritage, near archaeological sites or natural parks or nature monuments
 - preservation and promotion of traditions and heritage
 - actions strengthening human capital in rural areas and promoting local initiatives
 - actions strengthening the business development skills and abilities.

The overall objectives are in line with the objectives of the national strategy for agriculture and rural development NSARD 2021 - 2027 and with the CAP.

Finally, and as discussed above in chapter 3.2.2 of this report, the identified needs will be addressed with relevant measures.

4.1.2. *Complementarity with other interventions*

The question of complementarity with other interventions is covered in chapter 6.2, where the needs and the summary of the IPARD strategy is presented. It is stated wisely that the identified needs cannot be fully addressed with the help of IPARD III alone and that other interventions and sources are needed to meet the challenges. This is also outlined in a table, where the individual needs again are linked to IPARD measures as well as to IPA, other donor assistance and national interventions. It should also be mentioned that not all complementary interventions cover all topics of the associated needs. For example, need 2.3 about energy crops and use of renewable energy. Direct payments may provide support and encourage planting of energy crops, but direct payments cannot in itself contribute to an increased use of renewable energy. Other important factors will determine this.

Many of the national interventions will contribute addressing important needs in the sector. Grant support to young farmers will target the ageing challenge in rural areas. Support to advisory services will support up-grading of knowledge and introduction of new practice and technologies and contribute to better applications to the IPARD programme. Lack of access to capital will be addressed with national lending schemes. The national afforestation intervention will be relevant until the forestry measure is opened under IPARD. Also, donor

assistance to land consolidation and irrigation systems is very important, complementary and will address urgent challenges for the sector.

The consistency between IPARD programme and the IPA framework and Strategic response is described in chapter 6.4 In chapter 6.5 reference is made to the Green Deal and to the Green Agenda for the Western Balkans. The text is appropriate, although the text suffers from repetitions, but this is due to the fact that the coherence between the IPARD III programme text (needs, objectives etc.) and the national strategy as well as the EU frameworks is complete.

4.2. Intervention logic for each measure

4.2.1. Requirements for all measures

The text in the programme describing common requirements for several or all measures is assessed here. Reference is only made to topics, where the ex-ante evaluator has comments.

National and EU standards

In the description of requirements concerning all measures it is clearly stated that no later than before final payment of the investment, the entire holding/enterprise must comply with relevant national environmental (and other) standards and the investment, when concluded, must respect the relevant European Union standards.

Requirements for applying of support

It is stated that natural persons applying for support under the investment measures must prove appropriate professional education etc. in the activity to which the investment is related. This may be difficult for entrepreneurs/farmers investing in diversification to prove experiences from the field of investment. This is basically a new activity, a diversification of income generation.

Reference is made in the programme text to annex 13, which briefly describes the methodology for assessment of economic viability of the investment projects. For investments up to 80,000 EUR in total eligible investments the technical project proposal must demonstrate that the total cumulative balance between income and costs for the last fiscal year and the five projected years is positive. It is sufficient that the balance is positive, and nothing is required regarding how positive it must be and how big the positive balance must be compared with the level of investments. It can be considered, if there should be a higher level of ambitions for the positive balance, before the investments are assessed to be viable.

For business plans for investments above 80,000 EUR, there are 3 indicators in the approach. First, the IRR must be 0% or positive. Second the NPV must be bigger than zero and third, the repayment period (payback time) of the investment must be maximum 10 years. The ex-ante evaluator has two comments to this payback time maximum. Some investments will have a payback time, which is far longer than 10 years. This will typically be the case for buildings and constructions, where the payback time related to depreciation may be 20 years. For technologies and equipment, the payback time is shorter, maybe 5 years. It may be considered to set an average payback time for investments of 12.5 years, where the weight of building components is 50% and the weight of the technology component is 50%. With a different balance between the two categories of investments, the payback time may differ.

See also the section later about deadweight.

Eligible costs for investment support

General costs linked to expenditures such as architects and other consultancies shall be eligible up to 12% of the investment costs. It may be considered to reduce this percentage to a lower level, for example 10%, if relevant.

The complete list of eligible expenditures for each measure will be drawn up later and sent to EC for approval. It is the recommendation that the list is kept as broad and flexible as possible in order not to make the system too rigid for the applicants.

The programme text states at page 149 that by exception, for the investments/projects involving construction and investments with seasonal character, the recipient may start with realization of the investment after submitting the application form on his own risk in terms of completeness and eligibility of the application.

Standard costs and assumptions of income forgone

It is stated in the text at page 151 that the IPARD Agency is responsible to establish the standard costs for investment/cost items on the basis of market research and actual costs and to regularly check the reality and validity. This is appropriate. It may be relevant here or in a later section of the programme to describe, if these standards costs are prepared and how the checks are performed (procedures and tools).

It is stated at page 151 that a body functionally independent from the authorities responsible for the IPARD III programme implementation and possessing the appropriate expertise shall confirm the adequacy and accuracy of the calculations regarding compensation payments and income forgone.

Administrative procedure

It is stated that applicants may send applications to the IPARD Agency by registered post or deliver them to the reception office of the agency.

Verification of the eligibility of expenditures and assessment of economic and financial viability

It is stated that for goods and services above 20,000 EUR the value of the costs will be verified through three different offers, against reference values set by IPARD Agency, against standard costs or through an evaluation committee. It is not clear from the text, which approach will be used under which circumstances. This may be added to the text. It is also recommended to use the most effective and less bureaucratic approach. It will be convenient for the applicants to avoid the three offers approach and instead use standard costs, whenever possible.

The text does not refer to steps taken by MAFWE to reduce the risks for deadweight. See chapter 5 evaluating the implementation structures in this report.

Project implementation

The programme text states at page 155 that project implementation can have a duration of maximum 2 years or longer depending on the specific characteristics of the investment. How long can a project implementation be prolonged over two years, and what are the characteristics that must be fulfilled? It is recommended to make the text more precise regarding this topic, or alternatively to make the text precise in the guide for applicants or the relevant rule book describing the implementation details.

4.2.2. *Measure 1: Investments in physical assets of agricultural holdings*

Rationale

The rationale for the measure is well summarized. Reference to key figures, for example labour productivity, Gross agricultural output etc. with comparative data from EU or countries in the region could strengthen the text further.

Objectives

General objective number 3 may also refer to an increasing demand for products with low or minimal CO₂ footprints.

Linkages to other measures periods

Linkages to measure 3 are described. The text states that 'limited-scope projects on on-farm post-harvesting activities (for example handling, grading, packing, storage etc.), while larger projects shall be supported under measure 3.' It is not clear, what this means. A clear and objective and measurable definition of 'limited scope versus larger projects' is needed as well as a demarcation line to measure 3.

Linkages and 'division of tasks' between measure 1 and measure 7 on Diversification and business development are adequately described. Linkages to other measures are also well described, although the linkages to measure 4 (organic and climate measure) may be few and limited due to the low weight of this measure in the programme.

Finally, it is stated that the scope of aid under measure 1 will not overlap with national support schemes for agriculture and rural development.

Recipients

The potential recipients are well defined. Only one question may be raised.

Limitations and demarcations

Under point 2, section 5.2 in the programme text, page 160, it is stated that Cooperatives, associative legal entities and agriculture holdings represented by legal entity which have benefited support in post-harvesting, processing and direct marketing activities under this measure can further apply for the same investment activity under the measure 3. What does this mean?

Reference to demarcation lines to national support schemes can be inserted in this section, see the comment above.

Common and specific eligibility criteria

The minimum requirements to the number of hectares before the investment and number of LU after the investment of the applicants are very low. 1 hectare of land for cereals is for example very low and not feasible. The thresholds may be appropriate, but it could maybe be relevant to insert a short text in the rationale for the measure, where these limitations are described, see also above. Beside of this comment, the description of the eligibility criteria is appropriate.

Eligible expenditures

The text describing the eligible expenditures is fine and provides good examples of eligible investments.

Selection criteria

The selection criteria are well described and are justified in the light of the chosen priorities for the measure, which are complementary to the main objectives of increasing productivity and capacity of production. The selection criterion referring to investments in mitigation of climate change effects gives examples which basically are adaptation investments: protection nets and covers. Either change the text to insert other examples of mitigation.

Aid intensity

The aid intensity is 60% and can be increased to maximum 70% of the total eligible investments. The minimum threshold for being eligible is 10,000 EUR in eligible investments. With 10,000 EUR as minimum in total eligible investments the maximum minimum project will be 6,556 EUR in public support.

The maximum total financial support to one beneficiary is 1.5 million EUR during the programme period. The beneficiary may have one or more projects. If the beneficiary has only one project with 1.5 million EUR in public support, the total eligible investment will be as big as 2.5 million EUR.

The minimum number of maximum projects will be 26 distributed only on 26 beneficiaries. Will it be relevant to have a maximum level of total eligible investments as you have a minimum level of total eligible investments? And where should this level be, depending on the lessons from IPARD II?

Indicative budget

The financial plan for the measure may be distributed on the priority sectors in a transparent and objective way reflecting the weight of importance of each of the sectors.

Indicators and quantified targets

The baseline for projects should not be 801 and the target 1800, but instead the baseline should be zero and the target 1,000 farms supported under IPARD III.

The inferred financial frame for the measure is 50 million EUR, but the financial table above the indicator table refers to 65.6 million EUR, which also is the correct figure according to financial tables in chapter 7. The baseline should be zero (0) and not 12 million EUR as inserted now.

The quantified target of new jobs created is 500, and it is very close to the estimations made of the ex-ante evaluator. See the chapter on economic impacts later in this report.

When the quantified target of projects is 1,000 projects, and the financial envelope is 65.5 million EUR, the average total eligible investments will be 65,555 EUR compared to 13,431 EUR under IPARD II. It is not clear from the text in the description of the measure that the average investments should be 4 times higher under IPARD III than under IPARD II. If the average under IPARD III will be the same as under IPARD II, the number of projects will be 4,880. It is recommended to reconsider the quantified target.

The quantified target for young farmers should not be 1,000 as in the indicator table, but be 236, when the baseline is corrected to zero.

How can the number of recipients with support in investments in renewable energy production be 1,800 when the total number of projects is 1,000, see line 1 of the indicator table?

4.2.3. Measure 3: Investments in physical assets concerning processing and marketing of agricultural and fishery products

Rationale

Also, for this measure the rationale is well described and again it is possible to strengthen the text with comparative data from EU and countries in the region, for example regarding productivity. This will further enhance the justification for the measure.

It is dramatically stated that the domestic market is flooded with imported food in all sectors. This is a part of the game, and the competition will only intensify over the coming years when the approximation takes pace and EU membership one day will be the result of the effort. This increased pressure is central in the justification for the measure and for supporting the sectors.

Objectives

The *overall objectives* are all in line with the strategic objectives of the programme. General objective 2 may be supplemented with support to projects in the circular economy. The *specific objectives* are fine.

Linkages to other measures periods

Linkages to measure 1 and 7 are important and are well-described. Linkages to measure 6 as well as to measure 4 are also described briefly. Finally, linkages to measure 'Promotion of skills and competences', which will not be implemented, are mentioned. The linkage is important, but it is not clear why the measure is mentioned, since it is not included in the programme.

Limitations and demarcations

What is the point about this statement: 'can further apply for the same investment activity under this measure...'? The same point was also raised in the assessment of measure 1 above.

Recipients

The recipients under this measure are legal entities, cooperatives and associative legal entities, all being appropriately registered in the relevant registers.

Common and specific eligibility criteria and eligible expenditures as well as selection criteria

The text is appropriate regarding the description of the eligibility criteria and the eligible expenditures as well as of the proposed selection criteria.

Aid intensity

The maximum to a single beneficiary in the programme period is equal to 5 million EUR in total eligible investments with an aid intensity of 50%. If only 1 project is submitted per beneficiary, the minimum number of maximum projects will be 16! The target is 92 according to the indicator table ($92 = 120 - 28$). According to the experienced average from IPARD II, the number of projects will be 250 with the average of 311,321 EUR per project. The maximum number of minimum projects with 20,000 EUR in total eligible investment costs will be 3,890.

Indicative budget

It can be considered to have a sub-budget for each sector based on a decided prioritization of the sectors. The prioritization may for example be based on sectors with more economic weight and sectors with an export potential.

Indicators and quantified targets

Farms as well as agri-food processing enterprises are supported according to the text in the indicator table. Should farms be included? If it is an error, it should be corrected.

Total investments are 77,786,667 EUR according to the financial table, but the indicator table refers to only 43 million EUR.

Baseline must be zero (0) for all targets. The target for agri-food processing enterprises supported is 120, but should be corrected to 92, when the baseline is corrected to zero (0). The number of enterprises aligning with standards is set to 120, but also this number must be corrected, and reduced to 92. The target for producer groups is 5 with 50 participants, and the number of collective investments is 5. 20 enterprises will invest in environment and climate change, 20 in waste treatment and 20 in renewable energy production, and finally, 10 will invest in the circular economy. It is not clear how these targets are quantified. 500 jobs will be created, which is realistic.

4.2.4. *Measure 4: Agri-environment-climate and organic farming measure (AECOF)*

Rationale

The agri-environmental-climate measure consists of 3 operations: Green cover of permanent crops; Crop rotation on vegetables and Organic Farming.

No convincing explanation is given, why these three specific operations have been chosen. What are the reasons, why for example operation for crop rotation on vegetables is chosen and not operation for the protection of HNV grassland? Except for organic farming operation, which can to certain degree contribute to biodiversity protection, measure 4 will hardly have a positive impact on biodiversity and only a minor impact on climate change adaptation.

Objectives

The overall and specific objectives could be adjusted, when and if the rationale is better explained.

Linkages to other measures

The linkages with other measures are convincingly described.

Common and specific eligibility criteria for all operations

Common eligibility criteria are well described. The recipient shall respect the minimum mandatory standards as established by the national legislation that refer to the specific AEC operation on the entire holding. The criteria regarding land ownership or right to use land should be added. For example, the recipient must have proof of ownership or valid contract for the land lease covering entire duration of the commitment period.

Payment rates

Calculation of payment rates is provided and explained.

Indicators and quantified targets

The applied indicators are number of contracts and total agricultural land (ha) under environmental or/and climate contracts; number of holdings and area supported (ha) for conversion into organic farming and maintenance of organic farming, which is fine. Similar indicators should be used for the other two operations. Instead, indicators on total area (ha) per type of operation included in the following categories are selected: management of inputs (including integrated production, reduction in fertilisers use and in pesticides use, comprising precision farming, manure management, etc.); cultivation practices (including crop rotation, crop diversification, soil management through conservation or no tillage, soil cover, etc.). Some of these indicators are not relevant for the three operations (e.g. precision farming, integrated production). Therefore, indicators on number of holdings and area supported (ha) for green cover of permanent crops and crop rotation on vegetables should be selected.

No quantified targets are given.

Total investment for this measure is 1,647,059 EUR. No breakdown per operation is given.

4.2.5. Measure 5: Implementation of local development strategies - LEADER approach

Rationale

The rationale for the measure is well described.

Objectives

The overall and specific objectives are fine and in compliance with the identified needs and the rationale.

Linkages to other measures

The linkages to national measures, IPARD Technical Assistance measure (M9) and other IPARD measures are described. The rules related to the selection of LAGs, LDS and selection procedures will be harmonized between IPARD III and the National Programme. Care should be taken of complementarity and demarcation between different measures.

Aid intensity

Aid intensity is up to 100 percent.

Contracted LAGs may receive an advance payment not exceeding 10% of the contracted amount for the duration of the LDS from the national funding to start-up activities. These costs cannot be reimbursed from the IPARD III budget.

Quantified targets and indicators

The total eligible expenditures for measure 5 are planned to be 2,433,333 EUR, all in public support. A minimum of 30% must be used to animation and other costs related to the operations of the Local Action Groups (LAGs).

Indicators and targets on the number of LAGs and population covered by LAGs seem to be realistic. The number of new jobs created is 30, three per each LAG. The number of small projects is 250, which is on average 5 projects per LAG per year and certainly achievable.

LEADER measure is described with sufficient details, including eligibility criteria for LAGs, eligible activities, elements of Local development strategies and priority themes. Administrative procedures and selection criteria for LAGs are also explained.

4.2.6. Measure 6: Investments in Rural Public Infrastructure

Rationale

There is no SWOT analysis at the level of this measure, and there are no sectorial studies on rural public infrastructure documenting the need for supporting investments in public rural infrastructure. Inadequate rural infrastructure has been mentioned as a problem in two sectorial studies: (i) on wine and (ii) on milk/dairy sectors. Rationale provided for this measure presents just some basic information about rural infrastructure and related challenges, without providing or referring to a deeper analysis. It provides just a few data (accompanied with just

two numerical figures!) supporting the problem description – and there is not any comparison to the EU averages. The rationale does not elaborate sufficiently well why and how poor rural infrastructure hinders rural development in general, and agricultural development specifically. The description of the rationale also does not mention anything about the state-of-art regarding new technologies in rural areas, such as access to information and communication technologies and the development of fast and ultra-fast broadband. The rationale also does not provide any information about the production and use of renewable energy sources in rural areas. It just concludes that “available renewable energy sources are underutilised”. It is recommended to improve the rationale addressing the missing topics.

Objectives

Both, general and specific objectives are well formulated.

Needs assessment

Because of the modest description of the rationale, a thorough needs assessment is missing. However, on pages 124 and 129, under the analysis on “Rural Economy and Quality of Life”, it is mentioned that there is a need (need No. 3.3.) “to train municipal authorities in local development planning and project implementation to actively implement rural public infrastructure projects”. But nowhere in the document it is explained how this training will be organised, who will implement it, from which money it will be paid, etc.

Lessons learnt from previous programmes

There is not any reference to the experiences and lessons learned from the national rural development program supporting development of rural infrastructure, although a support for some activities included in this measure has been provided both by the national funding and foreign donors. For instance: the improvement of the communal waste management and access to communal services in rural areas has been financed both by IPA and the World Bank. The National Programme for Afforestation (notably its public campaign Tree Day – Plant your Future) dealt with the use of forest biomass and there is a direct support (area payments) for energy crops.

Contribution to the IPARD III objectives and consistency of the allocation of budgetary resources in line with the specific objectives of the IPARD III programme

The eligible investments correspond well with the general and specific objectives of IPARD III. Moreover, there is a good coherence between the measure’s own objectives and its eligible expenditures.

Because of the lack of financial information, or at least an indication of the cost values of some key investments, it is very difficult to assess the extent to which the expected objectives of measure 6 can be realistically achieved with the financial resources allocated.

IPARD III document does not provide information about how the budget for this measure has been estimated. The budget is determined at the measure level, with no specific allocation for the key type of investments. The resources allocated for this measure account for 14.7% of the total public aid to be provided by IPARD III. Having in mind (i) the ample of needs for investing in public rural infrastructure, and (ii) how costly rural infrastructure projects are, it can be concluded that this measure is given a solid and appropriate budgetary allocation – notably because its implementation is expected to start probably not earlier than in 2023.

Internal coherence

The text on this measure does not provide any assessment of the internal coherence of the programme by paying particular attention to the balance between the operational objectives of the different measures (potential conflicts or synergies).

Appropriateness of definition of recipients

The selection of recipients is in line with the EC fiche on public rural infrastructure. However, the document is not fully consistent regarding the beneficiaries of this measure. On p. 203 it says that the beneficiaries are municipalities with less than 10,000 inhabitants. No explanation and justification are provided why the threshold is set at 10,000 inhabitants and why for instance a settlement with just 5,000 or more than 10,000 (e.g., 15,000) inhabitants would be ineligible for the support under this measure. However, from the selection criteria (p. 206) it appears that the support can be granted also to municipalities with up to 20,000 inhabitants, or even to those having more than 20,000 inhabitants, although both will be awarded less points in the selection procedure.

Eligibility criteria, eligible expenses, and payment rules

The common and specific eligibility criteria for recipients are well defined, appropriate, and well presented. The following eligible expenditures are not in line with the instructions provided in the EC Fiche for this measure:

- Flood protection: although it seems to be sensible, flood protection is not referred to in the measure Fiche. Besides, the IPARD III document does not elaborate on flood-related problems and does not provide a good justification for flood protection-related investments.
- Prevention of landslides: same as above for flood protection.
- Technical supervision of construction/reconstruction services: these are eligible only if included in the general costs.
- Planting and landscape services: planting is eligible as it is a part of the investment, but landscape services are likely to be qualified as maintenance – and as such are not eligible.
- Project management: this is not an eligible expenditure.

It is good that the rules stress that the maintenance costs are not eligible for EU-co-financing, because unclarity about this could lead to misunderstanding, raise unrealistic expectations, and create unnecessary problems.

It is not clear why a priority will be given (and more points awarded) to water, sewerage, and waste management projects instead of those of constructing/repairing rural roads. Namely, the rationale mentions the rural roads as “a key condition for economic growth and diversification in rural areas e.g., for developing of rural economy and rural tourism potential”.

The proposed aid intensity and EU contribution rate is in accordance with the EC rules. It is good that under the measure the advanced payments will be allowed, as this will be a great help to small municipalities with limited financial power (and probably cash flow problems) and will enable them to easier and timely implement the measure. It is also good that for this measure, IPARD III offers a possibility to extend/align the number of instalments to construction phases. This is a particularly useful mechanism as it will ease beneficiaries’ liquidity.

Relationship and demarcation with other relevant instruments

The demarcation of assistance with other relevant instruments is appropriate and is clearly explained. Linkage to other IPARD measures is correctly explained, but there is not much information about a potential linkage of this measure with national measures. The assessment of the coherence of proposed intervention under this measure with the national rural development policy, bilateral and multilateral assistance is lacking.

Quantification of targets and results

The measure has four indicators, which are expected to provide an indication of the uptake. All four are in line with the indicators listed in the Fiche for Measure 6. The document does not provide any baseline value for the reference year for any of the four indicators. The same goes for the target values for 2027.

4.2.7. Measure 7: Farm diversification and business development

Rationale

The challenges for the development in rural areas are well described and are leading to a well-presented rationale for the measure.

Objectives

The text presenting the general objectives is describing many different and relevant objectives, but without making a clear indication of which are the main 3-4 general objectives. This can be easily done editing the text. The specific objectives are outlined in dots, which is fine and could be done for the general objectives as well.

Linkages to other measures periods

The main linkages of the measure are to measure 1 and measure 3. The reasons are well-described. Also, linkages to measure 6 are described, although less intensive. Linkages to future measures are also mentioned. The text is appropriate.

Recipients

The potential beneficiaries are legal persons, legal entities, cooperatives and associative legal entities. All must be registered in the relevant registers, if not before the application, then no later before submission of the final payment claim. Legal entities must be micro or small enterprises according to the relevant legal definition.

Limitations and demarcations

The referred limitations are related a) to demarcations to measure 1 and measure 3 regarding which products to process (the topic of the investment) and b) regarding more than 25% of public ownership. The text is adequate.

Common and specific eligibility criteria

Types of beneficiaries are well described.

The viability of the investment must be documented and the specific requirements for measuring the viability of the investment for a period of five years will be published as a part of the information package for the measure.

National standards: The relevant national minimum standards are mentioned, and the investment must comply with these NMS no later than at the end of the projects and before a final claim for payment is submitted to the IPARD Agency.

Specific eligibility criteria are formulated. Some of the criteria related to tourism are also demarcation lines to investment support under the IPA framework (regional development). The criteria are adequate.

Eligible expenditures

The list of eligible expenditures is long and detailed and includes examples of projects. The text is adequate.

Selection criteria

The defined selection criteria are adequate.

Aid intensity

With the given level of aid intensity of 60%, the maximum number of minimum projects will be 7,222.

The maximum total eligible investments will be 2.5 million EUR. The minimum number of projects of this maximum value will be 14 - 15.

Indicative budget, indicators and quantified targets

Baselines must be zero (0). The indicative budget in the indicator table (10 million EUR) is not in line with the budget in the financial table, which is 36.1 million EUR. Please correct the numbers.

Most targets are missing. The target for beneficiaries (farms and entrepreneurs) is quantified to 100. This will correspond to an average investment per project of 361,111 EUR in total eligible expenditures. The average of total eligible investments per project under IPARD II was 91,667 EUR. With this average, 394 projects will be generated. This figure is 3.9 times higher than under IPARD II.

It is recommended to reassess the quantified target for number of projects and to insert targets for the indicators, where the quantification is missing.

4.2.8. Measure 9: Technical assistance

Rationale

The rationale of Measure 9 is short, made of just a couple of short paragraphs providing rather general information. Taking the opportunities embodied in the measure, the rationale can easily be expanded.

Objectives

Measure 9 has one general and eight specific objectives. The general objective is not well formulated. It is too general. It does not refer to the essence of this measure: provision of technical support required to facilitate a smooth and efficient implementation, monitoring and evaluation of IPARD III programme. The list of eight

specific objectives follows the measure fiche. In addition, the following three specific objectives (number 5, 6 and 7) are questionable although they are in line with the measure fiche, so the ex-ante evaluator does not expect any action to be taken from the MA regarding these formulations:

- Support for establishment and preparation of potential LAGs. In EU Member States, this is a part of the LEADER measure. A substantial share of the LEADER measure budget can be used to animation, establishment, and preparation of LAGs. However, it seems that in IPARD III, Measure 9 is expected to provide a heavy support towards the (i) preparatory actions for LEADER, and (ii) assisting in the preparation Local Development Strategies.
- Providing support for the improvement of the capacity of the national AAS. This is in principle acceptable but will require demarcation lines not supporting the same activities from two sources. Measure 9 can support training of public staff only in topics which must be relevant for IPARD implementation.
- Improving the capacity of local entities (e.g. municipalities, regional entities) supporting the implementation of the IPARD Programme). This is legitimate, provided that public entities being supported have a role in IPARD.

Needs assessment

A need for technical assistance is not well elaborated either in the IPARD III document, or in the sectorial analyses (it is only sporadically mentioned in the sectorial analyses on vegetables and fruits).

Lessons learnt from previous programmes

The same goes for the lessons learnt from (quite some) technical assistance projects funded by IPA and TAIEX, as well as by other foreign donors.

Contribution to the IPARD III objectives and consistency of the allocation of budgetary resources in line with the specific objectives of the IPARD III programme

Measure 9 and its eligible investments correspond well with the general and specific objectives the IPARD III. Moreover, there is a good coherence between Measure 9 own objectives and its eligible expenditures.

Measure 9 accounts for nearly 3% of the total public aid to be provided by IPARD III. This seems to be a fair allocation and is likely be sufficient to cover the cost of all envisaged activities.

Appropriateness definition of recipients

The recipient is the Managing Authority. Indirectly recipients can benefit from Measure 9 via the Managing Authority, which is in accordance with the indication provided in the EC fiche on technical assistance. However, the list of organisations that can benefit from Measure 9, does not include local entities (municipalities and regional entities), although one specific objective is directed to their capacity building.

Eligibility criteria, eligible expenses, and administrative procedure

The common eligibility criteria for recipients are well defined, well elaborated and are appropriate. The same goes for the examples of eligible expenditures. The proposed aid intensity and EU contribution rate is in accordance with the EC rules.

The administrative procedure is well elaborated. Transitional arrangements are well defined and in accordance with the EC measure 9 fiche.

Relationship and demarcation with other relevant instruments

The selection and description of eligible investments and demarcation of assistance with other relevant instruments is appropriate and is clearly explained. Linkage to other IPARD measures is correctly explained. The assessment of the coherence of proposed intervention under Measure 9 with national support is well explained but is lacking for bilateral and multilateral assistance.

Quantification of targets and results

Measure 9 has nine indicators, which are in line with the EC fiche for Measure 9. The initial values (reference year) are provided just for four indicators.

4.2.9. Measure 10: Advisory services

Rationale

The rationale provides a useful overview.

Objectives

The general and specific objectives are well formulated. However, neither the objectives, nor the rationale mention or explain how the measure will help smaller and medium-sized farmers and rural microenterprises in using the IPARD programme and in improving their economic and environmental performance.

Needs assessment

The text (p. 248) states that “the specific objectives of the measure have been defined as a result of various needs assessments and gap analysis undertaken by the Managing Authority as part of the measure design process”. But IPARD III document does not provide any specific needs assessments or gap analysis related to M10. However, the need to “improve co-ordination and integration of advisory services and strengthen their human capacity” (Need 1.4) and to “strengthen the advisory service to support farmers and forest owners/managers in implementing agri-environmental practices, climate change mitigation and adaptation practices (Need 2.2) are mentioned in tables on p. 123 and 124. A need for an advisory service is not mentioned in the sectorial analysis – except in the milk/dairy sectorial analysis. This study is quite critical on the present advisory service. It states NEA’s services “did not provide significant improvements in the production of raw milk”, and that dairy farmers “have a limited access to advices from various sources” and that “the main sources of information are the veterinarians and the dairies”

Lessons learnt from the IPARD implementation in previous programming periods

The rationale does mention advisory service-related efforts made by the previous IPARD programmes. But an appraisal of lessons learnt from the IPARD implementation in previous programming periods is not provided. There is also nothing on lessons learnt through other foreign-funded projects, notably those financed by the World Bank and the Dutch Government.

Contribution to the IPARD III objectives and consistency of the allocation of budgetary resources in line with the specific objectives of the IPARD III programme

Measure 10 corresponds well with the general and specific objectives the IPARD III and this is well explained. This measure accounts for 1.3% of the total public aid to be provided by IPARD III, which is very modest. The rationale suggests that there is a need for a substantial strengthening of the current advisory service. The allocated amount will be able to provide salaries for about 32 advisors (see table below). Whether this will be sufficient to meet the IPARD III needs remains to be seen. At first glance, the number of 32 (new?) jobs in the advisory service does not look impressive. However, having in mind that NEA currently employs around 80 advisors (p. 64), this is a substantial increase (of 40%).

Table 3 Number of staff with available budget for measure 10

Total budget M10	1,647,059	EUR
If 85% for salaries	1,400,000	EUR
If a working hour costs (gross), see p. 332	3.58	EUR
It is available for	391,061	Working hours in total
...which is	55,866	Working hours per year
If a fulltime unit equals to	1,760	Working hours per year
M10 budget is sufficient for	32	Full time units per year

Appropriateness of definition of recipients

The recipient under this measure will be as the National Extension Agency (NEA). However, advising and supporting farmers and other beneficiaries on the use of IPARD funds, will be a challenging task for NEA, both with regards to the number of qualified advisors (80 existing and potentially 32 new advisors) NEA and expertise available. This is particularly the case for some “non-traditional” advisory subjects such as agri-environment, climate, public health, etc. Therefore, it would be good to prepare a detailed plan of acquisition of skills and

trainings of advisors and implement this either under the Technical assistance measure or under on-going foreign donors funded projects. It is good that eligible recipients will be also private extension services subcontracted by the Ministry as a part of national advisory system, as this can provide a greater pool of advisors.

The two sub-measures and related packages are appropriate and are well explained. A more detailed, very informative overview of the advisory services to be offered is provided in Annex 17.

Eligibility criteria, eligible expenses, and administrative procedure

Both the common and specific eligibility criteria are very well defined, well elaborated and are appropriate. There are two main approaches: individual “one-on-one” advice and group sessions. Individual advisory packages are well-defined, giving sufficient attention to agricultural sustainability issues, relevant national minimum and EU environmental, hygiene and other standards. The selection criteria are clear and are well explained.

Aid intensity is 100 percent. Standard rates applicable for each advisory package, with a description are provided. They look very accurate, but there is no information how these rates were calculated.

Relationship and demarcation with other relevant instruments

Complementarity and demarcation with other IPARD measures is confusing. Among other linkages, the text refers to the linkage with the three measures that do not seem to be included in the IPARD III programme (yet?). These are (i) “Improvement of skills and competences”, (ii) “Improvement of training (Measure 8?)” and (iii) “Innovation and knowledge transfer”. The two last ones are supposed to be included in IPARD IV Programme (see p. 144). The assessment of the coherence of proposed intervention under this measure with the national support is explain in general terms and is lacking for bilateral and multilateral assistance.

Quantification of targets and results

Measure 10 has six indicators, which are in line with the EC fiche for Measure 10. However, target values are not provided for any of the six indicators.

4.3. Contribution of the selected measures to the IPARD III objectives and consistency of the allocation of budgetary resources amongst measures in line with the specific objectives of the IPARD III programme

This section of the ex-ante evaluation report provides an assessment of the extent to which the expected overall and specific objectives can be realistically achieved with the financial resources allocated to the different measures. Since no quantification of overall and specific objectives have been provided in the draft programme, and not are required, except for number of generated jobs, the assessment is exclusively qualitative and takes as point of departure the contribution of the individual measures to the identified needs under the three overall objectives. The draft IPARD III programme presents on page 125 a good table with an overview over the relationship between measures and needs under each of the overall objectives of the programme.

Objective 1 regarding farm viability and competitiveness shall address 5 needs.

Need 1.1: To improve farm labour productivity and efficiency of the agriculture production, as well as the post-harvesting and marketing of agriculture products, aiming at increased competitiveness via investments.

Measure 1 Investment in physical assets of agricultural holdings will address this need starting from the launch of the programme in 2022. The target is 1,000 holdings to be supported. This is a small number compared to the total number of holdings in North Macedonia, but for those supported an increase in labour productivity, capacity, product quality and fulfilment of standards are envisaged, and the need will be met for the beneficiaries. Measure 2 Improvement of training is mentioned in the programme text as a contribution to the objective, but the measure is not included in the programme and should be deleted. Measure 10 Advisory services will be launched in 2024 and will then contribute to support potential IPARD III applicants as well as to support farmers with the introduction of new technologies, products and procedures.

Need 1.2: To improve the utilization of processing capacities in terms of efficiency and production technology improvements as well as marketing activities at the same time promoting innovations and aiming at full alignment to the EU food safety standards.

Measure 3 Investments in physical assets concerning processing and marketing of agriculture and fishery products is the main instrument under the programme addressing this need. However, only 92 enterprises will be supported according to the quantified target for the measure and for the majority of food processors not already in compliance with the standards the programme will not contribute meeting their needs. Measure 2 Improvement of training is not included in the programme and will not contribute. The measure should be deleted from the list.

Need 1.3: To support the creation of the economic cooperation between agriculture producers and promote marketing linkages; shortening the market chain with promotion of contract farming and solid direct relations with processors, traders and exporters.

Measure 3 Investments in physical assets concerning processing and marketing of agriculture and fishery products may to some extent contribute to meeting this need, but it is the expectation of the ex-ante evaluator that other specific objectives of the measure will have higher priority among the applicants. Thus, the need will only be addressed to a small extent. Measure 10 Advisory services may to some extent also contribute but will first be opened in 2024 and will only contribute in a modest way. Two measures mentioned are not implemented and should be deleted. It is Measure 2 Improvement of training and measure Support for the setting-up of producer groups.

Need 1.4: To establish strong linkages between education and research and extension for effective knowledge transfer; to improve co-ordination and integration of advisory services and strengthen their human capacity.

The only measure contributing is Measure 10 Advisory services, but it is not expected to be an important contribution. Measure 2 Improvement of training is not implemented and should be deleted.

Need 1.5: To improve the skills and qualifications of agriculture producers and workers and their farm management capabilities as to enable them to adapt the agriculture production toward market demands and climate changes. The need is addressed with measure 1 Investment in physical assets of agricultural holdings and measure 10 Advisory services. Measure 2 Improvement of training should be removed.

Need 1.6: To introduce sustainable and economically viable forest management practices for protection and utilization of forests and biomass thereof. The need is hardly addressed with the programme. Only measure 10 may contribute but this will be to a very small extent. Other measures mentioned are not implemented and should be deleted.

Need 1.7: To strengthen the investment abilities of small holder farmers (and their collective forms) to undertake reconstruction, modernization and new investment (including collective investments) and better provision of finances for capital investments.

Only measure 10 Advisory services will contribute to meeting this need. It will be a core activity for the Advisory services already from the launch of the programme in 2022 and from the year of implementing the measure in 2024. Measure 2 Improvement of training is not implemented and should be deleted.

Objective 2. Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry and adaptation and mitigation to climate change

Need 2.1: To involve agriculture producers to introduce and practise water and soil protection management practises and organic farming aiming to halt the decline in biodiversity, address the negative impacts of land abandonment, decreased activities in HNV areas and climate change mitigation and adaptation practices. It is stated that M1, M4, M8 and M10 will contribute to this need. This is correct only to some extent.

M10 can contribute to this need. Organic farming operation under M4 can contribute to this need, but no target and specific sub-budget for this operation is given, so it is difficult to assess the scale of the positive benefits. Especially because only 1% of the IPARD III budget will be allocated for M4. Two other operations of M4 can contribute to the water and soil protection, but not to halting the decline in biodiversity, addressing the negative impacts of land abandonment, especially in HNV areas. M4 will not contribute to the preservation of permanent grassland, of which certainly large proportion are of high nature value.

M1 could contribute to climate change adaptation and mitigation, water and soil protection, but not to biodiversity protection. However, without clear targets (e.g. it should be more precisely explained what are the investments related to care for the environment or climate change) and specific sub-budgets the scale of the positive benefits cannot be assessed. M8 will only be introduced in IPARD IV.

Need 2.2: To strengthen the advisory service to support farmers and forest owners/managers in implementing agri-environmental practises, climate change mitigation and adaptation practices and forest management and ensure provision of training to farmers and forest owners/managers on agri-environmental practises, climate change mitigation and adaptation practices and forest management. It is stated that M8 and M10 will contribute to this need. M10 is very important and can contribute to this need. M8 will only be introduced in IPARD IV.

Need 2.3: To increase the use of energy crops and to promote use of renewable energy at farm level and at processing level as well as to increase the overall energy use from renewable resources at national level. It is stated that M1, M3 and M6 will contribute to this need. All three measures can contribute to this need, but as with previous needs, without specific sub-budget and clear targets it is difficult to assess the scale of the positive benefits.

Need 2.4: To improve the communal waste management and access to communal services of the rural population. It is stated that M6 and M7 will contribute to this need, but only investments in M6 are focused on communal services while the ones in M7 support on-farm investments. Without specific sub-budget and clear targets, the scale of the positive benefits is difficult to assess

Need 2.5: To improve forest management practises to prevent forest fire risks and degradation of forests and utilisation of forest biomass as renewable. It is stated that M6, M7 and M11 will contribute to it. Construction/reconstruction/rehabilitation of forest road network, including fire prevention passages is eligible investment under M6 and it can contribute to this need. Investments under M7 utilisation of forest biomass as renewable can contribute to this need but again, without specific sub-budgets and clear targets, the scale of the positive benefits is difficult to assess.

Objective 3. Promoting balanced territorial development in rural areas

Need 3.1: To support development of existing and new rural businesses for economic development and employment; to develop rural tourism potential. Measure 7 Farm diversification and business development and measure 10 Advisory services will contribute, but also measure 5 Implementation of LEADER may play a role although a small measure in financial terms.

Need 3.2: To develop physical infrastructure, upgrade village spaces and increased provision of services and rural accommodation, for tourism and business development in rural areas and improved living conditions in rural areas. Measure 7 Farm diversification and business development and Measure 6 Improvement and development of rural infrastructure will contribute addressing the need, but the scale of the support available under the mentioned measures is limited and will only to some extent address the needs in rural areas regarding infrastructural development.

Need 3.3: To train municipal authorities in local development planning and project implementation to actively implement rural public infrastructure projects. Measure 6 Improvement and development of rural infrastructure will contribute, but also measure 9 Technical Assistance should, be mentioned in this context.

Need 3.4: To increase the voice of rural people and mobilize local organizations which represent the needs and interests of rural dwellers and rural businesses to actively participate in local development planning. Measure 5 Implementation of Local Development Strategies - Leader Approach will address the need, but the increased attention to the benefits of the IPARD programme, enhanced communication and information from MAFWE and IA through the channels available for support under measure 9 Technical Assistance may play an important role.

Need 3.5: To support production and use of renewable energy in order to protect the environment and lower the costs for electricity, heating and cooling.

Several measures will contribute to meeting the need: Measure 1 Investment in physical assets of agricultural holdings, measure 3 Investments in physical assets concerning processing and marketing of agriculture and

fishery products, measure 6 Improvement and development of rural infrastructure and measure 7 Farm diversification and business development.

Summarizing the assessment in this section, the chosen measures to be implemented from the start of the programme period in 2022 will contribute to addressing the needs, but due to the scale of available support under the programme as a whole and for some of the measures specifically, the needs will only be met for few beneficiaries and not for the sector in general. Here it is specifically recommended to delete those measures from the list, which will not be implemented during the programme period. The balance of the programme is discussed below under section 4.4.1.

4.4. Internal coherence (incl. social, economic and environmental impacts of different measures, impacts over time, potential conflicts, trade-offs and synergies between measures, stakeholders positively and negatively impacted)

In this chapter, the internal coherence of the programme is assessed by paying particular attention to the balance between the operational objectives of the different measures (potential conflicts or synergies).

4.4.1. Internal coherence

The internal coherence of the programme can be assessed by looking at the selected measures and their internal relationships. This is discussed in detail in the evaluation of the individual measures below. Here it is sufficient to state that the measures to a large extent - assessed from an overall perspective - are contributing to a coherent programme. This is basically also the logic of the formulation of the content of the measures in the IPARD toolbox, so it is difficult not to make the programme coherent.

However, it is different with the balance of the programme and the weight given to each of the measures. The financial table below presents the preliminary financial plan for the IPARD III programme for the whole period 2021 - 2027.

Table 4 Financial table, IPARD III 2021 - 2027, Million EUR, relative distribution of resources on measures.

MEASURES	Total public aid	Private contribution	Total expenditures	% of total
Investments in physical assets of agricultural holdings	39.3	26.2	65.6	32.0
Support for the setting up of producer groups	0	0	0	0
Investments in physical assets concerning processing and marketing of agricultural and fishery products	38.9	38.9	77.8	38.0
Agri-environment- climate and organic farming measure	1.6	0	1.6	0.8
Implementation of local development strategies - LEADER approach	2.4	0	2.4	1.2
Investments in rural public infrastructure	18.8	0	18.8	9.2
Farm diversification and business development	21.7	14.4	36.1	17.6
Improvement of training	0	0	0	0
Technical assistance	3.5	0	3.5	1.7
Advisory services	1.6	0	1.6	0.8
Establishment and protection of forests	0	0	0	0
TOTAL	127.9	76.8	204.7	100

Source. IPARD III programme, version 21.09.2021, MAFWE

According to the preliminary financial plan, the main measures in the programme are measure 1 and 3 with 32% and 38% of the total budget respectively, including private co-financing. It is 70% in total. Measure 7 on farm diversification and business development is third on the ranking list with 17.6%, while measure 6 on Rural

infrastructure is fourth with 9.2%. Measure 4 on environment, measure 5 on LEADER and measure 10 on advisory services sweep the bottom with 0.8% to 1.2%. The ex-ante evaluator recognises that some of the measures must be accredited before implementation and that it may take some time before the accreditation process is successfully ended and the preparations of the implementing structures as well as of potential beneficiaries are accomplished.

It is obvious that North Macedonia faces big challenges for the development of agriculture and food processing and that support to these sectors via measure 1 and 3 is important. However, the SWOT and the needs identification also documented that support to environment and climate change, to local development and to knowledge transfer and strengthening of the advisory services are urgently needed. This last point was also highlighted in the lessons learnt from IPARD II. The question is, to what extent the current breakdown of the financial plan ensures a balanced targeting of the identified needs, or that the programme lacks balance and tips into the favour of productivity and capacity-oriented support. It is the impression of the ex-ante evaluator that the first answer may be the correct one. The programme is not in balance compared to the identified needs.

It must be emphasized that the preliminary break-down of the resources on measures is the decision of the MAFWE. The point of view of the ex-ante evaluator is twofold:

Firstly, that the prioritization of the needs should be made transparent and as objective as possible, leading to an understandable distribution of funds. Therefore, it is recommended to describe the prioritization and its basic principles, so that it is possible for the reader to understand (and to accept) the chosen prioritization. Assistance to MAFWE about tools to make the prioritization can be provided.

Secondly, the balance of the programme can be improved with reallocations of funds in particularly to measure 4 environment and climate change and measure 10 advisory services. It is recommended to make this reallocation if the application of the recommended prioritization model above justifies it.

4.4.2. Expected impacts

The expected economic, environmental, and social impacts of the IPARD III programme are described in this chapter starting with the economic impacts.

Economic impacts

The assessment of the expected economic impacts is presented in this section. First, the relevant sector background data are presented. Next the assessment of the expected impacts for each measure with investment support to revenue generating projects.

Background data and international comparison

The two basic background indicators used in the estimations are presented in the table below. It is Gross Value Added (GVA) and employment in the sectors measured in annual work units (AWU).

Table 5: GVA and employment (AWU) in agriculture, forestry and fisheries and food processing including beverages and tobacco, 2014 – 2019

Sector	2014	2015	2016	2017	2018	2019
Gross Value Added in current prices (million EUR)						
Agriculture, forestry and fisheries	871	882	886	790	910	902
Total GVA in food-processing	243	242	274	286	No data	231*
Employment						
No. of workers (AWU) in	146,000	153,000	150,000	138,000	151,000	111,000

agriculture, forestry, and fisheries						
No. of workers (AWU) in food-processing	21,071	20,318	19,809	17,512	21,219	25,600

Source: IPARD III programme, draft version 20.09.2021 and AIR2019, table 19. AIR2020, table 17. It should be noted that there are data inconsistencies between the various sources regarding employment (persons and AWU) and GVA in agriculture and food processing. *Estimated

The GVA of agriculture, forestry and fisheries has increased modestly with 3.5% from 2014 to 2019, although with some fluctuations, lowest in 2019 and highest in 2018. At the same time, employment fell with 39%.

For food-processing, the GVA increased with 17.7% from 2014 to 2017, while employment increased with 21.5% from 2014 to 2019. The development in labour productivity is presented in the table below.

Table 6: Labour productivity in agriculture (including forestry and fisheries) and food processing (GVA/AWU), 2014 – 2019 and relative growth 2014 to 2019

Sector	2014	2015	2016	2017	2018	2019	% 2014 - 2019
Gross Value Added/AWU in current prices (EUR)							
Agriculture, Forestry and Fisheries	5,966	5,765	5,907	5,725	6,026	8,127	36.2
Food processing	11,532	11,910	13,832	16,332	No data	9,010	-21.9

Source: IPARD III programme, draft version 20.09.2021.

According to the available data, labour productivity in agriculture in the Republic of North Macedonia is 8,127 EUR/AWU in 2019, which is 39% of the EU average of 20,833 EUR/AWU, but still 55% higher than the EU minimum level represented by Romania with 5,259 EUR/AWU. Also, Slovenia with 7,890 EUR/AWU, Croatia with 7,113 EUR/AWU and Serbia with 6,046 EUR/AWU are lower than North Macedonia, see the table below.

Table 7: Labour productivity in agriculture (including forestry and fishing) and agri-processing, Serbia, EU and selected comparative countries, EUR/AWU

Measure	EU average, reference year is 2020 for agriculture and 2017 for food processing	EU minimum countries	Croatia	Slovenia	Serbia	North Macedonia as % of EU average, 2019
Agriculture, Forestry and Fisheries	20,833 (2020)	5,259 (Romania)	7,113	7,890	6,046	39
Food processing	50,664 (2017)	8,941 (Bulgaria)	25,946	27,617	14,371	18

Source: IPARD III programme, draft version 20.09.2021 and EUROSTAT

In food processing North Macedonia has a labour productivity level of 9,010 EUR/AWU in 2019, which is only 18% of the EU average of 50,664 EUR/AWU (in 2017). The EU minimum level is represented by Bulgaria with 8,941 EUR/AWU. The level in North Macedonia is almost equal to Bulgaria. Croatia has a level, which is 2.9 times higher, and Slovenia is 3 times higher than North Macedonia, while the level in Serbia 1.6 times higher.

It must be emphasised that data solidity is weak and that there are inconsistencies in the presented data in the various documents (Draft IPARD III, version 21.09.2021, AIR2019, AIR2020). Requests to SSO have not been answered in due time to be used in this report. MAFWE is recommended to enhance data collection, analysis and presentations in cooperation with the national statistical services.

However, based on the exiting data, both for agriculture and for food processing there is a need to increase labour productivity. In particularly in food processing is the need urgent if the food industry in North Macedonia shall be able to compete in the coming years.

The investment level in agriculture is measured by the Gross Fixed Capital Formation (GFCF) indicator. It was 11.1 million EUR in current prices in 2017, according to the draft IPARD III programme, see context indicator 23. There is no data on GFCF in the food industry. With total planned eligible investments under IPARD III at 65.6 million EUR in agriculture under measure 1, the investments per year in 7 years (9.4 million EUR/year) is 84.7% of the GFCF.

M1: Investments in physical assets in agriculture

The expected impacts of the IPARD III investments in agriculture are summarized below with focus on GVA development, employment, and labour productivity. The table below provides data for measure 1. The total eligible expenditures planned are 65.6 million EUR, of which 26.2 million is private co-financing and 39.3 million EUR is public (EU plus national). M1 represents 32% of the total eligible expenditures under IPARD III 2021 to 2027 and is the second highest prioritized measure after M3.

Table 8: Total eligible expenditures, EUR, measure 1, share of total IPARD III expenditures (%)

Total public support, EUR	Private contribution, EUR	Total eligible expenditures, EUR	Share of total expenditures IPARD III, %
39,333,333	26,222,222	65,555,556	32.0

Source: IPARD III programme, draft version 20.09.2021

The key number in the estimations of the impacts is the Return of Investment (RoI). For measure 1, the RoI is estimated to be 8% in the following way. The average payback time for investments in constructions and buildings is indicated to be 20 years, while the payback time for investments in equipment, new technologies and machines is indicated to be 5 years. It should be mentioned that the feasibility model proposed in the draft programme for assessing the feasibility of investments, the maximum payback time is inserted to be 10 years. It is too low if big components of the investments are in buildings and constructions. Based on the defined payback times and an equal distribution of the investments between the two categories of investments, the average payback time is calculated to be 12.5 years. This is equal to a RoI of 8%, which is the RoI used in the impact calculations.

With this RoI, the growth in GVA is estimated to be 5.2 million EUR. The labour productivity in the agricultural sector was 8,127 EUR/AWU before IPARD III (2019) and will increase to 8,777 EUR/AWU for the supported beneficiaries. With the new achieved level of labour productivity, the newly generated GVA in the sector will affect 598 jobs. It is here anticipated that 50% of the investments are generating new production capacity and thus new jobs, while the other 50% will increase productivity (and quality) of the production. Therefore, the affected 598 jobs, will be distributed with 299 new jobs, while 299 jobs will be maintained with higher labour productivity than before the investment. The impacts are inferred in the table below.

Table 9: Impacts of IPARD III investments, measure 1, Labour productivity and jobs

RoI, %	Growth in GVA, EUR	Labour productivity (EUR/AWU) before (2019)	Labour productivity (EUR/AWU) after investment	Number of jobs, total	Of which 50% new
8	5,244,444	8,127	8,777	598	299

Source: Own calculations

The impact on the whole sector will be modest. The new jobs will represent 0.3% of the employment in the sector, while the generated GVA will represent 0.6% of the sector GVA, see the table below.

Table 10: Impacts of measure 1 in relation to the overall sector, GVA and jobs.

Employment in agriculture, AWU 2019,	Jobs created or maintained in agriculture with IPARD III, % of total employment	Total agricultural GVA, 2019, EUR	GVA generated in agriculture with IPARD III, % of total GVA, %
111,000	0.3	902,100,000	0.6

Source: IPARD III programme, draft version 20.09.2021, Own calculations

M3: Investments in physical assets related to production and marketing of agricultural and fishery products (Agri-processing)

The expected impacts of the IPARD III investments in the food processing sector are summarized here regarding GVA growth, employment, and labour productivity. The table below show data for measure 3. The total eligible expenditures planned are 77.8 million EUR, of which 50% equal to 38.9 million is private co-financing. M3 represents 38% of the total eligible expenditures under IPARD III 2021 to 2017 and is the highest prioritized measure.

Table 11: Total eligible expenditures, EUR, measure 3, share of total IPARD III expenditures (%)

Total public support, EUR	Private contribution, EUR	Total eligible expenditures, EUR	Share of total expenditures under IPARD III, %
38,893,333	38,893,333	77,786,667	38

Source: IPARD III programme, draft version 21.06.2021

Also, for agri-processing is the Return of Investment (RoI) the key indicator. For measure 3, the RoI is estimated to be 8% using the same approach as for M1. The average payback time for the investments is the same as for M1: Constructions and buildings is 20 years, and investments in equipment, new technologies and machines is 5 years. Based on these payback times, the average payback time is 12.5 years. This is equal to a RoI of 8.5%. This is the RoI used in the impact calculations.

The growth in GVA is estimated to be 6.2 million EUR. The labour productivity in the agricultural sector was 9,010 EUR/AWU before IPARD III (2019) and will increase to 9,731 EUR/AWU for the supported beneficiaries. With this level of labour productivity, the newly generated GVA in the sector will affect 640 jobs. 50% of the investments are generating new production capacity and thus new jobs, while 50% will increase productivity (and quality) of the production. Therefore, the affected 640 jobs, with 320 new jobs, and 320 maintained jobs with higher labour productivity than before the investment. The impacts are inferred in the table below.

Table 12: Impacts of IPARD III investments, measure 3, Labour productivity and jobs

RoI, %	Growth in GVA, EUR	Labour productivity (EUR/AWU) before (2019)	Labour productivity (EUR/AWU) after investment	Number of jobs, total	Of which 50% new
8	6,222,933	9,010	9,731	640	320

Source: Own calculations

The impact on the whole food processing sector will be modest, as it is the case for agriculture. The new jobs will represent 2.5% of the employment in the sector, while the generated GVA will represent 2.7% of GVA in the agri-processing sector, see the table below.

Table 13: Impacts of measure 3 in relation to the overall sector, GVA and jobs.

Employment 2019, AWU	Jobs created or maintained in food-processing with IPARD III, % of total employment	Total food processing GVA, 2019, EUR	GVA generated in agri-processing with IPARD III, % of total GVA
25,600	2.5	231,000,000	2.7

Source: IPARD III programme, draft version 21.09.2021, Own calculations

M7: Diversification and business development

The expected impacts of the M7 are summarized here. The total eligible expenditures planned are 36.1 million EUR, of which 21.7 million EUR are public funded and 14.4 million is private co-financing. M7 represents 17.6% of the total eligible expenditures under IPARD III 2021 to 2027 and is the third highest prioritized measure after M1 and M3.

Table 14: Total eligible expenditures, EUR, measure 7, share of total IPARD III expenditures (%)

Total public support, EUR	Private contribution, EUR	Total eligible expenditures, EUR	Share of total expenditures IPARD III, %
21,666,667	14,444,444	36,111,111	17.6

Source: IPARD III programme, draft version 21.09.2021

For measure 7, the value of the RoI is selected to be 8% similar to M1. The reason is that it is anticipated that a decision of an investment in diversification of farm activities or starting a new business will generate minimum the same RoI, as if the money were spent on traditional agricultural activities. Otherwise, the investment will not take place, ceteris paribus.

The growth in GVA is estimated to be 1.8 million EUR. The labour productivity is anticipated to be the same as for agriculture both before and after the investment. With this theoretical level of labour productivity, the newly generated GVA under M7 will affect 206 jobs. Since all activities are new, all jobs will be new. The impacts are inserted in the table below.

Table 15: Impacts of IPARD III investments, measure 7, Labour productivity and jobs

RoI, %	Growth in GVA, EUR	Labour productivity (EUR/AWU) before (2019)	Labour productivity (EUR/AWU) after investment	Number of jobs, total
8	1,805,556	8,127	8,777	206

Source: Own calculations

M5: LEADER-measure

The expected impacts of the M5 are summarized here. The total eligible expenditures planned are 2.4 million EUR, all public funded. M5 is a new small measure and represents only 1.2% of the total eligible expenditures under IPARD III equal to the agro-climate measure 4 and the advisory measure 10 with 0.8%.

Table 16: Total eligible expenditures, EUR, measure 5, share of total IPARD III expenditures (%)

Total public support, EUR	Private contribution, EUR	Total eligible expenditures, EUR	Share of total expenditures IPARD III, %
2,433,333	0	2,433,333	0.8

Source: IPARD III programme, draft version 21.06.2021

The value of the RoI is estimated in the same way as for M7 and is 8% similar to M1. The contribution to the growth in GVA is estimated to be 0.14 million EUR, since maximum 70% of the total public support minus operational costs to the LAGs, 1.7 million EUR can be used to smaller projects. The labour productivity is anticipated to be the same as for agriculture both before and after the investment. The newly generated GVA under M5 will affect 16 new jobs from the small projects, which all will be new, because all activities are new. The impacts are inserted in the table below, without taking the 20 LAG coordinators into consideration.

Table 17: Impacts of IPARD III investments, measure 5, Labour productivity and jobs

RoI, %	Growth in GVA, EUR	Labour productivity (EUR/AWU) before (2019)	Labour productivity (EUR/AWU) after investment	Number of jobs, total
8	136,267	8,127	8,777	16

Source: Own calculations

It must be mentioned that the estimation of the new number of jobs generated from the smaller projects under M5 may be fragile. The estimation is based on the aggregated additional GVA generated, but since the number of small projects may be big (250), the contribution to job generation from the individual project may be limited. However, from a theoretical point of view, the GVA generated will in principle generate 16 new jobs.

Summary of economic impacts

The estimations presented above are summarized in the table below.

Table 18: Summary of economic impacts of M1, M3, M5 and M7, GVA, labour productivity, jobs

Measure	Growth in GVA, EUR	Labour productivity (EUR/AWU) before (2019)	Labour productivity (EUR/AWU) after investment	Number of jobs, new and maintained, total	Of which new jobs
M1: Investments in physical assets of agricultural holdings	5,244,444	8,127	8,777	598	299
M3: Investments in physical assets concerning processing and marketing of agricultural and fishery products	6,222,933	9,010	9,731	640	320
M5: Implementation of local development strategies – LEADER approach	136,267	n.a.	8,777	16	16

M7: Farm diversification and business development	1,805,556	8,127	8,777	206	206
Total	13,409,200	n.a	n.a	1,460	841

Source: Own calculations

The four revenue generating measures will contribute to additional 13.4 million EUR in GVA in the rural areas and will generate 841 new jobs and ensure that 619 jobs are maintained. It must be mentioned that the estimated effects are generated per year if all projects are implemented the first year of the programme period. This will not be the case. Therefore, the impacts will materialize as the programme is implemented.

Additional economic impacts may be expected from Measure 6 Rural infrastructure depending on the share of projects on revenue generating investments (50% support) and on the socio-economic benefits of the various types of infrastructure projects. These projects are not known today, and the benefits cannot be estimated in advance.

Environmental impacts

Increase of agriculture production and food processing, more intensified agricultural production and diversification and development of economic activities in rural areas can lead to additional pressures and negative impacts on nature and environment. However, enforcement and compliance with National Minimum Standards and EU standards will have important positive impact on the environment and nature. There is a number of minimum standards with regards to environment that beneficiaries have to comply with in order to be eligible for the investment. Before the investment is contracted, the beneficiary needs to be in line with the national minimum standards and in line with the EU standards after the investment is performed.

Investments in the construction of manure storage capacities; investments in construction of facilities for waste treatment, storage facilities for plant protection products and fertilisers; investments in modernization of facilities, establishment of plants for renewable energy production will have direct positive impact on soil and water. Direct beneficial effect can be expected also on-air quality and climate (in terms of reducing ammonia and greenhouse gases). However, this direct positive impact will be rather limited and local because of only limited number of projects supported.

Construction and/or reconstruction works may impact adversely on the soil, e.g., through compaction or pollution caused by spillages. Such activities may thus have a negative impact on soil erosion and soil processes. However, these negative effects are likely to be of a local and temporary character. Construction works associated with new buildings and other structures may have an adverse impact on water quality through, e.g., spillages of chemicals and fuel and an increase in the amount of flushed water due to more impermeable surfaces and may adversely affect air quality, e.g., through dust and chemical odours. Hence, these negative effects are likely to be of a local and temporary character.

Increases in the income, employment, mobility, and growth of new firms are likely to lead to greater demand for goods, travel and energy and thus to cause an increase in greenhouse gas emissions on a small scale. Thus, these effects are likely to be of local character.

Agri-environment climate measure will contribute to sustainable management of natural resources to a very limited level. No output indicators are given for this measure.

With reference to the output indicators used to quantify the targets for the measure, these numbers can be summarized:

- Number of recipients with investments related to care for the environment or climate change: 170 (M1=150 + M3=20)
- Number of recipients with investments in manure management: 70 (M1=50 + M3=20)
- Number of recipients with investments in waste treatment/management: 70 (M1=50 + M3=20)

Social impacts

Social impacts will include increased welfare and economic opportunities in rural areas for those able to take advantage of the possibilities provided by the IPARD III programme. These will, mostly likely be bigger farmers, younger farmers, and rural dwellers as well as bigger companies with the social and monetary capital to mobilise the needed resources, to recognise the need for and a potential of IPARD, to prepare the applications and obtain all needed assisting documents and permits, and to mobilise private co-financing through either a bank loan or private sources.

Living standard and wellbeing of rural population will be improved through investments in public rural infrastructure such as water management, sewerage system and wastewater treatment, waste management, roads and energy supply and in small-scale services. Acquisition of new skills, innovation in local communities and development of a culture of cooperation through LEADER measure will increase social capital in rural areas. LEADER will contribute to positive preconditions for growth and development. Empowerment of women may be an impact of the LEADER approach. Creating of the team spirit, participation, collaboration, including the gender balance between men and women, young and elder will strengthen social fabric.

However, there will be growing disparities between the regions which will take advantage of the possibilities provided by the IPARD III programme and those, who will not. There will be an increased risk of social exclusion and poverty for those farms that are unable to professionalise or to become integrated into the commercial sector. The older, poorly educated farmers will find it increasingly difficult to find a position in the market and will be squeezed out into the subsistence economy. In this respect, access to small investments and simple solutions combined with proper information and capacity building could bring big improvements, for example through national schemes. Thus, other support schemes, such as the national and donor-funded schemes targeting this large group of family holdings with investment support and advice on how to improve their working and living conditions, will be relevant for their further growth and development.

4.5. Appropriateness of definition of recipients of each measure

The recipients of support under all measures are well defined, although some clarification may be needed for measure 6 on Investments in public rural infrastructure regarding the size of municipalities eligible for support. The recipients are inserted below for each measure for easy reference.

Measure 1: Agricultural, holdings, Cooperatives and Associate legal entities, all appropriately registered in the relevant registers. Holdings investing in on-farm processing must also register as a food operator in FVA.

Measure 3: Legal entities, Cooperatives and Associate legal entities all appropriately registered in the relevant registers.

Measure 4: Agricultural holdings; cooperatives; associative legal entities for collective investments (cooperatives, recognized producer groups and producer organisations, private companies founded by family agricultural holdings or associations of agriculture producers - minimum number of agriculture producers engaged under any of these entities is at least 20.) Recipients must be registered in the Farm Register. It is not clear why collective investments are expected under M4.

Measure 5: Local Action Groups, selected through competitive procedure, selected by the MA and contracted by the IPARD Agency.

Measure 6: Beneficiaries are municipalities with less than 10,000 inhabitants. However, from the selection criteria (p. 206) it appears that the support can be granted also to municipalities with up to 20.000 inhabitants, or even to those having more than 20,000 inhabitants, although both will be awarded less points in the selection procedure. A clarification is recommended.

Measure 7: Natural persons registered as living in rural areas and/or have registered economic activity in the rural areas; legal entities registered as micro and small enterprises; Cooperatives registered; Associate legal entities eligible for collective investments, when the associate legal entity is controlled by agricultural producers.

Measure 9: The direct recipient under this measure is the Managing Authority, but other organisations and institutions will benefit from the activities implemented under the measure, for example training of staff in public institutions, NEA and others.

Measure 10: The recipient under this measure will be the National Extension Agency (NEA), advising and supporting farmers and other beneficiaries on the use of IPARD funds.

4.6. Relationship and demarcation with other relevant instruments

The relationship between IPARD III programme and its demarcation with other relevant instruments is described in chapter 10 of the programme. The description of the relationships and the demarcation lines is divided on three areas, and these areas are assessed individually here.

4.6.1. Demarcations to other IPA programmes

The text regarding demarcation to other IPA programmes is the most detailed text. The description summaries the demarcation criteria in the following way:

Demarcation criteria in relation with the sectors environment, transport and local and regional competitiveness under IPA III Programming Framework will be based on these main principles:

1. by type of territories concerned: urban versus rural.
2. by the size of settlements and municipalities
3. by type of recipients
4. by type and/or the size of actions selected under each policy
5. by establishment of administrative co-ordination mechanisms on programme level to ensure consistency

In general, the description is appropriate and gives good and reasonable demarcation lines based on the content of the individual measures under the IPARD III programme.

Only one criterion may be questionable:

‘Programmes related to environment will support the increase of renewable energy share and low-emission technologies, energy efficiency, disaster risk reduction activities and investments towards “greening” of the industry, while IPARD III Programme supports actions in introduction of renewable energy for own consumption of the recipients and investments in renewable energy plants with total eligible costs up to 3 mill EUR.’

Is this demarcation line clear and logical? The ex-ante evaluator expects that it is possible under IPARD to support energy efficiency as a climate change adaptation/mitigation action under various measures, in particularly under measure 3. How is this handled during the implementation?

Furthermore, the ex-ante evaluator appreciates that the authorities plan to set-up a Management Information System. According to the description, the MIS is a central project database in the MoF accessible by all institutions, participating in the management, implementation, monitoring of the EU financial instruments in the country. How far is the preparatory work with the database? The digitalized approach will be supplemented with cross-representativeness between the MA of the various programmes., which is also appreciated.

4.6.2. Complementarity of IPARD III with donor and IFI instruments

The description of demarcation lines to donor and IFI instruments is rather short. The text states correctly that the *‘Managing Authority is responsible to monitor the related donor and IFI’s activities in the agriculture and rural development sectors as to cross-check their complementarity and to avoid overlapping at Programme level.’*

The Managing Authority and MAFWE will also exchange planning and programme information and ensure representation in the related steering or monitoring committees of relevant donor projects and the programme.

No specific demarcation lines are prepared and should not be prepared in advance due to the character of donor projects. Monitoring and cross-checks will be a good approach within the framework of the donor coordination mechanism in the country.

4.6.3. Demarcation criteria and complementarity of IPARD measures with national policy

The text describing the demarcation lines to national policy is very short and not really informative. The text states that *'the scope of aid granted under this Programme will not overlap with the scope of aid granted under the national support schemes for agriculture and rural development. This shall be achieved at programme and at project level.'*

It is relevant to elaborate in more detail, how the demarcation lines are formulated for the individual measures, where overlap may occur. How do the demarcation lines to the national support look like? Scale of production? Size of total eligible investments? Or a combination? It is recommended to prepare a text and/or a table describing these objective and measurable demarcation lines.

4.7. Quantified values for targets and results

The targets set for each measure are assessed in the evaluation of the individual measures above but are repeated here. All in all, it is recommended to re-assess the quantification of targets, where relevant as indicated in the text below and to formulate targets for the measures, where no quantification yet has been accomplished.

Measure 1: Investments in physical assets of agricultural holdings

After reducing the baseline to 0 farms, the target is 1,000 farms supported, of which 300 will align with EU standards, 234 farms will be operated of young farmers, when the baseline is corrected to 0. The number of supported producer groups will be 30 with 500 farms participating in the supported groups. The number of collective investments is 30, but it is not clear, if this number is identical to the 30 supported producer groups. 150 farms will get support to investments related to environment and climate change, while 50 farms will get support to manure management and another 50 farms get support to waste treatment and waste management. Furthermore, it is stated that 1,800 farms will get support to investments in renewable energy production, and this figure cannot be correct, when only 1,000 farms in total will be supported. The number of farms investing in circular economy is not quantified. Finally, the target of jobs is 500. The targets should be corrected after reducing the baselines to 0.

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

The target for agri-food processing enterprises supported is 120, but should be corrected to 92, when the baseline is corrected to zero (0). The number of enterprises aligning with standards is set to 120, but also this number must be corrected, and reduced to 92. The target for producer groups is 5 with 50 participants, and the number of collective investments is 5. 20 enterprises will invest in environment and climate change, 20 in waste treatment and 20 in renewable energy production, and finally, 10 will invest in the circular economy. 500 jobs will be created. The targets should be corrected after reducing the baselines to 0.

Measure 4: Agri-environment climate and organic farming

No targets are quantified for the measure. However, a rough estimation can be made based on the allocated budget of 1,647,059 EUR and the average per hectare payment of 330 EUR. The total number of hectares will be 4,500 hectares. However, it is not clear from the numbers and the text, if these 4,500 hectares will be supported only in one year, or the support will be distributed over 4 programme years, and then only 1,125 hectares will be supported. The quantification of the target should be inserted in the measure description.

Measure 5: Implementation of local development strategies-LEADER approach

Ten (10) Local Action Groups are planned, which seems to be realistic with the available resources. The LAGs will contribute to the implementation of 250 small projects (5 per LAG per year), which is also realistic.

30 jobs are estimated to be generated from the measure (3 per LAG). If these jobs are only employees of the LAGs, it is too high, and maybe two jobs per LAG would be more realistic giving 20 jobs. It is not realistic that additional jobs will be created with the help of the 250 small projects. If the average small project value is 5,000 EUR, each LAG would spend 15,000 EUR per year on purchase of goods and services, and this amount is too small to generate additional jobs.

Measure 6: Investments in public rural infrastructure

No targets re quantified. It is recommended to inserted targets in the final version of the programme.

Measure 7: Farm diversification and business development

After correcting the baselines, the number of beneficiaries targeted must be 96. This is the only quantified target under the measure. However, the average of total eligible investments per project under IPARD II was 91,667 EUR. With this average applied under IPARD III, 394 projects will be generated. It is reasonable to expect that the average investments per project will be bigger under IPARD III, but not that much bigger. The quantified target should be reconsidered.

Measure 9: Technical assistance

No targets re quantified.

Measure 10: Advisory services

No targets re quantified.

5. APPRAISAL OF MONITORING, DATA COLLECTION, IMPLEMENTATION SYSTEM

5.1. Assessment of the implementing provisions for managing, monitoring, and evaluating the programme (incl. identification of bottlenecks and preventive actions)

This chapter in the ex-ante report provides an assessment of the implementing provisions for managing, monitoring, and evaluating the programme with a focus on ensuring a sound and efficient management. The chapter includes an appraisal of risks resulting from possible bottlenecks which might impede implementation of the programme based on experiences from IPARD II (IPARD I).

Section 5.2.2 of the draft IPARD III programme provides these important points regarding the relatively slow IPARD II implementation:

- Insufficient administrative capacity of IPARD structure
- Low level of implementation of national legislation (environment, health and animal welfare)
- Low quality of registers and lack of electronic access
- Weak assistance to farmers from research and extension services
- Too strict administrative procedures for IPARD II

These points will also be addressed in this chapter.

5.1.1. Implementing structures

NIPAC and NAO are briefly described in chapter 11 of the programme, while the more specific description of the operating structure is presented in chapter 12. The ex-ante evaluator has no comments to the descriptions of NIPAC and NAO in chapter 11.

Managing Authority (MA)

The current situation in MA regarding staff is that 15 positions are occupied, and that 4 positions are vacant. See the table below.

Table 19 Financial table, IPARD III 2021 - 2027, Million EUR, relative distribution of resources on measures.

	WLO 2018	Staff 31.12.18	Occupancy rate, %	WLO 2019	Staff 31.12.19	Occupancy rate, %	WLO 2020	Staff 31.12.20	Occupancy rate, %
MA	19	17	90	19	15	79	19	15	79

Source: MAFWE - AIR 2020

One of the vacant positions (an evaluation expert) is expected to be recruited this year, one is an internal promotion, and two other positions will be recruited during 2022. Additionally, 2 positions will be recruited/occupied later (2023) to be ready to the implementation of new measures (M4, M5, M6, M10) in 2024, if the accreditation runs as planned.

Training of staff is taking place on a regular basis, although not guided by a training plan or similar. Training in Monitoring and Evaluation is needed and has been needed in several years, which is also stated regularly in the monitoring reports and the reports to MC on monitoring and evaluation activities.

New monitoring tables are being prepared so that a better overview of the implementation of the IPARD III programme can be achieved. The monitoring reports will be made based on weekly updates of the implementation entered in a database by the IPARD Agency. The MA has direct read only electronic access to the database.

The problems referred to in the draft IPARD III programme with the exiting registers were that different actors did not have electronic access to them. It was not the functioning of the registers as such that was a problem. Now this will be improved with the transfer of registers to IA (IACS, LPIS, Farm register).

The MoF is operating a Management Information System (MIS) covering all structural funds/programmes in order to monitor risks for overlaps between the individual programmes. The MIS database is operational and will together with coordination meetings between relevant implementing line ministries ensure that overlaps and double funding will not take place.

The work with the digitalization of applications (electronic application forms) is in progress, but the implementation timeline is not available for the moment.

National standards must be fulfilled, if applicants shall be successful under IPARD. This is clear and well-described in the programme. The number of farmers and food processors not in compliance with national minimum standards is going down, so the problem with illegal and unfair competition from non-compliant farmers and food processors is reducing over these years.

The effectiveness of the designated technical bodies has been good under IPARD II and has not caused delays in the processing of applications and payment claims. It is the observation of the MA that the IA and the technical bodies have a good cooperation. The cooperation is guided with the help of MoU between the IA and the individual bodies.

The previous programmes experienced big numbers of incomplete applications. The problem was to some extent caused by weak assistance to applicants from the National Extension Agency (NEA), but also lack of knowledge of the somewhat complex procedures of the applicants. The MA has initiated a close dialogue with NEA over the last year and have now monthly coordination meetings in order to monitor the support of NEA to applicants, primary small farmers applying under measure 1. The quality of the assistance to applicants has improved due to training and build-up of experience, and the bottleneck will be reduced under IPARD III. Now the advisory measure (measure 10) is also in the preparation phase and will also help when implemented from 2024.

IPARD Agency (IA)

Enhancement of staff capacity has been and is one of the main goals of the management in the IA, according to the director of the IA. Currently, the IA has 156 full time staff, which is in compliance with the WLA for 2021 prepared December 2020, see the table below. This means that the occupancy rate has been increased considerably the latest year.

Table 20 Financial table, IPARD III 2021 - 2027, Million EUR, relative distribution of resources on measures.

	WLO 2018	Staff 31.12.18	Occupancy rate, %	WLO 2019	Staff 31.12.19	Occupancy rate, %	WLO 2020	Staff 31.12.20	Occupancy rate, %
IPARD	170	109	64	150	114	76	158	123	78

Source: MAFWE - AIR 2020

The WLA for 2021 indicates that the number of staff should be 172, and because of this the procurement procedure for recruiting additional 20 staff is on-going and will be finalised by the end of the year. In particularly 'Sector for Payments' will be enhanced due to the need in 2022 to speed up the processing of payment claims. It is also expected that the processing time for applications will be 6 months or less during 2022 and will then fulfil the requirements from MA set in the Sectoral Agreement.

Table 21 Financial table, IPARD III 2021 - 2027, Million EUR, relative distribution of resources on measures.

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	/	/

Source: MAFWE, AIR2020

The retention policy improvements for staff in the IA has been a second management goal. It will be improved in order to reduce the turnover rate of staff. Also, salaries in the IPA-structures, and not only in the IA, have been increased so that they now are 15% higher than other administrative positions at the same level of experience. Finally, and as a third goal, the IA will move to new and better premises shortly, and this will also help improving the tight working environment.

Training of staff is on-going, but a Training Needs Assessment could be useful in order to plan a comprehensive training effort also for new staff to be recruited soon. IA is in dialogue with MA about using TA measure for this purpose of training. It is recommended to prepare a TNA and a comprehensive training plan for IA staff.

Digitalization of IPARD applications and work processes in IA is being prepared under an EUD funded project, but the system is not yet ready to be tested. Therefore, manual applications on paper are still the way to work now, but in the future electronic application forms and work processes in the IA will contribute to increased effectiveness. This will be to the benefit for applicants and for staff in the IA.

Simplification of the procedures is also a goal of the management. Currently the focus is on trying to eliminate the '3 offers requirement' applied in combination with a reference price check conducted by the IA. The IA has a price reference database, updated every second year, and the hope is that the IA can get approval in DG Agri to use only the price reference database and avoid the time consuming 3 offers methods. This will help both applicants and IA staff. A full assessment of the work processes has not been carried out recently but could lead to additional proposals to increased effectiveness. It is recommended to consider, if a work process analysis is needed now and if so to accomplish it.

The cooperation with delegated bodies, such as FVA and municipalities regarding permissions, certificates etc. needed either to apply for funds or to get grants paid out is working well. It is based on institutionalised MoU, and the cooperation does not give any problems regarding the effectiveness of the processing of applications and payment claims.

The expectations for IPARD III are positive both regarding effectiveness of processing applications and payment claims and regarding the quality and completeness of the applications. NEA and private advisors have improved their advises to farmers and other applicants, so that the rejection rates have been reduced for IPARD I and for IPARD II and again is expected to go down further under IPARD III. Together with online guidelines, rulebooks and instructions to applicants, better and more frequent information to beneficiaries has also contributed to more complete applications.

The system is working well regarding preventing and reducing the risk for frauds, errors, and mistakes. The four-eyes-principle is a corner stone in the processes. The audit system is advanced and solid, so there are no problems with transparency of decisions and with errors, fraud, and mistakes in the decision processes.

The director is very optimistic about the contribution from IA to a smooth and effective implantation of IPARD III

5.1.2. Monitoring and Evaluation

Monitoring reports to MA from the IPARD Agency are made manually in excel and is based on reporting of physical and financial indicators. Work is ongoing for the preparation of using SAP software.

Monitoring reports 2018, 2019 and 2020 present data on the progress of the implementation per measure, number of applications contracted and paid and the associated amount regarding EU contribution. No data are presented on the full financial commitments compared to the overall financial plan, including both total public (EU and national funding) and private funding.

Information about investments distributed on types of investments (renewable energy, constructions/buildings, environment, equipment, machines and technologies, green field investments etc.) as well as distribution on sectors and regions is provided.

AIR reports 2018, 2019 and 2020 present the progress of the implementation of IPARD II. Monitoring data on implementation, measure by measure, regional distribution types of investments. Information about implementing structures etc. are presented. However, no adequate financial tables providing full and fast

overview over the progress of the programme implementation are included in the AIR reports, as it was also the case for the monitoring reports. Also, the AIR reports stress the obstacles for conducting evaluations. *‘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 IPARD 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.’*

Progress reports on evaluation activities are prepared and distributed to the Monitoring Committee (MC): 1) December 2017 to December 2018, 2) December 2018 to May 2019. The reports provide information about the number of applications, contracts and their values as well as the number of rejections and the reasons for rejection. Nothing is included in the reports on results and impacts of the measures and the programme, as stated in the reports. Limited capacities and staff and knowledge in MA about evaluations are obstacles for the evaluation activities.

PowerPoint presentations about the Ongoing evaluation of IPARD II, November 2020 describes obstacles for conducting the ongoing evaluation. Also, the similar report from June 2021 discusses the obstacles and not the findings from the evaluations actually conducted, such as the ex-post evaluation of IPARD I. This means that the various reports lack information about the effects of the programme implementation in terms of results and impacts for the beneficiaries, for the sectors and for the economy.

An Evaluation Plan is elaborated for IPARD 2014 - 2020. It follows the guidelines from EC and is well drafted. The EP also contains activities related to the finalization of IPARD II and provides information about actions to be taken until 2024 including accomplishment of the ex-post evaluation for IPARD II. It is recommended to elaborate a new Evaluation Plan covering IPARD III. The EP must be ready no later than one year after the approval of the programme in EU. However, there is no reason to wait with the exercise, when the final programme is ready to be submitted to EU.

Finally, it is recommended to establish a comprehensive monitoring and evaluation system in MAFWE covering both IPARD III and national instruments. The M&E system must be based on enhanced data collection and analysis competences in MAFWE and will be able to provide a better data driven policy development process in the ministry.

Deadweight

The programme text does not refer to steps taken by MAFWE to reduce the risks for deadweight. It is recommended to introduce some basic principles in the assessment of applications in order to reduce this risk.

Deadweight means that recipients receive subsidies for projects that would have been implemented even without the subsidy. Applications should be avoided to the extent possible. The ex-ante evaluator has inserted a table below, which provides a few operational assessment criteria to be used by IA in the assessment of risk for deadweight. Project applications with higher risk for deadweight should be assessed in the detail, and maybe have an extra set of eyes for final evaluation before approval. It is recommended to consider using the proposed tool for assessing the risk for deadweight.

Table 22: Tool for assessing the risk of deadweight

Assessment criterion	Higher risk for DW	Lower risk for DW
Size of beneficiary (ha, LSU, SO)	Bigger	Smaller
Geographical location of beneficiary	Average agricultural area	Agricultural area with physical handicaps
Type of beneficiary	Average beneficiary (man, age, education)	Vulnerable beneficiary (young farmer, woman, other)
Contribution to public goods (environment, biodiversity, nature)	Low	High

Pay-back time of investment including public support	Short ($x \leq 3$ years)	Long ($x \geq 7$ years)
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Source: Elaborated of the ex-ante evaluator based on experiences from EU MS and applicant countries.

It must be mentioned that according to the feasibility model presented in the draft IPARD III programme, ten years are the maximum number of years for payback time for investments under measure 1 and measure 3. The ex-ante evaluator finds that this level is too short for investments in buildings and constructions. It should be 20 years for this type of investments. On the other hand, the method described does not present a lower level for payback time, for example 3 years. A very short payback time may increase the risk for deadweight since the investment is so profitable that the farmer/enterprise will make the investment under all circumstances also without public support.

Equality between men and women and non-discrimination

Chapter 16 briefly describes how issues of gender equality and non-discrimination were taken into consideration in the process of IPARD III preparation and design of the individual measures. In the selection criteria of the measures, extra points will be given to entrepreneurial women and young farmers. Programme also ensures integration of rural women organizations in the public private partnership of LAGs and gender equality and non-discrimination in the Local Action Groups managing body.

To ensure adequate reflection of gender issues, institutions and organisations responsible for promoting equality between men and women will be consulted and their recommendations will be taken into account and included in the Programme. However, there are no information on which institutions will be consulted.

The chapter does not give reasons to any questions or concern regarding non-discrimination during programme implementation.

5.2. Analysis of possible difficulties in implementation and critical incidents, in the previous programming periods

Section 5.2.2 of the draft IPARD III programme provides the following points regarding the relatively slow IPARD II implementation:

- Insufficient administrative capacity of IPARD structure
- Low level of implementation of national legislation (environment, health and animal welfare)
- Low quality of registers and lack of electronic access
- Weak assistance to farmers from research and extension services
- Too strict administrative procedures for IPARD II

As described in the section above, the steps taken by MA and IA to tackle the bottlenecks are as follows:

- Staff recruited and under recruitment to increase the capacity of MA and IA.
- NMS must be fulfilled by applicants under IPARD. The number of farmers and food enterprises not in compliance with NMS is going down year by year and is not a problem for IARD III implementation.
- Electronic read-only access to registers will be possible for IPARD III implementation.
- NEA is supported by MA regarding training and coordination of activities leading to better advice to small farmers applying for measure 1.
- The procedures of the IPARD III programme are as they must be according to the regulation. One attempt is to remove the '3 offers approach' if DG Agri will accept the proposal and instead only use a price reference database. IA has done and will continue to do its best to increase transparency and information about the required procedures with the help of guidelines for applicants published and online and other types of information.

5.3. Assessment and feedback on any administrative simplification for IPARD III recipients

The stakeholders interviewed highlighted the following positive improvements regarding the administrative simplification for IPARD III recipients:

- An updated, more targeted list of eligible equipment for the modernization of livestock farms.
- A better-defined rule for craft-oriented investments.
- Possibility to get a prepayment before the start of the investment; and payments in more instalments, following the completion of respected investment phases.
- A better prepared/trained administration dealing with the application and payments. Training of staff is taking place on a regular basis and training in monitoring and evaluation is planned, too.
- A more comprehensive and better prepared list with an overview of the documentation required for application (and monitoring about whether the investment has been implemented accordingly).
- New monitoring tables are being prepared so that a better overview of the implementation of the IPARD III programme can be achieved. The monitoring reports will be made based on weekly updates of the implementation entered in a database by the IPARD Agency. The MA has direct read only electronic access to the database.
- The Ministry of Finance is now operating a Management Information System (MIS) covering all structural funds/programmes to monitor risks for overlaps between the individual programmes. The MIS database is operational and will together with coordination meetings between relevant implementing line ministries ensure that overlaps and double funding will not take place.
- The work with the digitalization of applications (electronic application forms) is in progress, but the implementation timeline is not available for the moment.
- The number of farmers and food processors not in compliance with national minimum standards is going down, so the problem with illegal ad unfair competition from non-compliant farmers and food processors is reducing over these years.
- A good cooperation with designated technical bodies (thanks to good MoUs between the IA and the individual bodies), whose work and efficiency has been much improved.
- A better trained and prepared NEA experts, with much better knowledge of the procedures of the applicants. This is largely a result of dialogue that MA initiated with NEA over the last year. There are now monthly coordination meetings monitoring the support of NEA to applicants, primary small farmers applying under measure 1. The quality of the assistance to applicants has improved due to training and build-up of experience.

5.4. Assessment of the availability of support for recipients and IPARD bodies e.g. advisory services, training and LEADER capacity

Training of NEA takes place already today and an enhanced coordination between NEA and MA/MAFWE contributes to better advice to farmers, in particularly smallholders applying for support under measure 1. The preparation for accreditation and subsequent implementation from 2020 of the measure 10: Advisory services will also make the support to potential beneficiaries more complete and more comprehensive.

Support for the establishment and operation of the National Rural Network (NRN) will be available from TA measure. This is important because a well organised, well-structured, and well managed network may contribute positively to the implementation of the programme and to the generation of the expected results and impacts. North Macedonia has experience in rural development networking since 2010 when *Network for Rural Development of North Macedonia* has been established as an NGO. The preparatory activities for the establishment of NRN started in 2015. Set-up of NRN is described in the IPARD III Programme, including procedures and time schedule for establishing the network, management of activities related to NRN and eligible expenditures.

5.5. Assessment of the verifiability and controllability of measures

M1: The applied control procedures for measure 1 are described in section 8.2 of the programme for all or several of the measures. The types of recipients under measure 1 can be verified. Common eligibility criteria can be verified and controlled (areas and number of LU, production capacity, viability of the holding and the investment, standards). Specific eligibility criteria can all be verified and controlled. Eligible investments can be verified and controlled.

M3: The applied control procedures for measure 3 are described in section 8.2 of the programme for all or several of the measures. The types of recipients under measure 3 can be verified. Common eligibility criteria can be verified and controlled (viability of the enterprise and the investment, national and EU standards). Specific eligibility criteria can all be verified and controlled. Eligible investments can be verified and controlled.

M4: Administrative and on-the-spot controls. Control system is sufficiently described. Procedures will be developed later, including the identification of adequate controls ensuring controllability and verifiability of the commitments. This will also include system of sanctions for non-compliance with the obligations for each type of AEC operation.

M5: Administrative and on-the-spot controls in accordance with contracted commitments. The description of the administrative procedures for the measure are appropriate. Capacity building costs, running costs and costs of small projects implemented are verifiable and controllable.

M6: The applied control procedures for measure 6 are described in section 8.2 of the programme for all or several of the measures. Furthermore, all projects must be procured in accordance with the rules for external aid of the European Commission contained in the Financial Regulation. For this purpose, the application of PRAG could be adapted to the specific rules of the national public procurement legislation in a way to respect the main Treaty principle such as: transparency, proportionality, equal treatment, non-discrimination and should ensure sound financial management (value for money). The types of recipients under measure 6 can be verified. Common eligibility criteria can be verified and controlled (general requirements for support, national and EU standards). Specific eligibility criteria can all be verified and controlled. Eligible investments can be verified and controlled.

M7: The applied control procedures for measure 7 are described in section 8.2 of the programme for all or several of the measures. The types of recipients under measure 7 can be verified. Common eligibility criteria can be verified and controlled (viability of the recipient and the investment, national minimum standards and EU standards). Specific eligibility criteria can all be verified and controlled, for example regarding of investments in rural tourism and renewable energy. Eligible investments can be verified and controlled.

M9: The measure will be implemented according to internal procedures for management and control established by the IPARD Agency, accredited by NAO and “entrustment of budget implementation tasks” by the Commission. All projects must be procured in accordance with the rules for external aid of the Commission contained in the Financial Regulation. For this purpose, the application of PRAG could be adapted to the specificities of the beneficiary country. However, public procurement may be done on behalf of the recipient by a centralized competent public authority. On-the-spot verifications could be performed by alternative means, such as, photography, video, etc. The recipient under measure 9 can be verified. Common eligibility criteria can be verified and controlled. Specific eligibility criteria can all be verified and controlled. Eligible investments can be verified and controlled.

M10: The applied control procedures for measure 10 are described in section 8.2 of the programme for all or several of the measures. Service providers under both sub-measures will be subject to controls undertaken by both the Managing Authority and the IPARD Agency to ensure that the minimum eligibility conditions set in the measure and the terms of reference are fulfilled. Verification of payment claims and controls by the IPARD Agency will follow the principles outlined in the EC guidelines on simplified cost options. The recipients under measure 10 can be verified. Common eligibility criteria can be verified and controlled. Specific eligibility criteria can all be verified and controlled. Eligible investments can be verified and controlled.

5.6. Assessment of the quality and the extent of partnership arrangements

The information about the process of consultation with relevant stakeholders on IPARD III programming and provisions, and its results are provided in Chapter 13, Annex 7, and Annex 8. From this information, it can be concluded that a good, participatory, and an inclusive consultation process was undertaken. It was of a good quality and extent, involving major social, economic, and environmental stakeholders. However, the feedback received in the interviews with stakeholders suggests that the consultation process excluded some important actors – or included them late and/or marginally.

The process of preparation of the Programme was carried out under the competence of the Managing Authority in cooperation with the IPARD Agency and in continuous consultation with all relevant stakeholders, which was an appropriate approach. The consultation process involved a set of five activities, which was proper, too. This is relatively well described in the document (although some parts are confusing because of the dates indicated):

1. On-going consultation via permanent subsector groups

This was an appropriate and pragmatic approach as the Article 22 of the Law on Agriculture and Rural Development Permanent requires that when drafting programming documents for agriculture and rural development sub-sector groups must be set up to provide a continuous and a structured way of cooperation between the administration and partners. The comments from the subsector groups were received either in a written form or in the discussions during the meetings held. The relevant MAFWE Departments (e.g., for arable crops, fruit, and vegetable, for wine and grapes, for milk and meat, for eggs and poultry) noted these comments and if deemed relevant, took them into account when shaping the final IPARD III programme – which is praiseworthy.

2. Stakeholder workshops

Five stakeholder workshops were organised throughout the country. Prior to the workshops, the draft measure fiches were sent to all invited participants, which was obviously a good thing to do. The text misses the date of the workshop on the measure “Farm diversification and business development”.

3. Public forums

The text says that “two public forums through the Council for Agriculture and Rural Development (“Agro-sovet”) will take place”. Moreover, it also refers to a meeting that “was convened on the 30th of September 2021” (a possible mistake – maybe 2020!). This is confusing! It is not clear if one or both meetings were already held – or will be held by the end of September 2021. Especially because the text also says that “the meeting of the Council was chaired by the Minister in presence of the IPARD Agency Director and the Head of Managing Authority”.

4. Consultation via focus group discussions

The problem with the dates exists here, too. The text says that “In the period July-November 2021 round of focus group meetings, targeting the various subsectors to be supported by IPARD 2021-2027, were performed”. From this text it is not clear if (all) these focus groups already took place.

5. Inter-government consultation

MA held separate meetings with IPARD Agency and NAO/NF to discuss the draft IPARD III Programme. The comments received were taken into consideration. However, the text here is also confusing date-wise. It is written that “The Programme strategy, financial plan and the selected measures have officially entered the inter-governmental consultations in September - October, 2021...”.

Annex 7 provides a detailed list of consulted (i) socio-economic partners, and (ii) government institutions.

The “List of consulted socio-economic partners” offers names of the organisations/institutions consulted, their key competences/expertise, as well as the names of the contact persons (missing for two organisations!). This is very informative, showing that all key sectors and stakeholders have been involved in the consultation process. However, with only one NGO and one GO having taken part in the consultation process, the environmental/nature protection sector seems to have been underrepresented. The same goes for the organisations specialised in women/gender issues. The text on p. 280 is confusing about this. It says that “IPARD Managing Authority, during the preparation of the IPARD Programme 2021-2027 consulted appropriate bodies responsible for promoting equality between men and women (will be introduced at a later stage). All recommendations provided were taken into account and are part of the Programme”.

Annex 8: provides “Summary results from the consultation process”, including (i) subject of the consultation, (ii) date of the consultation, (iii) time given to comment, (iv) names of institutions/ bodies/ persons consulted, and (v) summary of results. This is also very informative and helps to better understand the consultation process

undertaken. However, the results of some individual consultations are not well summarised. They are too general, and in case of the focus groups that discussed “Measure 7” and “Advisor Services Measure” missing altogether.

IPARD III document has a good description of the functioning of the Monitoring Committee. But it provides very little information on its composition. It suggests that its members will be composed of representatives from relevant public authorities and bodies, economic, social, and environmental partners. From this general information it is not possible to judge whether the composition of the IPARD III Programme Monitoring Committee is appropriate and balanced. This aspect has not been elaborated in a sufficient depth. A participation of the European Commission in the Monitoring Committee (at its own initiative) has been envisaged. This is good, as the Commission’s presence is likely to increase the transparency of the Committee’s work and its decisions to be made.

The IPARD III text does not refer if and how the consultation process relied on the experiences gained through the previous similar programmes – and whether lessons learnt, and partnership modes already established and tested were considered.

6. CONCLUSIONS AND RECOMMENDATIONS

In this chapter, the main conclusions and recommendations are summarized. However, the reader should pay attention to additional concluding comments and minor but still relevant recommendations included in the main text and not repeated here.

6.1. Main conclusions

Situation analysis

Chapter 2 (country profile) and chapter 3 (description of the current situation) are well written chapters and provide an appropriate balance of overall and detail information about the state of play in the various areas related to agricultural, environmental and rural development in the country. The data used are to a large extent solid, although some inconsistencies in the economic data for core indicators have been observed. These inconsistencies apply also to the context indicator table and to information provided in monitoring reports and in AIR reports. The frequent use of references to EU data and to regional data is appreciated.

SWOT, strategy and needs

The four summary SWOT tables follow the structure of the analysis of the current situation in chapter 3. The tables are appropriate regarding detailed information, and present SWOT elements that are described in chapter 3, which is appreciated. However, some SWOT elements are not categorized correct. Furthermore, some factors are referred to as opportunities, although they are not opportunities in a SWOT context, but are actions to take.

Chapter 6.2 describes the identified 17 needs and the summary of the overall strategy for IPARD III. The needs are in compliance with the SWOT in chapter 4 and the analysis of the current situation in chapter 3. The needs will be addressed with the help of 8 selected IPARD III measures, and the draft programme presents in a fine table, how each measure will address specific needs under four overall objectives. Chapter 6.6 presents the summary table of the intervention logic describing the quantified targets of the selected measures as well as the targets at programme level, although the table does not yet include quantified targets for all measures.

Programme objectives

The overall objectives of the IPARD III programme are in line with the objectives of the national strategy for agriculture and rural development 2021 - 2027 and with the CAP. The consistency between IPARD programme and the IPA framework and Strategic response is described in chapter 6.4. In chapter 6.5 reference is made to the Green Deal and to the Green Agenda for the Western Balkans. The text is appropriate. Furthermore, many of the planned national interventions will also provide complementary contributions addressing important needs in the sector.

Measures

The description of the selected measures in chapter 8 is good and only few comments are made to each of the measure descriptions, including comments to lack of quantification of targets. The chosen measures to be implemented from the start of the programme period in 2022 will contribute to addressing the needs, but due to the scale of available support under the programme as a whole and for some of the measures specifically, the needs will only be met for few beneficiaries and not for the sector in general.

Balance of the programme

According to the preliminary financial plan, the main measures in the programme are measure 1 and 3 with 32% and 38% of the total budget respectively, including private co-financing. It is 70% in total. Measure 7 on farm diversification and business development is third on the ranking list with 17.6%, while measure 6 on Rural infrastructure is fourth with 9.2%. Measure 4 on environment, measure 5 on LEADER and measure 10 on advisory services sweep the bottom with 0.8% to 1.2%. The programme is not in balance compared to the identified needs. The prioritization of the needs and the break-down of the financial plan in chapter 7 on measures is not clear. It should be made transparent and as objective as possible, leading to an understandable distribution of funds. If conferral by EC for these measures is reached and implementation starts as foreseen, these financial allocations can be introduced with programme modification.

Expected output, results, and impacts

The expected economic, environmental, and social impacts of IPARD III are summarized. The four revenue generating measures will contribute to additional 13.4 million EUR in GVA in the rural areas and will generate

841 new jobs and ensure that 619 jobs are maintained. The labour productivity will increase for supported beneficiaries in agriculture from 8,127 EUR/AWU to 8,777 EUR/AWU and from 9,010 EUR/AWU to 9,731 EUR/AWU in the food processing industry. Around 1,000 beneficiaries under measure 1 and 100 under measure 3 will be supported under the 2 main measures. Furthermore, 100 beneficiaries will be supported under measure 7 and 250 small projects together with 10 LAGs under measure 5. The numbers of beneficiaries and supported projects/hectares/interventions under other measures are not provided.

Increase of agriculture production and food processing, more intensified agricultural production and diversification and development of economic activities in rural areas may lead to additional pressures and negative impacts on nature and environment. However, enforcement and compliance with National Minimum Standards and EU standards will have important positive impact on the environment and nature.

Social impacts will include increased welfare and economic opportunities in rural areas for those able to take advantage of the possibilities provided by the IPARD III programme. However, there will be growing disparities between the regions, which will take advantage of the possibilities provided by the IPARD III programme and those, who will not. Thus, other support schemes, such as the national and donor-funded schemes targeting this large group of family holdings with investment support and advice on how to improve their working and living conditions, will be urgently needed for their further growth and development.

Implementing structures

Increased effectiveness is anticipated in MA and IA due to recruitment of additional staff in compliance with the WLA. Also, dynamic effects due to increased experiences, learning by doing and planned training will contribute to higher effectiveness. The turnover rate of staff in MA and IA will be reduced with the help of improved retention policies and better working environments. Better and complete applications due to better learning of applicants and better advice from NEA will lead to faster processes both regarding processing of applications and payment claims.

Monitoring and Evaluations

M&E will be improved due to better digitalization of data systems, and to better competences in MA and IA regarding M&E. The risk for deadweight of supported investments must be avoided with the help of appropriate tools reducing the risk for deadweight. A coherent monitoring and evaluation system in MAFWE covering all instruments targeting agriculture and rural development is needed. A well-functioning M&E system will contribute to increased effectiveness and efficiency of policies, better results and impacts to the benefit of rural dwellers and a more effective policy development process in MAFWE. An updated evaluation plan based on the current plan for IPARD II, must be prepared no later than 1 year after the launch of the programme as an integral part of the M&E system.

Stakeholder involvement

The information about the process of consultation with relevant stakeholders on IPARD III programming and provisions, and its results are provided in Chapter 13, Annex 7, and Annex 8. From this information, it can be concluded that a good, participatory, and an inclusive consultation process was undertaken.

6.2. Main recommendations

The table below summarises the main recommendations from the ex-ante evaluation. More recommendations can be found in the main text of the ex-ante evaluation report, in particularly for the individual measures.

Table 23: Overview of the recommendations of the ex-ante evaluation

Date	Topic	Recommendation	How recommendation has been addressed, or justification as to why not taken into account
The SWOT analysis, needs assessment			
October 25, 2021.	Context analysis Chapter 3	It is recommended to enhance and validate data used in the context analysis, including inconsistent data on core economic indicators such as employment, AWU and GVA for agriculture and for the food industry.	Accepted.
October 25, 2021.	Organic production Chapter 3	It is recommended to give a short description of market situation of organic products in North Macedonia. If no reliable data are available, it is recommended to provide a short qualitative description.	Not accepted. No reliable data.
October 25, 2021.	Access to credit Chapter 3	It is recommended to add a small text indicating more precisely when and how the financial instruments (state guarantee fund and micro-lending schemes) will be made available and under which circumstances.	Not accepted. There is no information on potential availability of these schemes.
October 25, 2021.	SWOT Chapter 4	It is recommended to edit the SWOT and take the basic SWOT principles described in this report into consideration when the SWOT is edited. It is recommended to elaborate a short text summarizing the SWOT tables. The text can be used in chapter 6, where the needs are identified.	Accepted. Accepted.
October 25, 2021.	Identification of needs Chapter 6.2	It is recommended to use a prioritization model and make transparent the prioritization of the needs and the distribution of funds on the individual measures.	Accepted.
Construction of the intervention logic			
October 25, 2021.	AKIS Chapter 3	It is recommended to initiate steps to develop a formal AKIS system and a strategy for its operations.	Accepted.
October 25, 2021.	Lessons learnt Chapter 5	It is recommended to insert a text referring to the evaluation of IPARD I, or to refer to the challenges for programme implementation identified in the evaluation.	Accepted.
October 25, 2021.	Lessons learnt Chapter 5	It is recommended to insert a text regarding achieved effects from previous interventions, primarily for beneficiaries of	Not accepted.

Date	Topic	Recommendation	How recommendation has been addressed, or justification as to why not taken into account
		the project support, from direct payments and other forms of support to the sector, if this information is available.	Information not available.
October 25, 2021.	Measure 1 and 3 Chapter 8	It is recommended to insert a maximum level of eligible investment per project and not only per beneficiary.	Accepted.
October 25, 2021.	Measure 4 Chapter 8	It is recommended to better explain which problems the selected operations (Green cover of permanent crops; Crop rotation on vegetables and Organic Farming) will address, and how they will be addressed.	Accepted.
October 25, 2021.	Measure 5 Chapter 8	It is recommended to insert maximum value of annual public support per selected LAG and activity.	Accepted.
October 25, 2021.	Measure 6 Chapter 8	It is recommended to improve the rationale addressing the missing topics.	Accepted.
October 25, 2021.	Measure 6 Chapter 8	Outline experiences and lessons learned from the relevant national and foreign donors funding.	Not accepted. Reliable information not available.
October 25, 2021.	Measure 6 Chapter 8	Check with EC about the eligibility of the expenditures listed in this evaluation report as these are questionable. .	Accepted.
October 25, 2021.	Measure 10 Chapter 8	It is recommended to make the following revisions: Prepare a plan of acquisition of skills and trainings of advisors for “non-traditional” advisory subjects. Low priority. Clarify complementarity and demarcation with other IPARD measures, notably regarding the three non-existing measures. Provide target values for each of the six indicators.	Not accepted. Will be prepared under the forthcoming IPA funded project on Advisory services. Not accepted. It is premature to do that at this stage Accepted.
October 25, 2021.	Quality and the extent of partnership arrangements.	It is recommended to make the following revisions: - Complete the text by adding missing information indicated with question marks (“?”).	Accepted.

Date	Topic	Recommendation	How recommendation has been addressed, or justification as to why not taken into account
	Chapter 13, Annex 7, and Annex 8.	Low priority. - Clarify if “Public forum”, “Consultation via focus group discussions” and “Inter-government consultations” were already held, or are still to be held – and correct the text accordingly.	Accepted.
Establishment of targets, distribution of financial allocations			
October 25, 2021.	IPARD strategy and financial plan Chapter 6	The balance of the programme can be improved with reallocations of funds in particularly to measure 4 environment and climate change and measure 10 advisory services. If conferral by EC for these measures is reached and implementation starts as foreseen, these financial allocations can be introduced with programme modification.	Accepted.
October 25, 2021.	Quantified targets table Chapter 6.6	It is recommended to fill in the missing targets, where it is relevant and to state where targets will be quantified at a later stage for measures implemented later in the programme period.	Accepted.
October 25, 2021.	Measure 1 and 3 Chapter 8	It is recommended to reassess the quantified targets for the measure and correct the financial frame in the indicator table.	Accepted.
October 25, 2021.	Measure 6 Chapter 8	Provide baseline and target values by 2027 for all four indicators.	Accepted
October 25, 2021.	Measure 9 Chapter 6	Add baseline and target values by 2027 for all nine indicators.	Accepted
Programme implementing, monitoring, evaluation, and financial arrangements			
October 25, 2021.	Context indicator table Chapter 3.6	It is recommended to complete the context indicator table. If this is not possible due to lack of data or other reasons, it is recommended to indicate in the table what MAFWE will do to collect the data, if the process is on-going, or if not, what the reason for this is.	Accepted.
October 25, 2021.	National instrument Chapter 10	It is recommended to prepare a text and/or a table describing the objective and measurable demarcation lines between IPARD III and national instruments.	Accepted

Date	Topic	Recommendation	How recommendation has been addressed, or justification as to why not taken into account
October 25, 2021.	Managing Authority - functioning Chapter 12	<p>Push forward to recruit vacant positions according to the WLA.</p> <p>Improve the monitoring tables so that they can provide a full overview of the financial situation of the programme implementation (by a glance)</p> <p>Improve the competences in MA regarding programme evaluation and utilize existing and future evaluation results.</p>	Accepted.
October 25, 2021.	Monitoring and evaluation Chapter 12	It is recommended to establish a comprehensive monitoring and evaluation system in MAFWE covering both IPARD III and national instruments.	Accepted.
October 25, 2021.	IPARD Agency – functioning Chapter 12	Push forward to finalise the recruitment of staff to vacant positions according to the WLA.	Accepted.
October 25, 2021.	IPARD Agency – functioning Chapter 12	Provide a Training Needs Assessment (TNA) and conduct relevant training programmes for staff.	Accepted. .
October 25, 2021.	IPARD Agency – functioning Chapter 12	Take steps to assess the effectiveness of existing work processes in IA, if relevant.	Accepted.
October 25, 2021.	IPARD Agency – functioning Chapter 12	Continue the work updating the price reference database.	Accepted.
October 25, 2021.	Deadweight Chapter 12	It is recommended to consider using the proposed tool for assessing of the risk for deadweight.	Accepted.
Other			
October 25, 2021.		None.	

7. ANNEXES

7.1. Annex 1: ToR

7.2. Annex 2: A list of documents consulted

- MAFWE, 2017. Minutes of the first IPARD II Monitoring Committee. Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2018. Progress report on the evaluation activities for IPARD programme 2014-2020 (status December 2017 – December 2018). Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2018. Minutes of the second meeting of the IPARD 2014-2020 Monitoring Committee. Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2018. Annual monitoring report for the implementation of the IPARD Programme 2014-2020 (for the period April 2017 – November 2018). Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2018. Minutes of the third IPARD 2014-2020 Monitoring Committee Meeting. Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2019. Minutes of the fourth IPARD 2014-2020 Monitoring Committee Meeting. Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2019. Annual report on the implementation of the IPARD 2014-2020 Programme for 2018. Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2019. Minutes of the fifth IPARD 2014-2020 Monitoring Committee Meeting. Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2019. Annual monitoring report for the implementation of the IPARD Programme 2014-2020 (for the period April 2019 – November 2019). Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2019. Minutes of the sixth IPARD 2014-2020 Monitoring Committee Meeting. Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2020. Minutes of the seventh meeting of the IPARD Programme 2014-2020 Monitoring Committee. Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2020. Annual monitoring report for the implementation of the IPARD Programme 2014-2020 (for the period up to November 2020). Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2020. National strategy on agriculture and rural development for the period 2021-2027. Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2020. Annual report on the implementation of the IPARD 2014-2020 Programme for 2019. Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2020. Information on ongoing evaluation of IPARD Programme 2014-2020. Seventh meeting of the IPARD II Monitoring Committee 26.11.2020. Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2020. IPARD 2014-2020 Evaluation plan. Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2021. Progress with evaluation activities related to IPARD Programme 2014-2020. Eighth meeting of the IPARD II Monitoring Committee. Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2021. Minutes of the eight meeting of the IPARD Programme 2014-2020 Monitoring Committee. Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2019. Progress report on the evaluation activities for IPARD programme 2014 – 2020 (Status December 2018 – May 2019). Ministry of Agriculture, Forestry and Water Economy, Skopje
- MAFWE, 2021. Annual report on the implementation of the IPARD 2014-2020 Programme for 2020. Ministry of Agriculture, Forestry and Water Economy, Skopje
- Mladenovska Jelenkovikj, E. and Miloshevska Jovanovska, E., 2020. Value Chain Analysis Wine Sector. WeGlobal
- NEA, 2017. Further strengthening of AFSARD and preparing the Agency for the programming period 2014-2020. Netherlands Enterprise Agency of the Ministry of Economic Affairs, the Hague
- RNM, 2021. EU Instrument for Pre-Accession (IPA) – Rural Development Programme 2021-2027. Republic of North Macedonia, Skopje
- Srbinska, S., Natasha, D., Martinovska Stojcheska, A., Simonovska, A., Janeska Stamenkovska. I., 2020. Rapid market assessment for milk and dairy sub-sector. Weglobal
- Stojcheska. A., Stamenkovska. I., Nacka. M., Georgiev, N., Simeonovska, E., Gjoshevski, D., Emelj, T., Dragi Dimitrievski, 2020. Value Chain Analysis Cereals. WeGlobal
- Stojcheska. A., Stamenkovska. I., Nacka. M., Georgiev, N., Simeonovska, E., Gjoshevski, D., Emelj, T., Dragi Dimitrievski, 2020. Value Chain Analysis Pig Meat. WeGlobal
- Stojcheska. A., Stamenkovska. I., Nacka. M., Georgiev, N., Agic, R., Gjoshevski, D., Emelj, T., Dragi Dimitrievski, 2020. Value Chain Analysis Vegetables. WeGlobal
- Stojcheska. A., Stamenkovska. I., Nacka. M., Georgiev, N., Boshkov, K., Gjoshevski, D., Emelj, T., Dragi Dimitrievski, 2020. Value Chain Analysis Fruits. WeGlobal

7.3. Annex 3: Stakeholder interview summaries

Meetings organized in the framework of the ex-ante evaluation of IPARD III (2021-2027)

Date	Institution	Participants
21.09. 2021 11:15-11:30	Chamber of commerce, Republic of N. Macedonia Represents the interests of all business entities members of the chamber – agriculture	Mr. Vasko Ristoski (Manager)
Mr. Vasko Ristovski, from the Chamber of commerce, Republic of N. Macedonia, is Manager at the organizational unit for member representation and networking of the Professional Service (Agriculture & Food Industry Association, Association of Tobacco and Tobacco Products Producers & Trade Association). He was a deputy member of the IPARD II Implementation Committee & stressed that the biggest problem in the implementation of IPARD II is the too long procedures from the application to payment. Mr. Vasko Ristovski said that he has not been involved in the programming process for IPARD III and he can't give any opinion regarding comparison of IPARD II and new programme IPARD program 2021-2027.		
21.09. 2021 22.09.2021 15:00-15:30	Union of sheep breeders Representation and protection of interest of sheep breeders - NGO	Mr Aleksandar Dimovski, MsC (AD VARDAR, Gradsko)
Mr. Aleksandar Dimovski from the Union of sheep breeders which represents and protects the interests of sheep breeders - NGOs expressed a big satisfaction with the co-operation with the MAFWE and his involvement in the programming process of IPARD III. He considers it a success to accept his proposal to remove certain types of equipment for the modernization of livestock farms. As for the question: "What is better and new in the new program compared to the old one?". His opinion is the option to get the funds in advance before the start of the investment. Also, Mr. Aleksandar Dimovski is of the opinion that the advisory service is a very important actor facilitating the selection process & points out that he is not sure that the problems in the IPARD II program are solved by the new program.		
21.09. 2021 22.09.2021 15:30-16:00	Sub sector group for horticulture Representation and protection of interest of horticulture producers	Ms. Jasmina Lukanova (owner Levidia DOOEL)
Ms. Jasmina Lukanova, (the Levidia DOOEL) represents and protects the interests of horticultural producers (subsectoral group for horticulture) emphasized that she was involved in the programming process of the IPARD program 2021-2027 and expressed satisfaction with it. She believes that its imposition of a very important item of the National Program - is a great success. It is about adjusting VAT to European legislation. As for the question: "What is better and new in the new program compared to the old one?" her opinion is that the program is still old because many new proposals have not been adopted yet. In her opinion, the biggest problem in the implementation of IPARD II are very long application procedures. Ms. Jasmina Lukanova pointed out that the horticulture sector (sub-sector group for flower and planting material producers) is not sufficiently present in the IPARD program 2021-2027.		
21.09. 2021 22.09.2021 17:00-17:30	Balkania - Balkan Association for Alternative Tourism Support of Rural Tourism	Mr. Vlado Srbinovski (Manager)
Mr. Vlado Srbinovski has 12 years of active participation as an NGO in the field of rural development and development of alternative forms of tourism at national level and at the regional Balkan level as well as through		

the implementation of EU tourism development projects. 6 years advisor in the National Agency for Promotion and Support of Tourism of Macedonia.

He pointed out that they were not included in the previous workshops - they participated only in the last workshop (their participation was more informative and consultative) and believes that their participation was beneficial for their Association as well as for the IPARD program 2021-2027.

Mr. Vlado Srbnovski says that they are satisfied with the presented program and they conclude that there is great progress in defining the priorities.

He believes that through the discussion of the current obstacles to the realization of as many applications as possible and that the newly acquired information will be used in the future and will be shared with potential future users of the program, because their association has great visibility and is present in the media as well (their activities are aimed at the implementation of projects for rural development and rural tourism).

The new IPARD programme 2021-2027 expands the scope and classifies and defines many more segments that allow to prepare applications. This helps the target groups understand which projects they can apply for.

According to their experience and activities, the biggest problems for implementation of projects in the IPARD II program were the unresolved property legal relations with the land ownership. Lack of access to finance and insufficient education of potential beneficiaries of the program.

Due to the lack of access to finance, a major problem in the previous program is that project financing occurs after the completion of the approved project. We believe that 50% of the money should be approved by signing an agreement with the approved project agency that will allow very high utilization of the program and an increased number of applications and better applications. Certain neighbouring countries are already applying this method of financing. We also believe that there are legal obstacles for submitting applications in measure 7 for rural development and rural tourism, namely it is not possible to convert family houses into accommodation facilities due to lack of urban plans that prevent conversion of these facilities. If a solution to this problem is found, it will enable a large scale of creating accommodation and tourist facilities in rural areas that are lacking for the development of rural tourism.

21.09. 2021
22.09.2021
09:00-09:15

*Company Fungi Mak DOOEI, Skopje
Cultivation/processing of mushrooms and
truffles*

*Mr.Ljupco Karadzov
(Manager of Fungi Mak DOOEI)*

Mr. Ljupco Karadzov is a Manager of Fungi Mak DOOEI - a small farming company, for nurturing mushrooms type champignons and Shi-ta-ke.

He pointed out that they were not involved in the programming process through workshops or in any other way, formally or informally.

As for the question: "What is better and new in the new program compared to the old one?", he replied that he was not familiar at all.

His opinion in general about the IPARD program is the big administrative documents & whole long process of approving the application.

21.09. 2021
22.09.2021
10:00-10:30

*Craft chamber, Skopje
Support of crafts activities*

*Ms.Aneta Atanasovska
(Executive Director)*

Ms. Aneta Atanasovska is a Executive Director of Craft chamber, Skopje.

The Craft chamber, Skopje is an independent, non-governmental, non-profit, association of craftsmen of the City of Skopje who are organized to be an appropriate partner in the policy of creating favorable conditions and climate for development and promotion of crafts, improving the quality of products and services by improving human resources by conducting trainings, presentations, vocational training of craftsmen and improving vocational education to obtain quality staff (professionally and practically trained), presentation and promotion of craft products and services in the country and abroad by organizing exhibitions, presentations, fairs, and providing services. Founded in 1932.

She noted that they were not involved in the programming process through workshops or in any other way, formally or informally.

She stressed that they are satisfied that the new program includes all craft activities, and craftsmen can apply to the IPARD program with craft activities contained in the Rulebook for performing craft activities.

They (as a Craft chamber, Skopje) were involved in informing the craftsmen about the application possibilities. Craftsmen gave up in the previous program due to the huge documentation they had to submit and the procedures they had to go through. For example: There was a potter who has a business headquarters in a rural area and had an idea to make a pottery workshop but gave up due to documentation that he failed to collect.

She believes that in the new program compared to the old one It is better that all craft activities in accordance with the Rulebook are eligible for application.

Craft chamber, Skopje have informed all craftsmen in the city of Skopje about the possibility, and she noticed that there is interest in the program, but she cannot answer whether problems, in IPARD II program are solved in the new program.

21.09. 2021
22.09.2021
11:00-11:30

*Macedonian association of producers
(MAP)
Represents the interests of food processors
(plant processing)*

*Mr. Darko Nashkov
(Manager of LARS Stip DOOEI)*

The Macedonian association of producers (MAP) directs its services and activities in order to respond to the requests of its members:

- Joint procurement of raw materials in order to obtain a more competitive final product
- Taking part in all meetings where the processing facilities in the Republic of Macedonia are discussed
- Creating conditions for joint export of its members in order to respond to large orders from foreign buyers
- Coordination around the adoption of HACCP and ISO standards Distribution of information on new trends, EU regulations and other target markets
- Establishing regular communication with farmers and agricultural associations in order to raise the existing level of cooperation through a process of joint planning
- Coordination of cooperation with domestic public and private institutions, business entities and foreign projects active in the Republic of N. Macedonia
- Establishment of cooperation with foreign institutions and associations of similar character

Mr. Darko Nashkov is from the Macedonian association of producers (MAP) which represents and protects the interests of Food processors (plant processing) and he said that they were not involved in the programming process through workshops or in any other way, formally or informally, and were therefore dissatisfied.

To the question: "Have you made footprints in the new program? Have you been able to change priorities, selection criteria, eligibility criteria for individual measures?" he says: "We did not have the opportunity. And we do not know if we could, because we do not know for example that our proposals were ever accepted somewhere. We feel that the program is being written by people who are not in close contact with the private sector and do not know how that part works with processors and manufacturers or other potential co-financing seekers. The real conditions, needs of potential users and the speed for their realization are not recognized. Therefore, the program has shortcomings in terms of eligible applicants for the use of funds, the requirements of the required application documents and the request for payment (we are required to provide many documents that the Agency can provide officially or double certificates for the same thing, and three bids are required for the purchase of equipment, from which they can then accept a much lower price for co-financing than the one in the bids - because they ask us for three bids when they themselves dictate a price that is good for them), as well as in the part of the time for which they accept our applications (the answer from the Agency for accepting the application is very slow)."

As a result of the improvements in the IPARD program 2021-2027 he can not register a significant change in the program. The conditions and criteria for them are almost the same. They only know that they have relief for small purchases and can be provided without proof of origin.

To the question "What were the problems, if any, in IPARD II program, for instance regarding applications, contracting, payment claims, eligibility criteria, priorities, etc., and are these problems solved with the new program?".. he responds: "The part (phase) for evaluation and approval of the Co-financing Request is very slow. Answers for acceptance or rejection of the Co-financing Request are received very, very late from the day of its submission. As Applicants, we are unjustifiably long in uncertainty about the possible acceptance for co-financing of the planned investment, thus losing the enthusiasm and seriousness in the intention to invest. Additionally, the late responses from the Agency bring a loss of possible benefits for the season for which the investment is planned. Untimely realization of the investment brings direct losses in the profit from the

operation, losses in the sales volumes (affects the purchase of raw material and the export of the finished product), increases in the investment costs (purchase prices of equipment increase significantly over a longer period - bids do not apply)".

Mr. Darko Nashkov says that this slow process of responding to requests for acceptance was also in the first program (and then we were applicants). But in the new program it is even slower. Applicants must know as soon as possible whether their applications have been accepted for co-financing or rejected (in the latter case, we must procure them ourselves and not lose the season).

He proposed calls for IPARD to be in periods when it is not season for work and when the Applicant has time to plan the procurement. To reasonably shorten and calculate the time required for the Applicants to receive an answer for signing the Agreement (that period should be short). Only in this way will the equipment be procured in time and the whole investment be successful.

21.09. 2021
23.09.2021
11:30-12:00

*Association of millers and agricultural producers "Agro-mel" Kumanovo
Represents the interests of millers and agricultural (cereal) producers*

*Mr.Zoran Tanev
(Manager)*

Mr. Zoran Tanev is from the Association of millers and agricultural producers "Agro-mel" Kumanovo which represents and protects the interests of millers and agricultural (cereal) producers, and he said that they are well informed even though they were not involved in the programming process through workshops or in any other way, formally or informally.

He believes that the new program compared to the old one addresses all previous shortcomings and there is a better overview of the documentation and easier monitoring of funds.

Mr. Zoran Tanev has no knowledge whether in the IPARD II program, problems related to applications, contracting, payment claims, eligibility criteria, priorities, etc., are resolved with the new program.

21.09. 2021
23.09.2021
12:30-12:50

*Beekeeping association "Pcela", Kumanovo
Bee-keeping*

*Mr.Goran Mitevski
(President of Association)*

Mr. Goran Mitevski is from the Beekeeping association "Pcela" Kumanovo which represents and protects the interests of the Bee-keeping producers and he stated that they were involved in the programming process of the IPARD program 2021-2027 and that they were satisfied with their participation.

He stressed that the inclusion of beekeeping is what is better and new in the new program compared to the old one.

21.09. 2021
24.09.2021
09:30-10:00

*Rural coalition
Representation and protection of interests
of rural population*

*Ms. Liljana Jonoski
(Executive director)*

Ms. Liljana Jonoski is Executive director from the Rural coalition (NGO) which represents and protects the rural population.

Rural coalition is a non-governmental organization founded in 2013. As a coalition of local associations, its aim is to improve the quality of life in rural areas through modern, sustainable and competitive agriculture and rural gender sensitive development.

Through the years of its existence, RC managed to raise the awareness of farmers about the importance of production of food, providing vocational training, organizing workshops and study tour for the local community.

Ms. Liljana Jonoski stated that they were not included in the programming process of the IPARD program 2021-2027, except:

- informatively within the last 8th meeting of the IPARD committee and
- the second opportunity a few days ago when they received an invitation to comment on the program and only in the area of gender equality and economic empowerment of women in rural areas, (they received the invitation for consultations as members of the working group on gender equality and economic empowerment of women from rural areas, established in the Ministry of Agriculture, Forestry and Water Economy, which operates with the support of UN Women).

She pointed out that they did not leave any trace in the new program because they had the opportunity for only one consultation with a short deadline, and too much material for comment and the opportunity for correction.

Problems detected in the IPARD II program are:

- Extensive and complex documentation for which farmers often use additional consulting support, which means additional financial resources;
- Lack of opportunity to submit additional documentation in accordance with the latest changes in the program and calls where farmers are not given the opportunity to submit additional documentation if necessary;
- Low financial power of farmers;
- Realization of the investment of 100%, and only then a return of 50%;
- Excessive dependence on several companies that dominate in the procurement of mechanization, so often the prices change, increase from the period of application to the period of procurement of mechanization to the detriment of the farmer;
- Too long decision process;
- Inaccurate agreements on the rights and obligations of the farmer, especially regarding the payment of funds by the state;
- The payment of the funds is waited even after 6 months;
- Inability to convert the investment in a longer period of time;
- Insufficient information and animation in the field;
- Lack of additional facilitation criteria other than additional points for women farmers;
- There is no professional and professional control in the field of the investment itself, so the investment of the farmers is interrupted due to the assessments of non-experts in the area for which the civil servants have been appointed;
- Excessive closure of the Agency for Financial Support in Agriculture and Rural Development, ie there is absolutely no flow of information to either farmers or civil society;
- Due to the illegal farms and the impossibility to find another solution to prove the ownership of property (because many farmers cultivate the land, but do not have contracts) the interest in applying for the program is low;
- Due to the fear of unfair assessment or unprofessional assessment in the field, as well as due to the financial impotence of the farmers in the sector, there are no major investments, but most often tractors or attached mechanization were taken.

Comparing the previous and the new IPARD program 2021-2027, she says that she is not familiar enough, and will not comment.

<p>21.09. 2021 24.09.2021 10:30-11:00</p>	<p>Association of wine producers "Wines of Macedonia" Representation and protection of interests of wine producers - NGO</p>	<p>Mr. Pero Mocan (Manager at MOVINO doo)</p>
<p>Mr. Pero Mocan (Manager at MOVINO doo) is from the Association of wine producers "Wines of Macedonia" which represents and protects the interests of wine producers – NGO. Wines of Macedonia (WoM) is an organization that unifies the work of Macedonian wine producers, committed to promoting the quality and image of Macedonian wine throughout the world. The Association is established in April 2010 as a NGO to represent common interests of its members as well as:</p> <ul style="list-style-type: none"> - provide strategic support to the Macedonian wine sector including developing the wine and viticulture industry in Republic of Macedonia - increase export of both bottled and bulk wines - build an umbrella recognition of Macedonian wines on the regional and international markets - advocate in front of Government of Republic of Macedonia and other relevant institutions. <p>Mr. Pero Mocan said that The IPARD II program was very satisfactory for them and they expect that satisfaction to continue with the IPARD III program. He confirmed that they were involved in the programming process of the IPARD program 2021-2027, and that they are satisfied with their participation.</p> <p>As the main problems in the IPARD II program, In their experience is, the process of obtaining Referent prices is lengthy and the biggest hindrance in timely implementations of the programs.</p>		

They faced many times problems with suppliers in terms of “out of date prices” due to the long time for collection of Referent prices. At the same time, they were obliged to collect three different comparable offers for the same type of product.

21.09. 2021
28.09.2021
10:30-11:00

*Beekeeping association “Nektar”
Bee-keeping*

*Mr.Mende Trajkovski
(President of Union of Beekeeping
Associations)*

Mr. Mende Trajkovski (President of the Association of Beekeeping Associations) is from the Beekeeping Association "Nectar" which represents and protects the interests of bee producers and he said that he received invitations, but unfortunately did not participate and was not involved in the programming process of IPARD program 2021-2027.

He has no knowledge whether in the IPARD II program, problems related to applications, contracting, payment claims, eligibility criteria, priorities, etc., are resolved with the new program.

Date

Institution

Participants

27.09.2021
10:30-11:15

*Managing Authority (MA), Ministry of
Agriculture, Forestry and Water Economy
(MAFWE), Republic of North Macedonia*

*Zivko Brajkovski, head of MA,
Aleksander Antevski, head of
programming unit*

The aim of the meeting was to discuss steps taken by MA to prepare for the implementation of IPARD III, and to inform about how bottlenecks for implementation under IPARD II are addressed.

The current situation in MA regarding staff is that 15 positions are occupied, and that 3 positions are vacant. One of these positions (an evaluation expert) is expected to be recruited this year, and two other positions will be recruited during 2022. Additionally, 2 positions will be recruited/occupied later (2023) to be ready to the implementation of new measures (M4, M5, M6, M10) in 2024, if the accreditation runs as planned. Training of staff is taking place on a regular basis. Training in Monitoring and Evaluation is needed.

New monitoring tables are being prepared so that a better overview of the implementation of the IPARD III programme can be achieved. The monitoring reports will be made based on weekly updates of the implementation entered in a database by the IPARD Agency. The MA has direct read only electronic access to the database.

The problems referred to in the draft IPARD III programme with the exiting registers were that different actors did not have electronic access to them. It was not the functioning of the registers as such that was a problem. Now this will be improved with the transfer of registers to IA (IACS, LPIS, Farm register).

The MoF is now operating a Management Information System (MIS) covering all structural funds/programmes in order to monitor risks for overlaps between the individual programmes. The MIS database is operational and will together with coordination meetings between relevant implementing line ministries ensure that overlaps and double funding will not take place.

The work with the digitalization of applications (electronic application forms) is in progress, but the implementation timeline is not available for the moment.

National standards must be fulfilled if applicants shall be successful under IPARD. This is clear and well-described in the programme. The number of farmers and food processors not in compliance with national minimum standards is going down, so the problem with illegal and unfair competition from non-compliant farmers and food processors is reducing over these years.

The effectiveness of the designated technical bodies has been good under IPARD II and has not caused delays in the processing of applications and payment claims. It is the observation of the MA that the IA and the technical bodies have a good cooperation. The cooperation is guided with the help of MoU between the IA and the individual bodies.

The previous programmes experienced big numbers of incomplete applications. The problem was to some extent caused by weak assistance to applicants from the National Extension Agency (NEA), but also lack of knowledge of the procedures of the applicants. The MA has initiated a close dialogue with NEA over the last year and have now monthly coordination meetings in order to monitor the support of NEA to applicants, primary small farmers applying under measure 1. The quality of the assistance to applicants has improved due

to training and build-up of experience, and the bottleneck will be reduced under IPARD III. Now the advisory measure (measure 10) is also in the preparation phase and will also help when implemented from 2024.

30.09. 2021
14:00-15:00

Ministry of Agriculture, Forestry and Water
Economy (MAFWE) - IPARD Agency (IA)

Nikica Bachovski, director of IPARD
Agency

Enhancement of staff capacity has been and is one of the main goals of the management in the IA. Currently, the IA has 156 full time staff, which is in compliance with the WLA for 2021. This means that the occupancy rate has been increased considerably the latest year. The WLA for 2020 indicates that the number of staff should be 172, and because of this the procurement procedure for recruiting additional 20 staff is on-going and will be finalised by the end of the year. In particularly 'Sector for Payments' will be enhanced due to the need in 2022 to speed up the processing of payment claims. It is also expected that the processing time for applications will be 6 months or less during 2022 and will then fulfil the requirements from MA set in the Sectoral Agreement.

The retention policy for staff in the IA will be improved in order to reduce the turnover rate of staff. Salaries in the IPA-structures, and not only in the IA, have been increased so that they now are 15% higher than other administrative positions at the same level of experience.

Finally, the IA will move to new and better premises shortly and this will also help improving the tight working environment.

Training of staff is on-going, but a Training Needs Assessment could be useful in order to plan a comprehensive training effort also for new staff to be recruited soon. IA is in dialogue with MA about using TA measure for this purpose of training.

Digitalization of applications and work processes in IA is being prepared but the system is not yet ready to be tested. Therefore, manual applications on paper is till the way to work now, but in the future electronic application forms and work processes in the IA will contribute to increased effectiveness. This will be to the benefit for applicants and for staff in the IA.

Simplification of the procedures is also always relevant. Currently the focus is on trying to eliminate the 3 offers requirement applied in combination with a reference price check conducted by the IA. The IA has a price reference database, updated every second year, and the hope is that the IA can be able to get approval in DG Agri to use only the price reference database and avoid the time consuming 3 offers methods. This will help both applicants and IA staff.

A full assessment of the work processes has not been carried out recently but could lead to additional proposals to increased effectiveness.

The cooperation with delegated bodies, such as FVA and municipalities regarding permissions, certificates etc. needed either to apply for funds or to get grants paid out is working well. It is based on institutionalised MoU and the cooperation does not give any problems regarding the effectiveness of the processing of applications and payment claims.

The expectations for IPARD III are positive both regarding effectiveness of processing and regarding the quality and completeness of the applications. NEA and private advisors have improved their advises to farmers and other applicants, so that the rejection rates have gone down for IPARD I and for IPARD II and again is expected to go down further under IPARD III. Better and more frequent information to beneficiaries has also contributed to better and more complete applications together with online guidelines, rulebooks and instructions to applicants.

The system is working well regarding preventing and reducing the risk for frauds, errors, and mistakes. The four-eyes-principle is a corner stone in the processes. The audit system is advanced and solid, so there are no problems with transparency of decisions and with errors, fraud, and mistakes in the decision processes. The director is very optimistic about the contribution from IA to a smooth and effective implantation of IPARD III.

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