



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

**ANNUAL REPORT ON THE IMPLEMENTATION OF THE  
IPARD PROGRAMME 2014-2020 FOR 2022**

(according to Article 59 of the Sectoral Agreement)

**June, 2023**

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## List of Acronyms

Art.	Article
BP	Business Plan
DG AGRI	Directorate General for Agriculture and Rural Development
EC	European Commission
EU	European Union
FR	Farm Register
GDP	Gross Domestic Product
GVA	Gross Value Added
ha	Hectares
IPARD	Instrument for pre-accession assistance for rural development
IPARD Agency	AFSARD - Agency for Financial Support in Agriculture and Rural Development
M 1	Investments in physical assets of agricultural holdings
M 3	Investments in physical assets concerning processing and marketing of agricultural and fishery products
M 7	Farm diversification and business development
M 9	Technical Assistance
MA	Managing Authority
MAFA	Multi-Annual Financing Agreement
MAFF	Multi-Annual Financing Framework
MAFWE	Ministry of Agriculture, Forestry and Water Economy
MC	Monitoring Committee
MIPD	Multi-annual indicative planning document
MoF	Ministry of Finance
MoESP	Ministry of Environment and Spatial Planning
MS	Management Structure
NAO	National Authorising Officer
NBRM	National Bank of the Republic of Macedonia (Central Bank)
NEA	National Extension Agency
NSARD 2014-2020	National Strategy for Agriculture and Rural Development 2014-2020
NGO	Non-Governmental Organizations
NF	National Fund
No.	Number
PRO	Public Revenue Office
SA	Sectoral Agreement
SAI	State Agriculture Inspectorate
SSO	State Statistical Office
TPE	Total Public Expenditure
TPP	Technical Project Proposal

## Preface

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

As Article 59(1) of the Sectoral Agreement indicates, by 30<sup>th</sup> June each year following a full calendar year of implementation of the IPARD II Programme the Managing Authority shall submit the report for implementation of IPARD II in 2022 by 30<sup>th</sup> of June 2023 in line with conditions set by the Sectoral Agreement. Activities for improvement cover the aspects of the implementation of the Programme in 2022.

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

## 1. Executive Summary

The IPARD Programme for the 2014-2020 programming period was approved on 13<sup>th</sup> of February 2015 by Commission Decision C (2015) 760. First modification of the Programme was approved with Commission Decision C (2019) 6038. Since the start of the implementation the Programme suffered four modifications. The actual, fourth modification of the Programme was approved in July 2022 with Commission Decision C (2022) 5355.

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

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

IPARD Programme 2014-2020 provides support through five measures (four of them accredited in the 2007-2013 programming period):

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

Implementation of the Programme started in April 2017. By the end of 2022, eight public calls have been announced, some of them for different IPARD measures:

1. Public call 01/2017 for submission of applications under measure 1, 3 and 7;
2. Public call 01/2018 for submission of applications under measure 3,
3. Public call 02/2018 for submission of applications under measure 1
4. Public call 01/2019 for submission of applications under measure 7,
5. Public call 02/2019 for submission of applications under measure 3,
6. Public call 01/2020 for submission of applications under measure 1,
7. Public call 01/2021 for submission of applications under measure 7,
8. Public call 01/2022 for submission of applications under measure 3.

Having in mind great number of terminated contracts and considering the time and funds remaining for implementation of the Programme, the possibility for announcement of more public calls in 2023 remains open.

IPARD applications per public call:

Public call number	Submitted applications	EU contribution	Contracted applications	EU contribution	Cancelled contracts	Paid applications	EU contribution
01/2017	1.648	73.589.698	917	16.344.197	35	879	13.288.367
01/2018	65	15.275.234	38	6.446.155	0	37	6.212.715
02/2018	1.099	17.829.517	628	6.311.459	25	589	5.191.459
01/2019	261	43.884.372	78	6.077.138	10	59	3.524.484
02/2019	61	16.763.734	46	8.716.132	1	34	4.781.936
01/2020	748	21.011.113	441	6.244.325	33	362	1.577.378
01/2021	250	32.490.820	117	9.811.183	5	30	93.649

01/2022	42	4.589.390	21	2.183.419	0	0	0
Total	4.174	225.433.878	2.286	62.134.008	109	1.990	34.669.988

Source: IPARD II M&E indicator tables 2022, 2023

The IPARD Agency managed to contract the entire financial envelope of the Programme by the end of 2022. Having in mind cancelation of contracts (at the request of the beneficiaries), contracted amounts have been made available for new contracts. Having in mind the “N+3” rule, the pressure for utilization of Programme’s funds is now transferred towards the beneficiaries themselves (to speed up the investments and submit claim for payment) and also the Sector for authorization of payments in the IPARD Agency.

Experience gained so far indicates that the stakeholders in the Macedonian agricultural and rural sector have high interest for using the possibilities of the IPARD Programme. The EU contribution of submitted projects is more than 3 times higher than funds available in the Programme.

The introduction of obligatory completeness of application package has proven to be very productive for the implementation of the Programme and resulted with decrease of time needed for processing/contracting the applications.

Public Call number	Published in month	Contracting started in month	Time needed for contracting
01/2017 (M 1, M 3 and M 7)	April 2017	August 2018	15 months
01/2018 (M 3)	November 2018	April 2019	4 months
02/2018 (M 1)	December 2018	August 2019	6 months
01/2019 (M 7)	October 2019	July 2020	7 months
02/2019 (M 3)	December 2019	September 2020	7 months
01/2020 (M 1)	February 2020	January 2021	10 months
01/2021 (M 7)	July 2021	February 2022	5 months
01/2022 (M 3)	July 2022	November 2022	3 months

Source: Managing Authority, Monitoring System, 2023



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

### 2.1 Political and institutional framework

The reporting period is characterized by intensive efforts leading to the beginning of the process of accession negotiations. The holding of the first Intergovernmental Conference in July 2022 was a historic moment and marked a new phase of the EU accession process for North Macedonia. This was a clear recognition of Macedonian determination to implement EU-related reforms.

In terms of political criteria, Macedonian authorities continued its efforts to strengthen democracy and the rule of law, despite certain challenges. The country has demonstrated its commitment to continuing to achieve results in key areas of the Core Values. Local elections were held in October 2021. The Office for Democratic Institutions and Human Rights of the Organization for Security and Co-operation in Europe (OSCE/ODIHR) assessed that they were competitive and that fundamental freedoms were widely respected.

Civil society organizations (CSOs) continue to work in a favourable environment, especially after the adoption of the Strategy for Cooperation with and Development of Civil Society 2022-2024. Civil society continued to play an important role in decision-making processes and the monitoring of state activities. However, efforts are needed to improve transparency in policy-making and inclusiveness in consultative processes. The legal and financial framework still needs to be improved and put into practice.

North Macedonia remains moderately prepared in terms of its public administration reform. Limited progress has been made in implementing last year's recommendations. The new Public Finance Management Reform Programme 2022-2025 was adopted. However, the adoption of the legislation on the organization and work of the state administration bodies and the new legal framework for human resources management (revision of the Law on Administrative Officers and the Law on public sector employees and new Law on Senior Management Service). The new framework seeks to improve the administration's human resource management and ensure more merit-based hiring, promotions and firings, including at the management level. The new law on budgets was adopted in September 2022. The State Commission for the Prevention of Corruption was proactive in solving cases of nepotism, cronyism and political influence in the process of employment in the public sector and in the process of appointing members of supervisory and management boards.

In terms of regional cooperation, the country maintains good relations with other enlargement countries and has continued its active participation in regional initiatives. Existing bilateral agreements, including the Prespa Agreement between North Macedonia and Greece, as well as the Agreement on Friendship, Good Neighbourliness and Cooperation with Bulgaria, should be implemented in good faith by all parties.

Key dates of Macedonian EU accession process:

- June 2003: The EU-Western Balkans Thessaloniki Summit confirms the EU perspective for the Western Balkans.
- March 2004: The country applies for EU membership.
- April 2004: The Stabilisation and Association Agreement enters into force.
- December 2005: The status of candidate country is granted.

- October 2009: The European Commission recommends for the first time the opening of accession negotiations.
- December 2009: Visa-free travel to the Schengen area for citizens of the country.
- March 2012: High Level Accession Dialogue with the Commission launched.
- November 2015: The European Commission makes its recommendation conditional on the continued implementation of the Pržino agreement and substantial progress in the implementation of the "Urgent Reform Priorities".
- February 2018: The European Commission adopts its strategy for "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans".
- April 2018: The European Commission recommends that the Council decides that accession negotiations be opened with the country in light of the progress achieved.
- May 2018: The EU-Western Balkans Sofia Summit confirms the European perspective of the region and sets out a number of concrete actions to strengthen cooperation in the areas of connectivity, security and the rule of law.
- June 2018: The Council sets out the path towards opening accession negotiations with the country in June 2019, depending on progress made.
- February 2019: The EU is notified officially about the entry into force of the Prespa agreement.
- May 2019: The European Commission recommends opening accession negotiations.
- February 2020: Revised methodology, presented by the Commission, to drive forward the enlargement process with a stronger political steer and in a more credible, predictable, dynamic way.
- March 2020: The members of the European Council endorsed the General Affairs Council's decision to open accession negotiations with North Macedonia.
- July 2020: Presentation of the draft negotiating framework to the Member States.
- October 2020: Commission proposes Economic & Investment Plan to support and bring the Western Balkans closer to the EU.
- October 2021: Commission confirms that North Macedonia continues to fulfil the conditions to open accession negotiations and looks forward to the holding of the first Intergovernmental Conference as soon as possible.
- July 2022: Intergovernmental Conference on accession negotiations with North Macedonia.

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

- The MS is in charge of tasks of financial management of assistance under IPA, under the responsibility of the NAO (responsibilities outlined in Article 7 of the Sectoral Agreement). The MS in particular is in charge of organizing the bank accounts, requesting funds from the Commission, authorizing the transfer of funds from the Commission to the operating structures or to the final beneficiaries and the financial reporting to the Commission.
- IPARD Managing Authority main functions and responsibilities outlined in Article 8 of the Sectoral Agreement and focus on the monitoring, evaluation, reporting, coordination and publicity of the IPARD Programme.
- The IPARD Agency (responsibilities outlined in Article 9 of the Sectoral Agreement) shall carry out, inter alia the following implementing and paying tasks:

- a. arranging for tendering procedures, grant award procedures, the ensuing contracting, and making payments to, and recovery from, the final beneficiary
- b. ensuring that the NAO, the National Fund and the Managing Authority receive all information necessary for them to perform their tasks;
- c. selecting and checking operations in accordance with the criteria and mechanisms applicable to the IPARD Programmes, and complying with the relevant Community and national rules;
- d. carrying out checks to ensure that the expenditure declared has actually been incurred in accordance with applicable rules, the products or services have been delivered in accordance with the approval decision, and the payment requests by the final beneficiary are correct. These checks shall cover financial, administrative, technical and physical aspects of operations, as appropriate;
- e. making calls for applications and publicizing terms and conditions for eligibility;
- f. checking of applications for approval of projects against terms and eligibility conditions, and compliance with the Agreements including, where appropriate, public procurement provisions;;
- g. laying down contractual obligations in writing between the IPARD Agency and the final beneficiaries including information on possible sanctions in the event of non-compliance with those obligations and, where necessary, the issue of approval to commence work;
- h. execution of on-the-spot checks to establish eligibility both prior to and following project approval;
- i. follow-up actions to ensure progress of projects being implemented;
- j. reporting of progress of measures being implemented against indicators;
- k. ensuring that the final beneficiary is made aware of the Community contribution to the project;

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

## **2.2 Macroeconomic situation**

In terms of economic criteria, North Macedonia has made some progress and achieved a good level of readiness for the development of a functional market economy. In 2021, the economy has largely recovered from the COVID-19 pandemic. The government continued to implement fiscal support measures for faster recovery. Aided by increased tax revenues, the fiscal deficit fell to 5.4% of GDP in 2021, while debt levels stabilized after significant growth in 2020. After the accelerated growth of food and energy prices in early 2022, the Government introduced a new set of fiscal measures to prevent the negative impact on the economy, although the fiscal measures could have been better targeted. The central bank tightened its policy in view of increased inflationary pressures. Important policy reforms to improve fiscal management and sustainability of public finances are at a standstill. After long delays, in mid-September, the Parliament adopted the New Law on Budgets, which provides for fiscal rules and a fiscal council. Public investment management needs further improvement. The banking sector remained stable. Regulatory measures to ease borrowing

requirements were lifted in 2021. The business environment continues to be hampered by the high share of the informal economy and slow progress in the rationalization of Para fiscal charges.

Exports and manufacturing output diversified further towards higher-value products. However, skills shortages, reflecting shortcomings in the education system and the outflow of skilled workers, as well as infrastructure investment gaps impair labour productivity and the competitiveness of the economy. While measures to mitigate the immediate adverse impact of the COVID-19 crisis on growth and employment are currently prevalent, addressing these structural needs in a timely manner would support a swift post-crisis economic recovery.

**Table 1: Main macroeconomic indicators**

	2016	2017	2018	2019	2020	2021	2022
GDP in million € (at current exchange rate)	9.657	10.026	10.691	11.210	10.797	11.760	12.042
GDP per capita in € (at current exchange rate)	4.659	4.831	5.147	5.399	5.201	6.403	6.556
GDP real growth rate (in %)	2,8	0,2	2,7	3,6	-4,5	4,0	2,4
Inflation (in %)	-0,2	2,4	0,9	0,4	2,3	4,9	18,7
Average exchange rate (MK denar/€)	61,60	61,57	61,51	61,51	61,67	61,63	61,62
Unemployment rate (in %)	23,7	22,4	20,7	17,3	16,4	15,7	14,4
Export of goods and services in mill. €	4.390	5.019	5.872	6.433	5.781	6.923	8.300
Import of goods and services in mill. €	6.176	6.835	7.676	8.441	7.599	9.638	12.125
Balance of trade in mill. €	-1.786	-1.816	-1.804	-2.008	-1.818	-2.715	-3.825
Balance of trade in % of GDP	-18,5	-18,0	-16,9	-17,97	-16,83	-23,08	-31,76

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

According to the estimated data, the growth rate of GDP in the fourth quarter of 2022 was 0,6%. In this quarter, the biggest increase was recorded in sections: G, H and I - Wholesale and retail trade; repair of motor vehicles and motorcycles; Transportation and storage; Accommodation and food service activities by 8,3%; R, S and T - Arts, entertainment and recreation; Other service activities; Activities of households as employers; undifferentiated goods and services producing activities of households for own use by 1,5%, as well as L - Real estate activities by 1,3%.

In the fourth quarter of 2022, Household final consumption, including Non-profit institutions serving households, increased by 17,0% in nominal terms, and its share in the GDP structure was 67,1%. In the same period, Export of goods and services increased by 25,4% in nominal terms, while Import of goods and services increased by 17,5%.

The decline in the unemployment rate in recent years is due to a number of factors: measures to stimulate employment, the policy of attracting foreign direct investment, as well as increased emigration (especially among the young population). Salary support and stimulating consumption, especially of domestic products, were one of the main support measures during the crisis. With the amendment to the Law on Minimum Wage (effective from March 2022), a new, higher amount (18.000 denars) of the minimum wage has been established. The new amount of the minimum wage applies both to employees in the private sector and to employees in the public sector.

According to the State Statistical Office data, the industrial production volume index in March 2023, in comparison with March 2022, was 101,3. The industrial production in the section Mining and quarrying in March 2023, in comparison with March 2022, decreased by 11,5%, in the section Manufacturing it increased by 2,4%, while in the section Electricity, gas, steam and air conditioning supply it increased by 10,1%. The increase in the section Manufacturing is mostly due to increased

production in the divisions, Manufacture of beverages, Manufacture of textiles, Manufacture of chemicals and chemical products, Manufacture of basic pharmaceutical product and pharmaceutical preparations, Manufacture of electrical equipment, Manufacture of machinery and equipment n.e.c. Manufacture of motor vehicles, trailers and semi-trailers.

The industrial production by Main Industrial Groupings in March 2023, in comparison with March 2022, was higher in Energy by 5,5%, Capital goods by 11,8% and Non-durable consumer goods by 8,0%, but lower in Intermediate goods, except energy by 11,0% and Durable consumer goods by 5,1%.

The industrial production index in the period January - March 2023, in comparison with January - March 2022, was 100,1.

### 2.3 Demographic situation

The total enumerated population is 2.097.319 persons. The total resident population is 1.836.713 people. The total non-resident population, which includes Macedonian citizens absent abroad for more than 12 months and the foreigners temporarily present in the Republic of North Macedonia for less than 12 months, is 260.606 persons included in the Census. The number of persons for whom the data is taken from administrative sources is 132.260 or 7,20% of the resident population. The number of foreigners temporarily present in the Republic of North Macedonia for less than 12 months is 1.674 people. In the total resident population of the Republic of North Macedonia, 50,4% are women and 49,6% are men. According to the age structure, the largest percentage of the population 7% are in the age group of 40 to 44 years.

In terms of age structure, the Macedonian population is growing older. In the period from 2008 to 2021, the share of the young population (0-14 years) in the total population decreased from 18,1% to 16,9%, while the share of the older population (65 and over) increased from 11,5% to 17,1%.

**Table 2: Share of population aged 65+ (in %)**

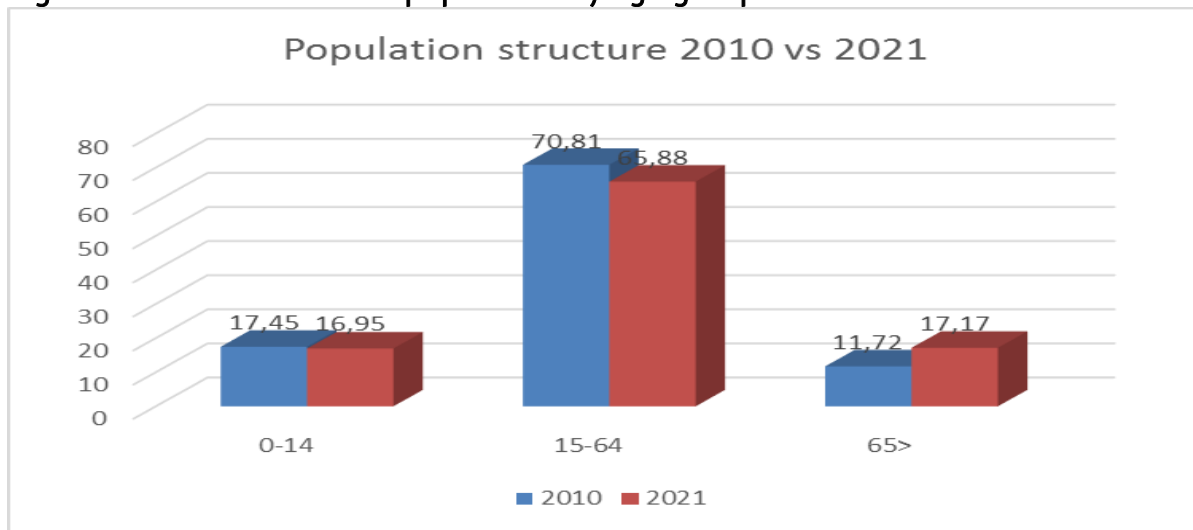
Year	Total	Vardar region	East region	Southwest region	Southeast region	Pelagonia region	Polog region	Northeast region	Skopje region
2008*	11,4	12,6	12,2	10,5	11,7	15,2	8,3	10,8	11,5
2016*	13,1	14,4	15,0	11,5	13,5	15,9	9,1	12,2	14,0
2018*	13,9	15,3	16,1	12,2	14,3	16,6	9,6	12,9	14,8
2019*	14,5	16,0	17,1	12,8	15,1	17,2	10,1	13,5	15,3
2021	17,2	18,5	21,0	16,9	18,9	19,7	13,0	16,2	16,7

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

\* estimated data

The demographic indicators at the regional level show differences that point to a disproportion in the territorial distribution of the population. The Skopje Region, as the most densely populated, has almost ten times higher density than the Vardar Region, which is the least densely populated. There are also differences in the age structure of the population. The highest share of young population (0-14) was registered in Skopje, Polog and the Northeast Region, while the highest proportion of old population (65+) was observed in Pelagonia, Vardar and the East Region. The indicators of the population average age also confirm this situation.

**Figure 1: Structure of total population by age groups in 2010 and 2021**



Source: State statistical office (SSO), 2023

IPARD Programme 2014-2020 had no particular impact on the developments in the demographic situation in the reporting period. On the contrary, the demographic situation adversely affects agriculture and rural development. The lack of a skilled workforce for the needs of foreign investors whose investments are located in industrial zones across the country is particularly noticeable. Farmers complain about labour shortages, especially for fruit harvesting. Also, the lack of young and educated staff negatively reflects on the ability to administer at the local level. Many of the responsibilities of local governments cannot be effectively managed due to a lack of adequate staff in small municipalities.

## 2.4 Agriculture production and economy

Agriculture, along with hunting, forestry and fisheries with a share of 9,8% in the overall gross domestic product (GDP) in 2022 was the fifth largest economy sector, immediately after the sectors of:

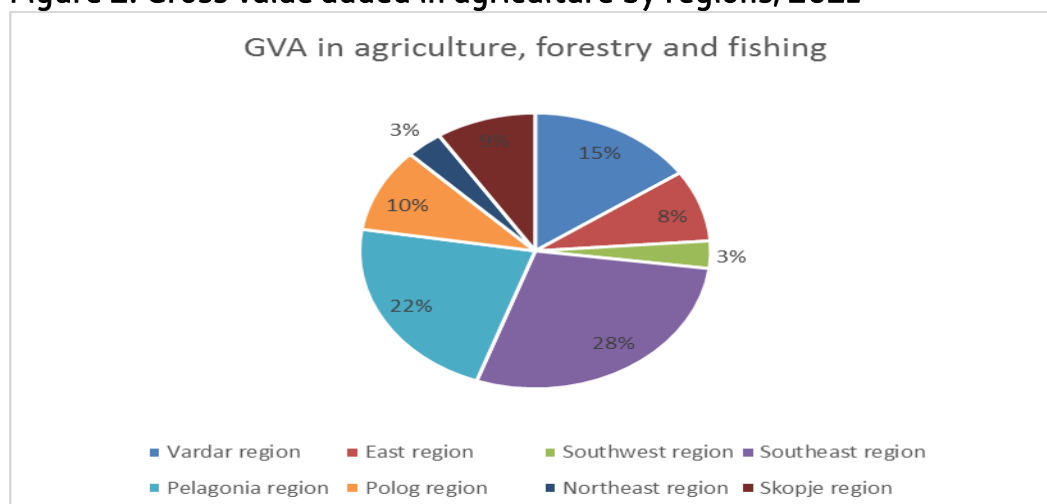
- Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities (21,9%),
- Mining, manufacturing, electricity, gas and water supply, sewerage, waste management, remediation activities (19,7%),
- Public administration and defence; compulsory social security; education; human health and social work activities (15,2%),
- Real estate activities (12,0%),

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

According to the data of the State Statistical Office, gross value added in agriculture for 2021 was 46.782 million denars and in comparison with 2020 it nominally decreased by 12,0%. Crop production, having a 79,4% share in the total production, decreased by 7,8% compared with 2020. Livestock production, accounting for 20,6% of the total production, decreased by 15,6% compared with 2020.

Intermediate consumption recorded a 0,1% decrease in 2021 compared with 2020. In 2021, nominal income in agriculture from production factors per labour unit decreased by 14,0%, while real income in agriculture from production factors registered a decrease of 16,2%.

**Figure 2: Gross value added in agriculture by regions, 2021**



Source: State statistical office (SSO)

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

According to the data of the State Statistical Office, cultivated land in 2022 covered an area of 514.436 hectares, which compared to 2021 decreased by 0,4%. A decrease in cultivated land was registered for all categories.

**Table 3: Agricultural areas by category of use in 000 hectares**

	2016	2017	2018	2019	2020	2021	2022
Agricultural land	1.267	1.266	1.264	1.264	1.262	1.260	1.260
– Cultivated land	516	517	519	520	517	517	514
– Arable land and gardens	417	417	418	419	416	417	416
– Orchards	16	16	17	17	17	17	17
– Vineyards	24	24	24	24	24	24	24
– Meadows	59	60	60	60	60	60	60
Pastures	750	748	745	744	744	743	743
Marshes, swamps and fish ponds	1	1	1	1	1	1	1

Source: State statistical office (SSO), 2023

**Table 4: Number of agricultural holdings and available area of the holdings**

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

Source: State statistical office (SSO), 2023

In accordance with EU Regulation (EC) No. 1166/2008, in June 2016, the State Statistical Office conducted the Farm Structure Survey. According to the Farm Structure Survey data, there are 178.125 agricultural holdings in the Republic of North Macedonia. On average, one agricultural holding uses 1,8 ha of agricultural area and breeds 2,1 LSU (livestock units). The total utilized agricultural area by agricultural holdings is 320.738 ha, and of the total number of holdings, 60,8% used up to 1 ha of agricultural area. Agricultural holdings have 381.361 LSU. Of the manure application techniques 37,9% of agricultural holdings used broadcast application of manure with no



incorporation, (broadcasting manure onto the surface of a field - the oldest method of manure spreading), while the most used irrigation method is surface irrigation method.

### ***Agricultural production***

According to the data of the State Statistical Office, cultivated land in 2022 covered an area of 514.436 hectares, and compared to 2021 it decreased by 2.297 ha. The crop production structure in the country is broken down into five main groups: production of cereals, industrial, fodder crops, horticultural crops, orchards and vineyards. In 2022, the structure of sown area under cultivation (cereals, fodder crops, industrial crops and vegetables) in total of 274.857 ha, accounts for approximately 59% of cereals, 20% of vegetables, 13% of forage crops and 8% of industrial crops.

**Table 5: Harvested area under cereals in hectares**

Cereal	2016	2017	2018	2019	2020	2021	2022
Wheat	79.832	72.864	70.987	68.847	69.765	70.366	70.107
Rye	4.483	4.065	3.836	3.809	3.936	3.782	3.791
Barley	41.297	43.816	42.331	43.941	44.995	47.683	45.429
Rice	5.040	3.274	3.222	3.481	3.177	3.111	3.114
Maize	31.045	31.287	36.340	33.967	31.912	30.224	30.215
Total	161.697	155.306	156.716	154.045	153.785	155.166	152.656

Source: State statistical office (SSO), 2023

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

The area under other fodder crops remains unchanged in the last years. Despite this, lack of forage crops is causing high prices and reflecting as limiting factor on the development of livestock production sector. Main reasons for this situation is the lack of sufficient size of arable land per farm for production of forage crops as well as the small and fragmented parcels.

**Table 6: Harvested area under fodder crops in hectares**

Fodder crop	2016	2017	2018	2019	2020	2021	2022
Alfalfa	19.579	19.487	19.698	19.455	19.076	19.661	18.891
Vetches-hay	1.922	2.180	2.065	2.018	1.960	1.817	1.883
Fodder peas-hay	1.253	1.640	1.428	1.639	1.499	1.574	1.607
Fodder maize	6.378	6.384	6.196	8.231	8.216	7.049	9.380
Fodder beet	387	382	376	475	461	447	446
Clover	3.725	3.716	3.685	3.922	4.012	4.198	4.060
Total	33.244	33.789	33.448	35.740	35.224	34.746	36.267

Source: State statistical office (SSO), 2023

**Table 7: Harvested area under industrial crops in hectares**

Industrial crop	2016	2017	2018	2019	2020	2021	2022
Tobacco	16.376	15.959	16.582	16.679	16.591	15.457	15.044
Sunflower	3.896	4.022	2.346	4.605	4.559	5.050	6.179
Total	20.272	19.981	18.928	21.284	21.150	20.507	21.223

Source: State statistical office (SSO), 2023

Vegetable production decreases each year from 2015 onwards. The decrease in area under vegetables is not that significant as the decrease in the yields per ha. Most of the vegetable production is open field production and largely dependent from positive summer climatic conditions



(favourable summer rains). Vegetable production is also a more intensive branch than the others are, so the lack of seasonal labour has had a strong impact on production capacity.

**Table 8: Harvested area under vegetables in hectares**

Vegetable	2016	2017	2018	2019	2020	2021	2022
Potatoes	13.273	13.188	12.403	12.939	12.618	12.306	12.187
Onion	3.581	3.633	3.627	3.562	3.622	3.622	3.494
Garlic	978	947	950	904	963	973	926
Beans	4.817	4.703	4.577	4.504	4.392	4.267	4.244
Peas	1.008	1.062	1.045	1.105	1.072	1.119	1.012
Lentil	84	86	81	74	71	67	60
Cabbage	4.593	4.499	4.502	4.627	4.517	4.444	4.551
Tomatoes	5.604	5.597	5.569	5.497	5.453	5.567	5.613
Peppers	8.751	8.927	9.179	9.390	9.236	9.773	9.733
Cucumbers	1.048	1.035	1.034	1.036	943	1.061	1.015
Melons and watermelons	5.445	5.385	5.281	5.132	5.175	5.321	5.034
Total	49.182	49.062	48.248	48.770	48.062	48.520	47.869

Source: State statistical office (SSO), 2023

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

**Table 9: Fruit production in tones**

Fruit	2016	2017	2018	2019	2020	2021	2022
Cherries	5.574	4.061	5.824	6.045	6.258	4.716	5.768
Sour cherries	8.072	4.408	10.538	8.695	9.892	8.372	8.725
Apricots	3.471	3.992	3.904	6.070	3.434	2.584	5.312
Apples	101.088	43.366	140.296	88.701	105.794	92.863	164.530
Pears	7.207	5.052	8.055	8.048	8.790	6.631	10.327
Plums	33.684	17.880	37.719	32.303	34.983	27.031	39.512
Peaches	12.108	11.509	13.128	12.003	12.765	6.205	12.311
Walnuts	5.147	2.341	4.826	5.014	5.387	4.667	6.165
Total tones	176.351	92.609	224.290	166.879	183.869	153.069	252.650
Total area in Ha	16.138	16.546	16.827	16.784	17.000	16.942	16.852

Source: State statistical office (SSO), 2023

**Table 10: Vineyards (area) and production of grapes (including table grapes)**

Vineyards	2016	2017	2018	2019	2020	2021	2022
Area in ha	23.613	23.703	24.088	24.468	23.709	23.384	23.047
Production in tones	333.319	180.349	294.497	258.960	317.550	269.131	265.556

Source: State statistical office (SSO), 2023

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

**Table 11: Number of livestock**

Livestock	2016	2017	2018	2019	2020	2021
Cattle	254.768	255.036	256.181	217.790	222.202	177.622
Pigs	202.758	202.197	195.538	135.770	164.074	186.146
Sheep	723.295	724.555	726.990	684.558	630.634	633.281
Goats	101.669	107.466	117.447	87.581	95.008	75.753
Poultry	1.865.769	1.840.173	1.828.287	1.562.089	1.643.462	1.484.025
Bee-hives	81.476	75.406	81.197	96.143	99.558	92.968

Source: State statistical office (SSO), 2023

The eggs production is primary activity of the Macedonian poultry industry. 1,47 million heads out of the total belong to the number of laying hens. The number of bee families in 2019 significantly increased due to the increase in the subsidies provided by the Programme for direct payments and the characteristics of bee keeping (small investments, labour extensive production, increase in prices of honey and its products).

**Table 12: Production of meat in tones**

Meat	2016	2017	2018	2019	2020	2021
Beef	3.962	4.636	4.381	4.083	3.886	4.214
Pig	12.786	13.105	12.929	13.384	14.930	15.578
Sheep/lamb	3.737	3.422	3.446	3.392	3.183	3.097
Chicken	1.509	1.716	1.499	1.490	1.494	1.695

Source: State statistical office (SSO), 2023

**Table 13: Production of milk in 000 litres**

Milk	2016	2017	2018	2019	2020	2021
Cow	403.044	394.140	404.230	390.903	405.217	326.523
Sheep	41.066	35.364	36.559	35.088	26.925	34.811

Source: State statistical office (SSO), 2023

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

The labour force in the agricultural sector in the Republic of North Macedonia is mainly comprised of labour work on the individual farm level. The main part of the rural population is engaged in agricultural activities (primarily within the households) and rarely with other non-agricultural activities where possibilities exist. The average paid salaries in agriculture are among the lowest level compared with other economy sectors. The salary increase since 2018 is a result of several increases of the minimum wage (which by the end of 2022 reached approximately 300 €). This led to increase of number of employees in agriculture by regulating employment status of persons whose status was not regulated.

**Table 14: Average net salary by employee in €**

Description	2016	2017	2018	2019	2020	2021	2022
Agriculture, forestry and fisheries	283	272	306	321	357	371	423

Source: State statistical office (SSO), 2023

**Table 15: Employees in agriculture, forestry, fisheries, and food processing**

Description	2017	2018	2019	2020	2021	2022
Number of employees	149.596	148.994	142.550	125.585	121.535	96.525
% of total employed	20,2	19,6	17,9	15,8	15,3	14,0

Source: State statistical office (SSO), 2023

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

In 2021 the overall trade (industrial + agro-food products) (export + import) compared to 2020 has increased by 23,8%. Total export (industrial + agro-food products) in 2021 compared with 2020 has increased by 19,8% and total import shows a increase by 26,9%. The export of agro-food products in 2021 compared with 2020 has increased by 6,1% (from €5591,7 million in 2020 to €627,9 million in 2021), and the import of agro-food products in 2021 compared with 2020 increased by 14,8% (from €822,57 million to €944,1 million).

In 2022 the overall trade (industrial + agro-food products) (export + import) compared to 2021 has increased by 23,3%. Total export (industrial + agro-food products) in 2022 compared with 2021 has increased by 19,9% and total import shows a increase by 25,8%. The export of agro-food products in 2022 compared with 2021 has increased by 13,5% (from €627,9 million in 2021 to €713,11 million in 2022), and the import of agro-food products in 2022 compared with 2021 increased by 20,9% (from €944,1 million to €1.142,3 million).

This increase of the value of export and imports is primarily due to the increase in average export and import prices of many products such as beef fresh, chilled and frozen, poultry, milk and dairy products, cereals, various types of flour, confectionery sugar products, sunflower oil and others.

The share of export of agro-food and fishery products in total export from Republic of North Macedonia in 2022 has decreased compared to the share in 2021 and it was 8,59%. The share of import of agro-food and fishery products in total import into Republic of North Macedonia in 2022 has decreased compared to the share in 2021 and it was 9,42%.

The trade deficit in 2022 has increased compared to 2021 by 35,7% and it amounted €429,2 million.

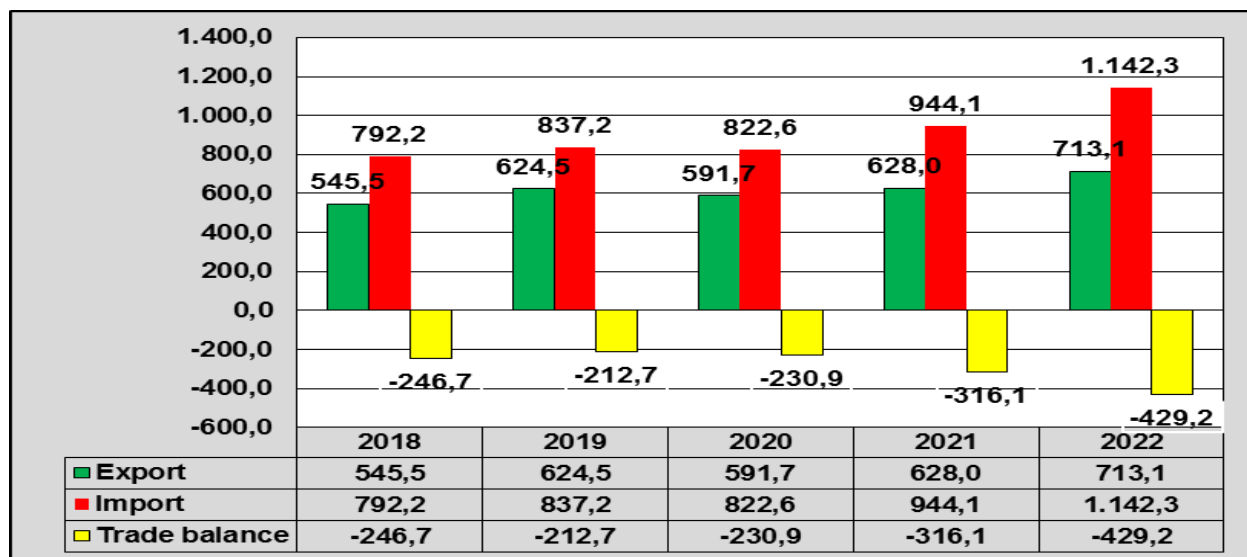
**Table 16: Total trade and trade with agricultural and fishery products 2017-2021 (in million €)**

		Total trade (industrial + agricultural products)	Total trade with agricultural, processed and fisheries products	Share of agricultural, processed and fisheries products in total trade
2018	<i>Export</i>	5.860,83	545,5	9,31%
	<i>Import</i>	7.671,95	792,15	10,32%
	<i>Balance</i>	-1.811,12	-246,65	13,61%
2019	<i>Export</i>	6.423,70	624,5	9,72%
	<i>Import</i>	8.463,17	837,15	9,89%
	<i>Balance</i>	-2.039,47	-212,65	10,42%
2020	<i>Export</i>	5.777,90	591,67	10,24%
	<i>Import</i>	7.594,54	822,57	10,83%
	<i>Balance</i>	-1.816,64	-230,9	12,71%
2021	<i>Export</i>	6.922,57	627,96	9,07%
	<i>Import</i>	9.638,29	944,06	9,79%
	<i>Balance</i>	-2.715,72	-316,09	11,64%

2022	<i>Export</i>	8.299,58	713,11	8,59%
	<i>Import</i>	12.125,23	1.142,31	9,42%
	<i>Balance</i>	-3.825,65	-429,20	11,22%

Source: State Statistical Office (SSO), prepared by MAFWE, 2023

**Figure 3: Development of Macedonian agricultural trade (in million €) for the period 2018-2022**



European Union-27 is definitely the most important partner of the Republic of North Macedonia on trade with agri-food and fisheries products in 2022. The total value of the trade exchange with EU-27 with agri-food products in 2022 (export + import) is € 869,1 million. Exports of agri-food and fishery products increased by 13,5% (from € 317,59 million in 2021, to € 359,9 million in 2022), while imports of these products increased by 16,2% (from € 447,9 million in 2021 to € 509,2 million in 2021). The share of agro-food and fishery products export to EU-27 in total export of these products in 2022 was 50,53%, while the share of import from EU-27 in total agro-food and fishery products import in 2022 was 45,6%.

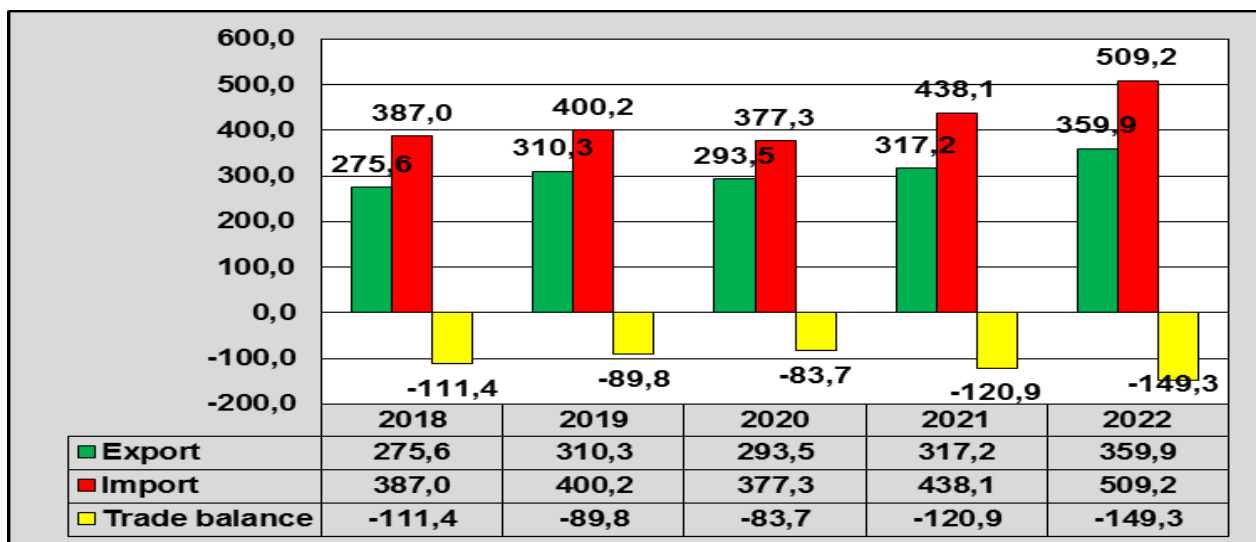
Second important partner of the Republic of North Macedonia in 2022 in trade with agro-food and fishery products, were CEFTA country members, with total value of trade (export + import) of €594,1 million. The share of agro-food and fishery products export to CEFTA country members in total export of these products in 2022 was 33,9%, while the share of import from CEFTA country members in total agro-food and fishery products import in 2022 was 30,8%. The most important CEFTA trade partner was Serbia with share of 13,4% of total export of agro-food and fishery products and 23,5% of total import. Following by Bosnia and Herzegovina (with share of 4,9% in total export and 4,4% in total import). Regarding export Kosovo is also important partner with share of 9,76% of total export, while the contribution of other CEFTA members countries (Montenegro, Moldova and Albania) is still with lower participation in trade.

Worth to be mentioned, Turkey as a candidate country and a country with which the Republic of North Macedonia has a Free Trade Agreement takes 0,36% of total export and 2,97% of the total import of agro-food and fishery products. Regarding the export of agro-food and fishery products, the largest sole non-EU trade partner was USA, with share of 3,7% of total export, due to significant export of tobacco. Following was Russian Federation, accounting for 3,24% of total exports (due to large exports of fresh fruits and vegetables), while Brazil with share of 3,79% of total import, was

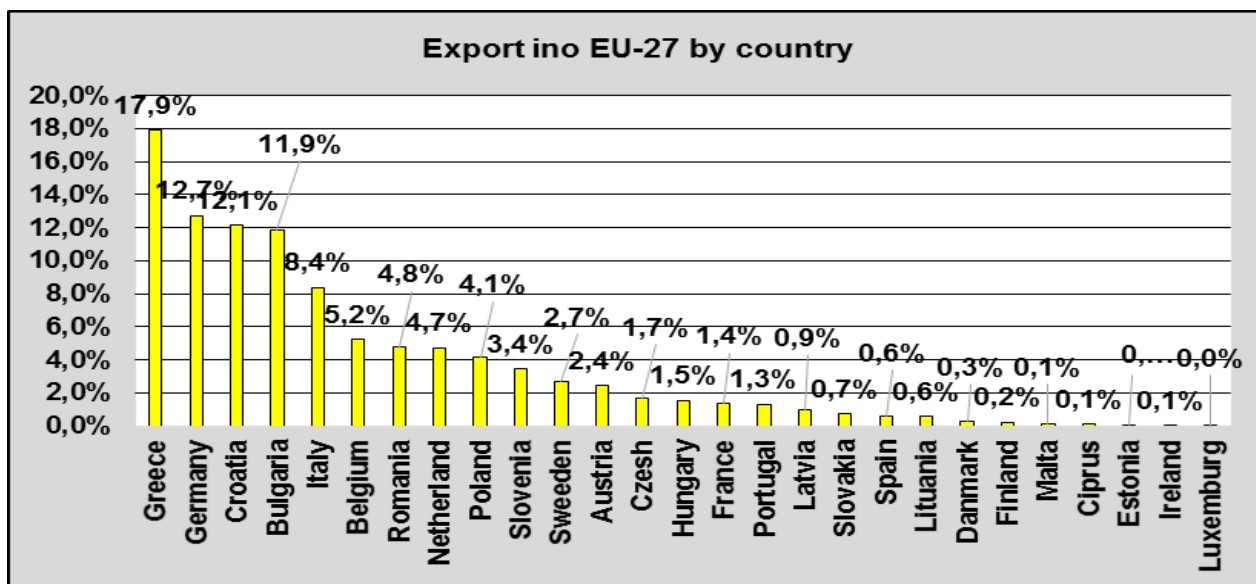
largest sole non-EU import partner, basically due to significant quantities of poultry, bovine frozen and coffee imported in 2022.

We should also mention the United Kingdom, which after leaving the European Union, in the total export of agri-food and fishery products, participates with 1,14%, while in the total import of these products participates with 0,95%.

Figure 4: Overview of the import/export/trade balance data (in million €) with the EU-28 for the period 2018-2019 and with the EU-27 for 2020-2022



*Share by countries from EU-27 in export of agro-food products in 2022*

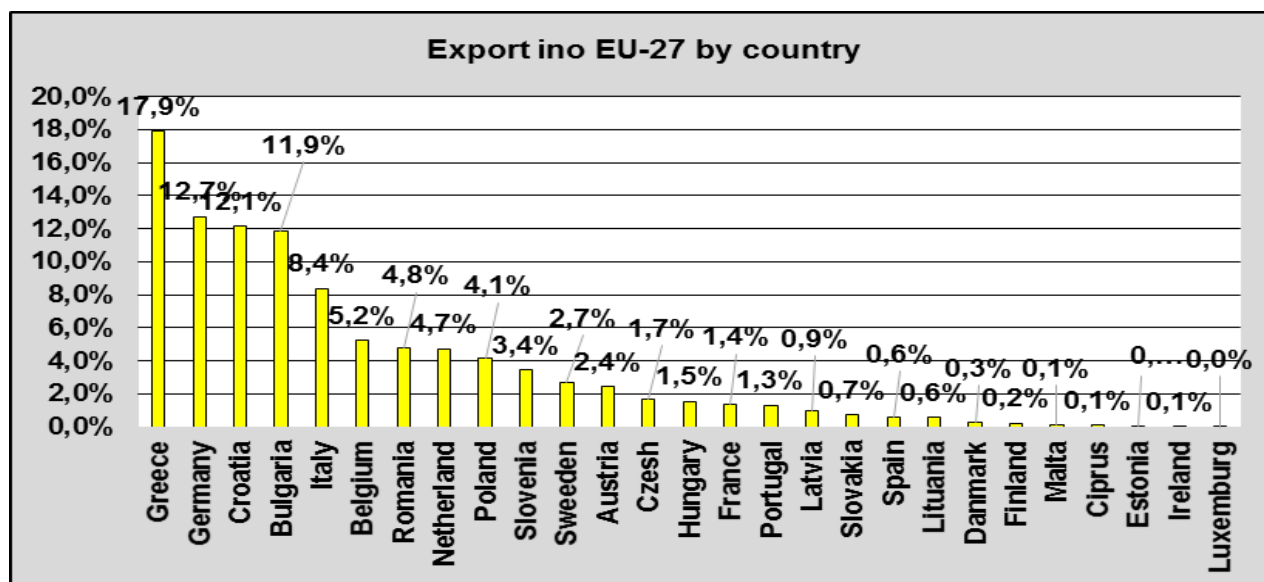


Most exported Macedonian agro-food products in 2022 per EU member state are:

- Greece, with tobacco, barley, lamb meat, maize, sunflower oil, biscuits and wafers, mixed prepared and fresh vegetables.
- Germany with wine, tobacco, other live plants (including their roots), cut-tings and slip, vegetables - uncooked or cooked, vegetables prepared or preserved.
- Croatia with wine, biscuits and wafers, vegetables prepared or preserved; other vegetables, fresh or chilled, lamb meat.

- Bulgaria with tobacco, wine, biscuits and wafers, apples and fresh peppers.
- Italy with lamb meat, vegetables frozen, mushrooms, vegetables prepared or preserved, vegetables - uncooked or cooked, yeasts.

**Share by countries from EU-27 in import of agro-food products in 2022**



Most imported agri-food products from the EU member states are:

- Germany: cheese; chocolates; food preparations not elsewhere specified or included; meat of swine, fresh, chilled or frozen, and large number of other products.
- Italy: coffee; meat of bovine animals, fresh, chilled or frozen; pasta whether or not cooked or stuffed; food preparations not elsewhere specified or included; chocolates.
- Poland: poultry meat; meat of bovine animals, fresh or chilled or frozen; food preparations not elsewhere specified or included; chocolates, biscuits.
- Bulgaria: sunflower oil; tobacco; biscuits and wafers; poultry meat; chocolates.
- Greece: fresh citrus fruit; poultry meat; vegetables prepared or preserved (olives); food preparations not elsewhere specified or included; oil-cake and other solid residues; fish fresh or chilled.
- Croatia: chocolates; poultry meat; cheese; sausages and other prepared or preserved meat; prepared or preserved fish; soups and broths and preparations therefor; spirits.

**Table 17: Overview of the trade with Basic Agricultural Products and Process Agricultural Products for period 2020, 2021, 2022 (in million €)**

	Export			Import			Trade balance		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Basic Agricultural Products	238,7	255,6	277,9	227,2	256,7	302,8	11,6	-1,1	-24,8
Processed Agricultural Products	54,8	61,6	81,9	150,1	181,4	206,4	-95,3	-119,8	-124,4
<b>TOTAL</b>	<b>293,5</b>	<b>317,2</b>	<b>359,9</b>	<b>377,3</b>	<b>438,1</b>	<b>509,2</b>	<b>-83,7</b>	<b>-120,9</b>	<b>-149,3</b>

Data source: State Statistical Office, prepared by MAFWE, 2023

## 2.5 Changes in national and sectoral policies

Pursuing to the Article 6 of the Law on Agriculture and Rural Development, the National Agriculture and Rural Development Strategy (NARDS) is the principal long-term strategic document, which is a basis for formulation of national agriculture and rural development policies for period of 7 years, following the same programming and financial timespan of the EU. The Macedonian Government has adopted the strategy for the period 2021 to 2027 in January, 2021. The document is prepared in line with the new EU Common Agricultural Policy (CAP) objectives and recommended methodology for development of CAP strategic plans for the respective planning period aimed to achieve a more results oriented policy.

The new NARDS covering the period 2021-2027 has been drafted in comprehensive and inclusive participatory process that lasted by December 2020 and by involving all Ministry's and relevant Agency's staff, numerous local and some international expertise. Despite the Coronavirus situation, 32 direct public debates events have been hold with 357 participants. In addition, electronic correspondence with larger NGOs was carried out and the final draft before heading it over to the Governmental inter-service consultations was publicly shared on the MAFWE website.

Improving the competitiveness and income sustainability of agricultural holdings, applying environmental and climate-friendly practices and ensuring sustainable rural development are the strategic objectives to be pursued by the sector's actors, assisted by the state policies. The sustainable development shall be achieved by reaching the following specific policy objectives:

- (i) to ensure a fair income to farmers;
- (ii) to boost productivity for increased competitiveness;
- (iii) to rebalance power in the food chain;
- (iv) to introduce climate change mitigation and adaptation actions;
- (v) to increase environmental protection;
- (vi) to preserve landscapes and biodiversity;
- (vii) to support generational renewal;
- (viii) to support vibrant rural areas, and
- (ix) to protect food and health quality.

In order to ensure increased return on governmental spending, the projected increase in state support funds for agriculture and rural development in the period after 2020 (from 140 to 200 million € per year) will be allocated for co-financing private and public investments (in rural infrastructure, especially in irrigation), organization of agricultural markets, interventions for structural improvement of the land properties (consolidation) and for enhancing the knowledge, innovation and digitalization (advisory services, research, education and trainings). By the end of the strategic period, the relative share of funds for these purposes shall double compared to 2020 to at least 35% of the total allocated funds (or in an absolute amount of at least 70 million € annually).

## 2.6 National support schemes

The level of financial support for agriculture and rural development by way of direct payments remains approximately the same in 2022 in terms of the amount of payments, as well as concerning the relative participation of this scheme in the overall envelope. The strategic objective remains the same, to increase the funds allocated to the rural development-type of investments, which should enlarge significantly their relative share into the overall financial envelope compared to the previous strategic period.



As regards to direct payments, the procedure of drafting the new Law on Direct Payments, which provides a legal basis for the forthcoming reform of the direct support scheme, especially towards the simplification of the direct payment scheme and gradual separation, has been initiated. The law is in governmental procedure and it is expected to be passed by parliament in 2023.

In the meantime, in order to improve the system of realization of direct payments and introduce reforms in relation to payments based on performance of the agricultural holdings, the Macedonian authorities at the end of 2022, through intervention in the national strategy and the corresponding decrees for the realization of direct payments, introduced direct payments based on performance which will be realized from 2023.

**Table 18: Amounts of support (in mill. €) by the Programme for direct payments**

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total	112,7	112	101,8	101,8	102,8	99,5	101	116,1	112,4	122,5	108,1

Source: MAFWE, IPARD Agency, 2023

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

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

**Table 19: Amounts of support (in mill. €) by the Programme for rural development**

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total	17,2	31,2	31,4	30,4	27,5	25,5	13,7	16,0	14,9	12,7

Source: MAFWE, IPARD Agency, 2023



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

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

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

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

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

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

**Table 20: Budget of EU Contribution by measure 2014-2020, in €**

Measures	EU contribution 2014-2020 first modification		EU contribution 2014-2020 second modification		EU contribution 2014-2020 third modification		EU contribution 2014-2020 fourth modification	
	Value	%	Value	%	Value	%	Value	%
Investments in physical assets of agricultural holdings	21.800.000	36%	21.320.000	36%	21.320.000	36%	19.440.247	32%
Investments in physical assets concerning processing and marketing of agricultural and fishery products	21.960.000	37%	21.540.000	36%	19.460.000	32%	22.727.637	38%
Investments in rural public	9.100.000	15%	0	0%	0	0%	0	0%

infrastructure								
Farm diversification and business development	4.740.000	8%	15.560.000	26%	18.630.000	31%	17.242.116	29%
Technical assistance	2.400.000	4%	1.490.000	2%	590.000	1%	590.000	1%
Total	60.000.000	100%	60.000.000	100%	60.000.000	100%	60.000.000	100%

Source: IPARD Programme 2014-2020, C (2015)760, C (2019)6038, C (2021)5552 and C (2022)5355.

### 3.2 Analysis on progress in implementation by measure

By the end of 2022, there were eight public calls for submission of applications published. In order to meet the farmers' needs and provide more time for preparation of quality applications, the deadline for submission of applications was extended for additional 15 days for public calls 01/2017, 01/2019, 02/2019, 01/2020 and 01/2021.

**Table 21: Overview of implementation of IPARD per public calls at the end of 2022**

	Public call	Applications						Time for application processing	Contracted - Paid	
		Submitted		Contracted		Paid				
		No.	EU contribution	No.	EU contribution	No.	EU contribution			
1	01/2017	1.648	73.589.699	917	16.344.197	879	13.288.367	15 months	38	3.055.830
2	01/2018 <sup>1</sup>	65	15.306.651	38	6.446.155	37	6.212.715	4 months	1	233.440
3	02/2018 <sup>2</sup>	1.099	18.335.969	628	6.311.459	589	5.191.459	6 months	39	1.112.000
4	01/2019 <sup>3</sup>	261	43.821.070	78	6.077.138	59	3.524.484	7 months	19	2.552.654
5	02/2019 <sup>4</sup>	61	16.763.734	46	8.716.132	34	4.781.936	6 months	12	4.056.197
6	01/2020 <sup>5</sup>	748	21.011.113	441	6.244.325	362	1.577.378	8 months	79	3.934.196
7	01/2021 <sup>6</sup>	250	32.490.820	117	9.811.183	30	93.649	7 months	87	9.717.534
8	01/2022 <sup>7</sup>	42	4.589.390	21	2.183.419	0	0	4 months	/	/
Total		4.174	225.908.446	2.286	62.461.445	1.984	34.669.988	/	302	27.791.457

Source: IPARD II M&E indicator tables 2022, 2023

During 2022 only, 183 applications are contracted (13.182.136 EU contribution) and 245 projects are paid (13.181.281 EU contribution). For comparison purposes, in 2021, the IPARD Agency contracted 493 applications are contracted (11.648.917 EU contribution) and paid 443 projects (7.006.016 EU contribution). In 2020, the Agency contracted 399 applications (14.592.950 EU contribution) and paid off 448 applications (4.328.442 EU contribution).

The ratio between paid and contracted projects is 85% (increased from 81% in 2021) and the ratio between paid and contracted EU contribution is 55% (increased from 43% in 2021). This leads to a

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

<sup>2</sup> Public call for measure 1.

<sup>3</sup> Public call for measure 7.

<sup>4</sup> Public call for measure 3.

<sup>5</sup> Public call for measure 1.

<sup>6</sup> Public call for measure 7.

<sup>7</sup> Public call for measure 3.

conclusion that realization of more expensive projects highly influenced the absorption process. Having in mind that contracting process for 01/2021 has finished in 2022, the burden/work load is transferring from project approval towards payment authorization. Namely, by the end of 2022 the Agency has contracted more than the available funds and paid nearly 57%. In the last year of implementation of the Programme - 2023, IPARD Agency's Department for authorization of payments would have to authorize approximately 1/3 of the funds available in the Programme.

**Table 22: Indicators on quality of implementation (cut-off date 31.12.2022)<sup>8</sup>**

Total number of applications submitted	4.222
Number of signed contracts	2.316
Number of paid contracts	2.005
Number of cancelled contracts	76
% of contracted applications (contracted/submitted)	55%
% of cancelation of contracts (cancelled/contracted)	3,8%
% of paid contracts (paid/(contracted – cancelled)	89%

Source: IPARD II M&E indicator tables 2022, 2023

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<sup>8</sup> Measure Technical Assistance included.

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

Submitted applications under Measure 1, on three public calls, reached 3.251 (35.979.297 € EU contribution). Contracts have been signed with 1.942 applicants for 20.626.848 € EU contribution, out of which 76 contracts (330.702 € EU contribution) have been terminated by the Agency. Reasons for termination of these contracts are elaborated by the Agency in part 4.3.2, summary of the contract follow up.

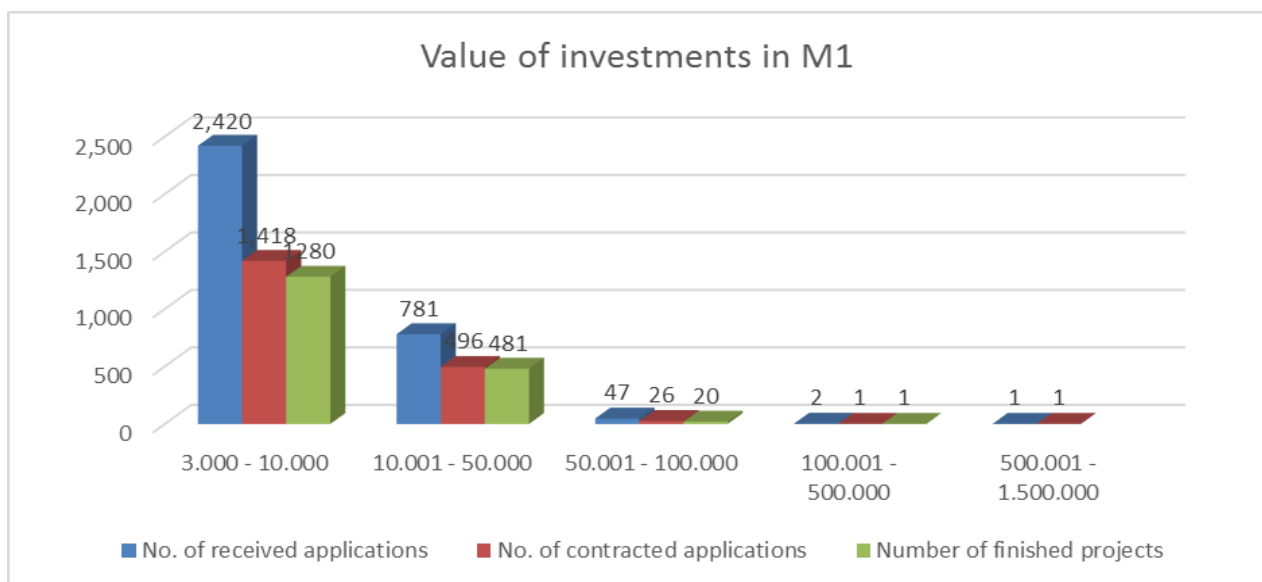
**Table 23: Measure 1 applications per public call**

Public call	Submitted (A)	Contracted (B)	Paid (C)	Approval rate (B/A)	Payment rate (C/B)
01/2017	1.404	863	821	64 %	92 %
02/2018	1.099	628	595	58 %	92 %
01/2020	748	441	366	60 %	80 %
Total	3.251	1.942	1.782	61 %	89 %

Source: IPARD Agency, Info on public calls\_IPARD II-31.12.2022, 2023

By the end of 2022, payment of contracts reached 1.782 (14.467.977 € EU contribution).

**Figure 5: Review of applications per value of investments<sup>9</sup> in Measure 1**



Source: IPARD II M&E indicator tables 2022, 2023

Average value of received application (expressed in EU contribution) under Measure 1 in the IPARD Agency is 11.067 €. Respectively, average value of contracted and paid applications under Measure 1 is 10.534 € and 8.183 €.

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

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

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

minimum national standards for environmental protection, public health, animal welfare and occupational safety. This Programme criterion (IPARD Programme 2014-2020, Measure 1, 5.2 National and EU standards to be respected) was hard to fulfil by many applicants since their livestock production is small scale not meeting the required standards.

The real needs for investments in the livestock production sectors relate to the production capacities reconstruction (rebuilding the farms in order to achieve the standards for animal welfare and environmental protection). Investments like this (construction activities) have higher value than those related to equipment procurement and installation, so the lack of such investment activities affected the Programme financial targets implementation. Building permits are obligatory for such investments and are difficult to obtain in most cases (especially in small rural Municipalities). Direct interviews with potential recipients (eligible ones) conducted by IPARD Managing Authority have shown lack of starting capital, access to credits from banks and unprofitability of investing in environment protection and animal welfare, as main issues for low interest for using IPARD in livestock breeding. Further sector analysis needed for explaining the reasons for low interest in animal husbandry sector.

**Table 24: Review of applications per priority sectors in Measure 1**

	Received (A)	Contracted (B)	EU part contracted	Paid	EU part paid	% of approval (B/A)
Cattle	26	6	1.344.984	4	204.207	23%
Poultry	16	2	446.268	1	321.981	13%
Sheep	22	4	66.688	2	12.453	18%
Pigs	16	3	917.611	3	851.581	19%
Goat	1	0	0	0	0	0%
Orchards	1.009	626	6.116.211	595	5.395.599	62%
Vineyards	476	305	3.813.485	282	1.267.383	64%
Vegetables (open field)	191	102	641.314	96	514.547	53%
Greenhouses	23	12	324.597	9	42.633	52%
Cereals	1.455	876	6.877.004	787	5.838.454	60%
On-farm processing	11	4	72.333	1	12.786	36%
Renewable energy	5	2	6.353	2	6.353	40%
Total	3.251	1.942	20.626.848	1.782	14.467.977	60%

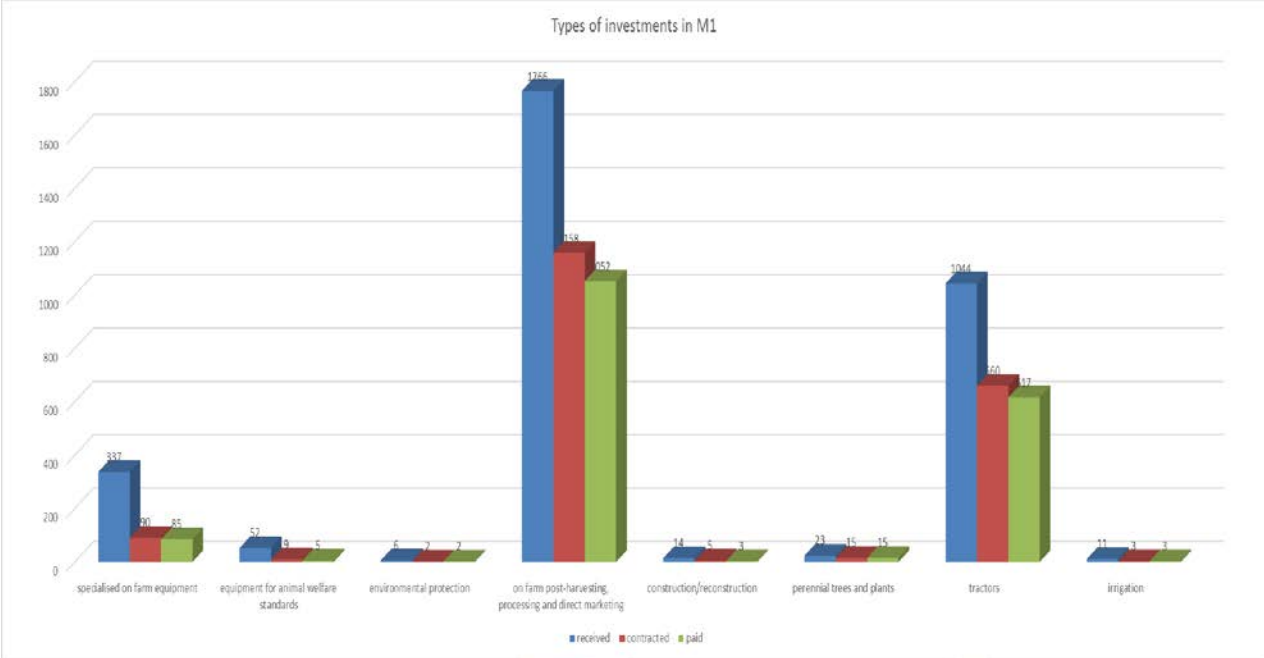
Source: IPARD II M&E indicator tables 2022, 2023

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

Regarding the interest for types of investments, although announced only in the first public call (01/2017), investments in tractors and agricultural mechanization, just as in the past, were most attractive for farmers. From the total number of 1.044 applications submitted for tractors, 727 contracts have been signed (5.485.845 EU contribution) and 617 paid have been paid (4.514.135 EU contribution). According to IPARD Programme (Measure 1, Indicative budget), the distribution of the public funds for agriculture mechanization – tractors including their equipment (excluding attachments) shall not exceed 20% of the total available financial budget for this measure (5.893.333) for the whole period of the Programme implementation. In this regard, future public calls under Measure 1 did not include tractors as an eligible expense.

Data received from the IPARD Agency show great interest in investments in equipment for on farm post-harvesting, processing and direct marketing (1.766 received, 1.158 contracted, 1.052 paid) and unusually low interest in specialized farm equipment (337 received, 90 contracted, 85 paid), for which experience has shown that is of great interest for the Macedonian farmers.

**Figure 6: Review of applications per type of investment in Measure 1**



Source: IPARD II M&E indicator tables 2022, 2023

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

IPARD Agency announced four public calls for this measure. Submitted applications under Measure 3, reached 225 (54.277.038 € EU contribution). Contracts have been signed with 136 applicants for 21.880.791 € EU contribution. There are no terminated contracts in this Measure.

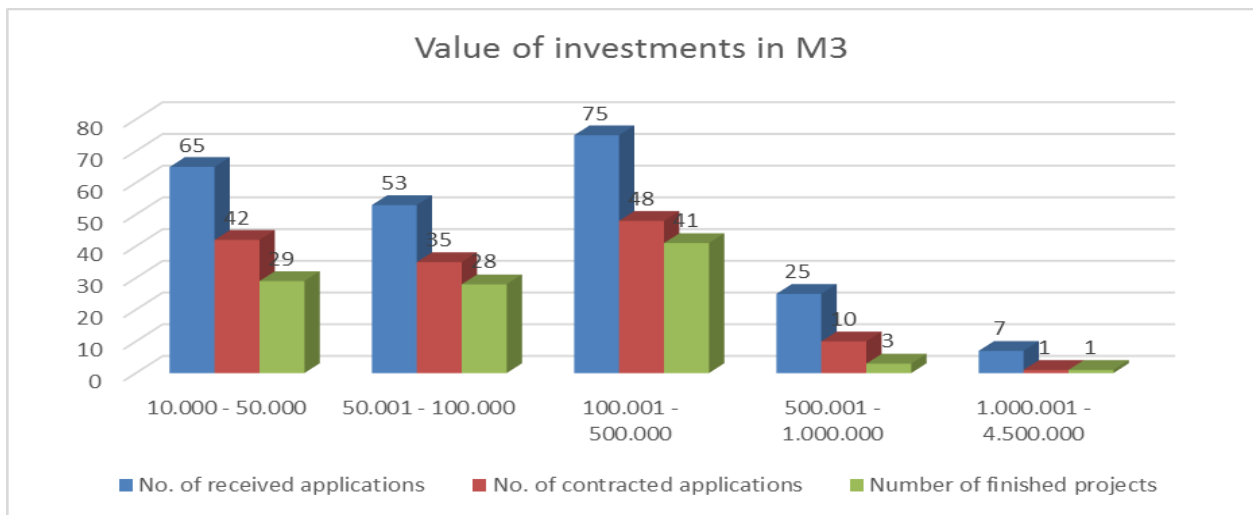
**Table 25: Measure 3 applications per public call**

Public call	Submitted (A)	Contracted (B)	Paid (C)	Approval rate (B/A)	Payment rate (C/B)
01/2017	57	31	30	54 %	97 %
01/2018	65	38	37	60 %	95 %
02/2019	61	46	35	79 %	72 %
01/2022	42	21	/	52 %	/ %
Total	225	136	102	62 %	72 %

Source: IPARD Agency, Info on public calls\_IPARD II-31.12.2022, 2023

By the end of 2022, payment of contracts reached 102 (15.245.035 € EU contribution).

**Figure 7: Review of applications per value of investments<sup>10</sup> in Measure 3**



Source: IPARD II M&E indicator tables 2022, 2023

Average value of received application (expressed in EU contribution) under Measure 3 in the IPARD Agency is 241.231 €. Respectively, average value of contracted and paid applications under Measure 3 is 168.766 € and 101.230 € of EU contribution.

Near half of the submitted (96), contracted (62) and paid (52) applications refer to fruit and vegetables processing sector. Also, near half of contracted and paid amounts are in this sector. The beneficiaries in this sector are mostly export-oriented companies, with high level of liquidity and investments needs in equipment for technological process modernization or new production lines introduction. Interest among other sectors in the processing industry is more equal.

**Table 26: Review of applications per priority sectors in Measure 3**

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

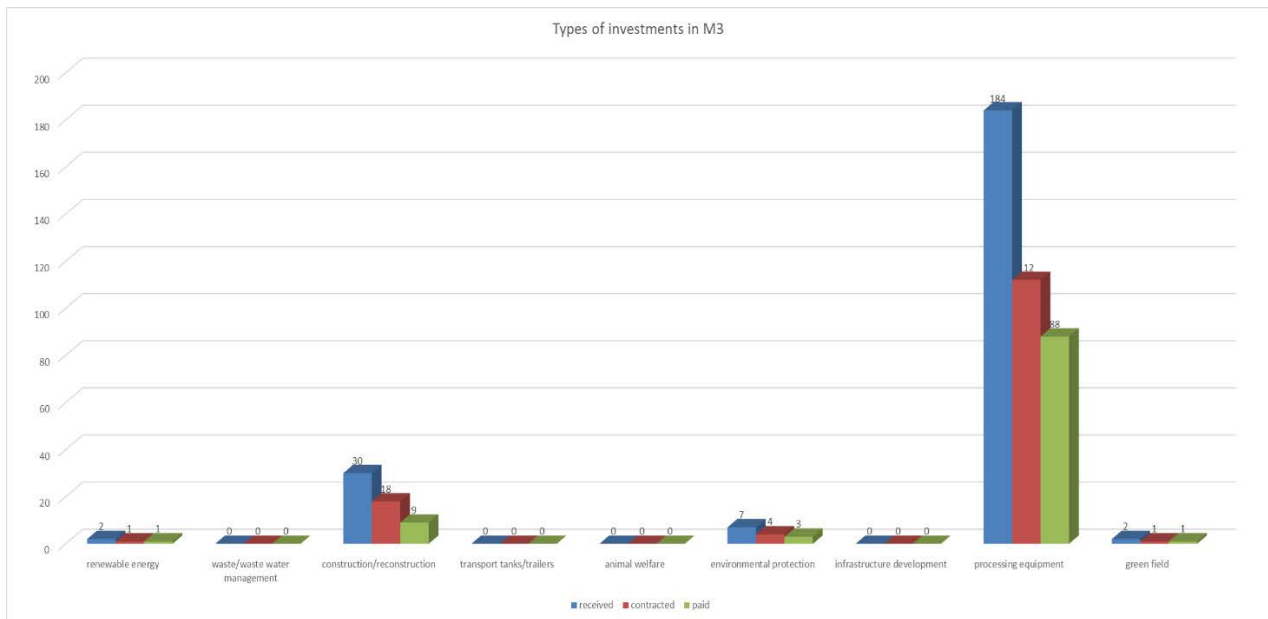
<sup>10</sup> Value of investments is presented as total eligible expenditure

Milk collection centres	11	7	972.966	5	296.171	63 %
Dairy processing	13	8	685.873	6	471.128	62 %
Meat processing (cattle)	30	20	2.976.392	17	2.449.847	66 %
Meat processing (pork)	5	5	326.394	5	416.675	100 %
F&V collection centres	30	19	5.300.272	11	3.108.657	63 %
F&V processing	69	43	7.670.252	41	6.881.904	62 %
Cereals milling	25	13	663.429	7	240.874	48 %
Oils and fats	4	2	24.616	1	9.620	67 %
Wineries	38	19	3.260.597	10	1.370.159	64 %
Total	225	136	21.880.791	102	15.245.035	64 %

Source: IPARD II M&E indicator tables 2022, 2023

Applicants have not shown interest for investing in: waste and wastewater management, transport tanks, trailers and specialized vehicles for transport of raw materials, equipment for improvement of animal welfare standards and investments in development of holdings infrastructure. Analysis has shown that these investments do not contribute to the economic performance of companies to a greater extent and therefore the low interest.

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



Source: IPARD II M&E indicator tables 2022, 2023



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

IPARD Agency, also announced three public calls for this measure. The contracting process for applications submitted on the last call finished in 2022.

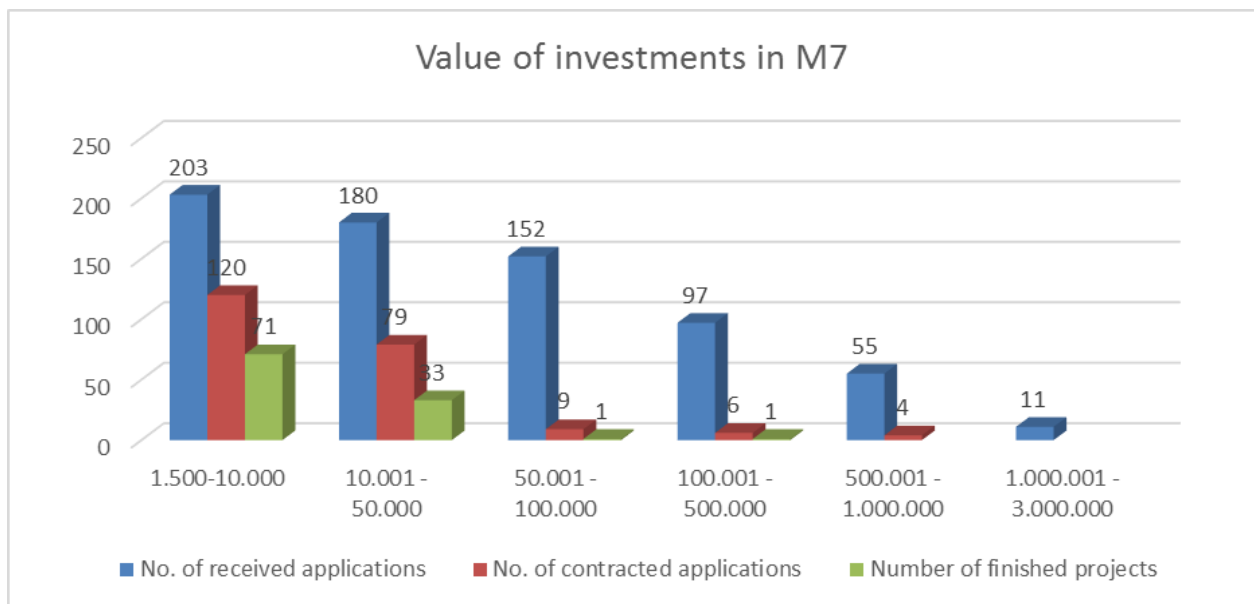
**Table 27: Measure 7 applications per public call**

Public call	Submitted (A)	Contracted (B)	Paid (C)	Approval rate (B/A)	Payment rate (C/B)
01/2017	187	23	17	12 %	74 %
01/2019	261	78	64	30 %	82 %
01/2021	250	117	25	46 %	21 %
Total	698	218	106	31 %	48 %

Source: IPARD Agency, Info on public calls\_IPARD II-31.12.2022, 2023

Value of submitted applications under Measure 7 reached 118.933.777 € EU contribution. Contracts have been signed with 218 applicants for 19.626.369 € EU contribution. There are no terminated contracts in this Measure. By the end of 2022, payment of contracts reached 106 (4,956,976 € EU contribution).

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



Source: IPARD II M&E indicator tables 2022, 2023

Average value of received application (expressed in EU contribution) under Measure 7 in the IPARD Agency is 170.392 €. Respectively, average value of contracted and paid applications under Measure 7 is 89.640 € and 49.079 €.

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

Having in mind great interest for investing in production and sale of energy from renewable resources and the fact that the value of these investments can overcome the available budget of the measure, IPARD Agency excluded the sector from public calls 01/2019 and 01/2021.

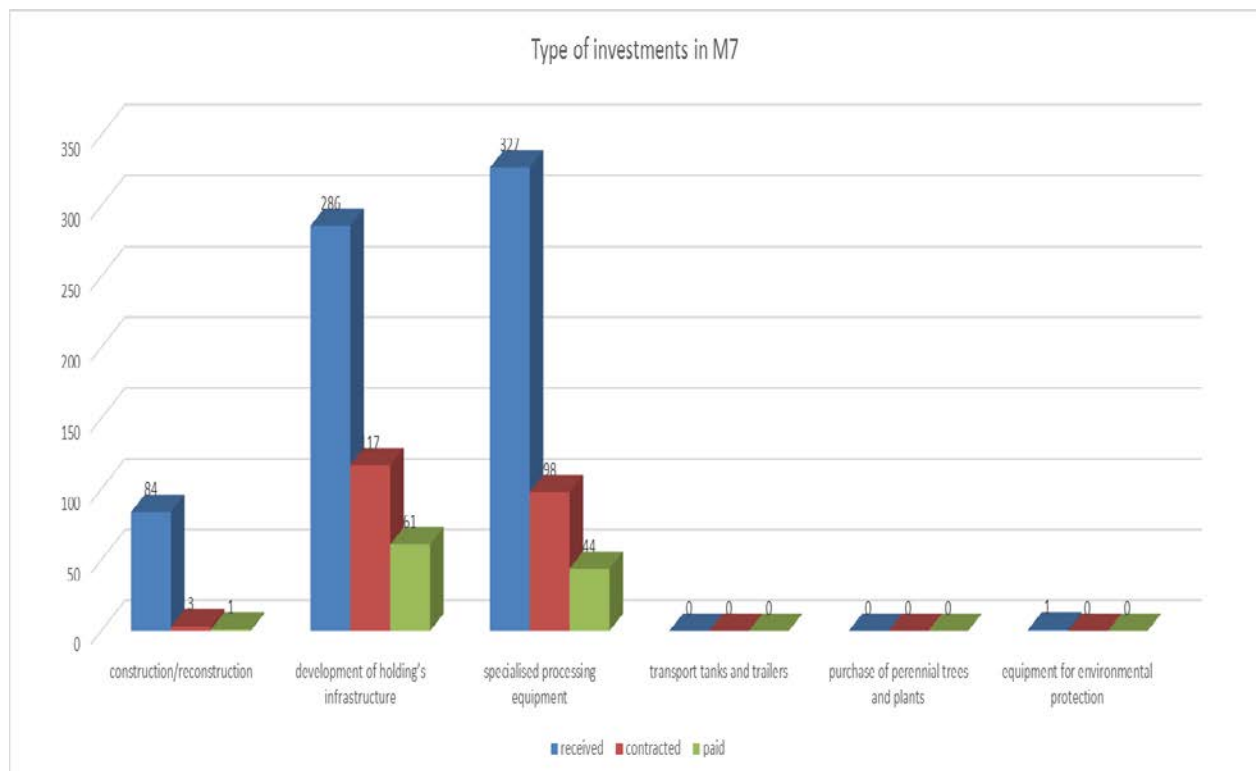
**Table 28: Review of applications per priority sectors in Measure 7**

	Received (A)	Contracted (B)	EU part contracted	Paid	EU part paid	% of approval (B/A)
Alternative agriculture production <sup>11</sup>	256	102	495.829	63	253.553	40 %
Manufacture of food products and beverages	73	23	2.428.789	8	540.774	31 %
Manufacturing of non-food products	138	55	10.026.001	21	2.813.605	40 %
Development of crafts activities	9	4	506.398	1	16.331	44 %
Provision of services to agriculture	33	10	624.259	4	33.039	30 %
Development of services for the rural population	22	3	914.070	2	14.974	14 %
Promotion of Rural Tourism	121	21	4.631.023	7	1.284.677	17 %
Production and sale of renewable energy	46	0	0	0	0	0 %
<b>Total</b>	<b>698</b>	<b>218</b>	<b>19.626.369</b>	<b>106</b>	<b>4.956.976</b>	<b>31 %</b>

Source: IPARD II M&E indicator tables 2022, 2023

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

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



Source: IPARD II M&E indicator tables 2022, 2023

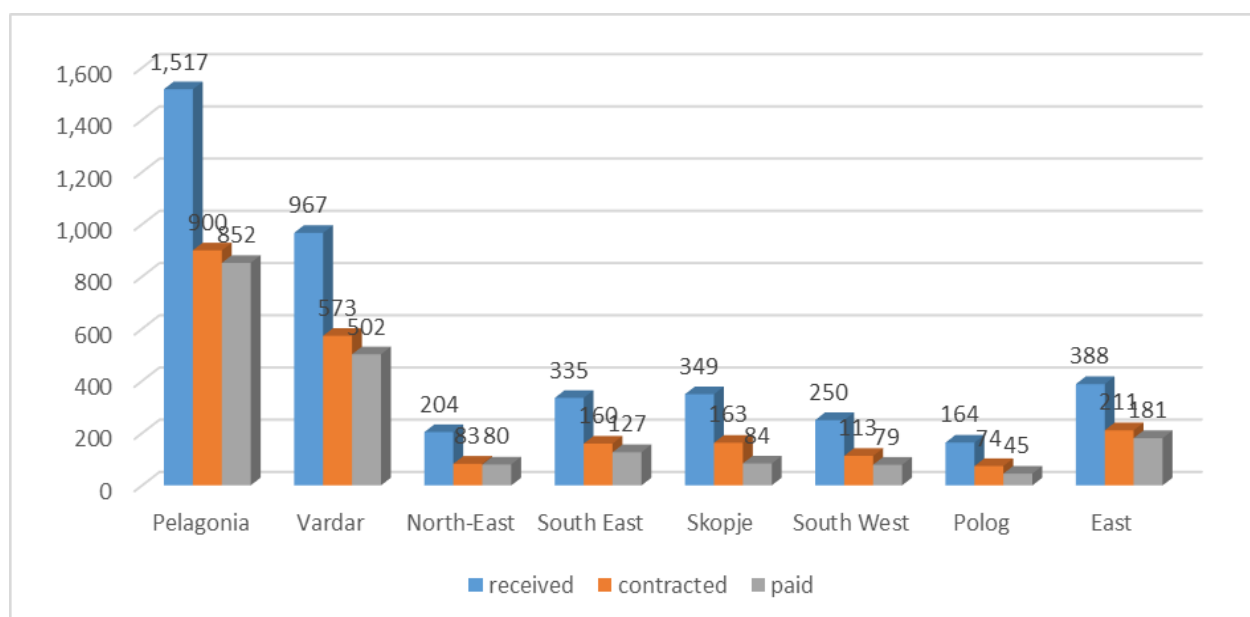
<sup>11</sup> Out of which 200 for bee keeping, 90 contracted and 60 paid

### 3.3 Geographical analysis of IPARD Programme implementation

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

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

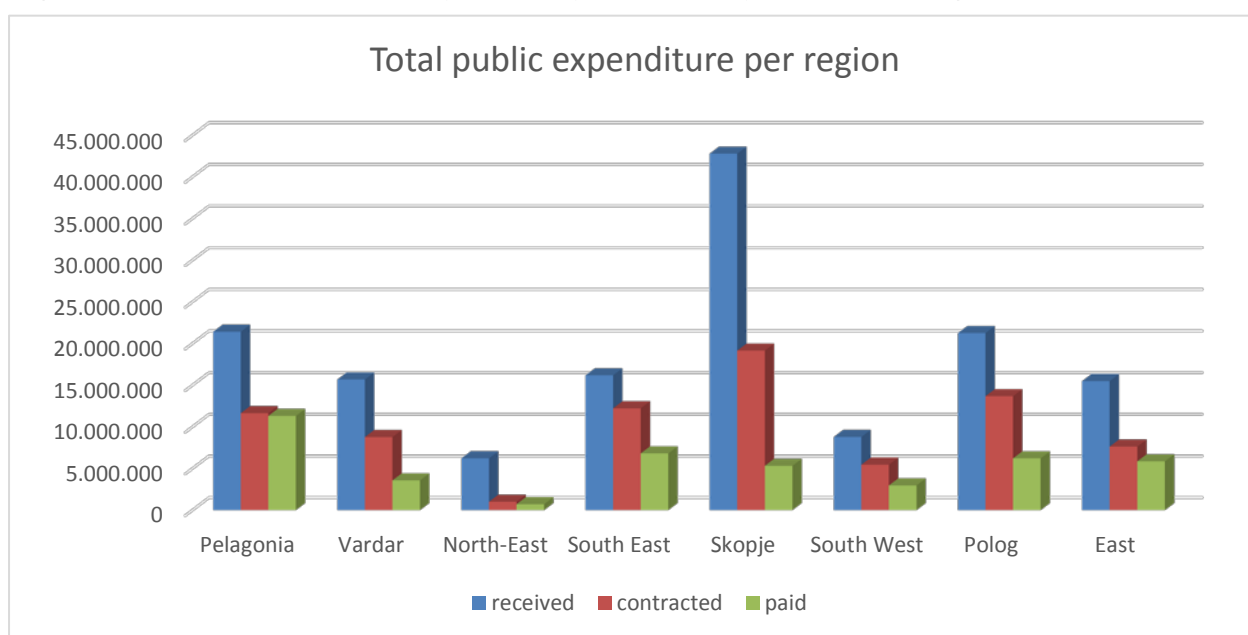
**Figure 11: Review of the applications by statistical regions**



Source: IPARD II M&E indicator tables 2022, 2023

Crop production (cereals, orchards and vineyards) are predominant agricultural production in the Pelagonija and the Vardar regions. Most of the applications in these regions are for less expensive investments (tractors and small pieces of agricultural mechanization). There is no significant difference in the number of applications submitted between the other regions. Due to the structure of the relief, mixed agriculture is present in these regions. Most of the farms have mixed (crop and livestock) production, and in that case, the whole farm should meet the minimum national standards for environmental protection, public health, animal welfare and occupational safety. Many applicants did not meet this since their livestock production is small scale not fulfilling the required standards.

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



Source: IPARD II M&E indicator tables 2022, 2023

There is a significant difference when comparing distribution of applications and total public expenditure per region. For example, Skopje and Polog region are most urbanized regions with one of the lowest shares in the creation of gross value added in agriculture (8 and 10%), but with high concentration of beneficiaries, especially companies. The production capacities of these beneficiaries are located on the entire Macedonian territory.

**Table 29: Review of applications per Municipalities**

Municipality		No. of applications			Total public expenditure in EUR		
		received	contracted	paid	received	contracted	paid
1	Resen	464	321	302	6,001,670	3,215,390	2,487,360
2	Bitola	375	180	164	6,985,789	2,707,439	1,321,802
3	Kavadarci	207	135	127	6,640,388	1,072,138	720,167
4	Prilep	197	95	92	4,439,969	1,475,865	1,123,127
5	Mogila	184	119	112	1,791,265	1,183,525	943,914
6	Negotino	180	108	103	3,619,727	1,028,272	569,080
7	Veles	162	96	90	4,193,742	2,793,953	1,953,652
8	Sveti Nikole	118	71	62	3,537,047	1,252,016	297,254
9	Kumanovo	105	51	45	7,643,044	387,988	313,028
10	Rosoman	94	70	66	1,256,529	766,828	604,310
11	Novaci	82	47	44	2,347,322	410,953	260,877
12	Lozovo	80	43	39	1,525,665	1,101,911	955,598
13	Delcevo	72	37	29	4,295,879	395,037	294,723
14	Debarca	68	34	30	2,218,184	263,980	225,364
15	Ohrid	68	38	29	3,325,938	548,427	130,720
16	Krivogastani	67	41	39	1,569,611	956,391	382,094
17	Gazi Baba	59	36	23	9,275,533	3,615,929	787,994
18	Valandovo	59	26	24	1,523,652	627,171	435,518
19	Stip	55	38	30	5,395,255	3,733,564	1,721,116
20	Demir Hisar	54	23	18	2,573,093	532,889	341,809

21	Dolneni	53	39	36	1,808,061	1,185,788	315,118
22	Vinica	53	34	30	1,399,069	1,164,081	86,110
23	Caska	50	27	24	359,026	178,985	129,256
24	Kocani	50	31	22	3,134,334	959,360	508,251
25	Radovis	48	21	18	2,538,905	739,858	731,269
26	Berovo	47	16	13	4,299,846	645,619	392,665
27	Gevgelija	46	24	17	7,187,173	2,790,533	1,486,016
28	Gradsko	45	31	27	1,884,175	754,716	330,772
29	Strumica	45	31	29	7,923,906	2,573,852	1,115,869
30	Struga	44	30	20	5,498,502	2,859,929	1,778,489
31	Vasilevo	40	24	22	1,843,638	216,400	188,239
32	Gostivar	38	13	6	7,003,583	1,952,489	1,629,619
33	Ilinden	38	10	6	4,983,746	769,852	114,646
34	Aerodrom	37	16	9	6,395,459	852,092	14,351
35	Krusevo	37	17	12	2,787,093	1,246,643	208,062
36	Centar	35	12	6	7,253,162	768,949	124,263
37	Demir Kapija	32	13	4	1,915,554	67,844	57,488
38	Konce	31	4	4	779,948	71,209	55,981
39	Probistip	28	15	8	1,415,161	1,278,080	67,815
40	Tetovo	28	21	18	3,558,230	1,837,286	1,696,374
41	Kisela Voda	27	9	7	3,563,263	842,288	205,842
42	Karbinci	26	17	15	2,656,276	611,651	449,966
43	Bosilovo	25	15	12	1,398,585	869,405	60,023
44	Butel	25	10	6	3,152,325	1,451,994	540,885
45	Brvenica	24	6	5	4,618,533	477,103	427,090
46	Lipkovo	24	11	6	563,690	46,282	26,829
47	Petrovec	24	12	10	6,188,356	4,572,008	2,547,393
48	Kriva Palanka	22	5	2	1,860,743	103,503	3,958
49	Pehcevo	21	4	4	623,930	69,792	69,764
50	Bogdanci	20	7	4	1,463,328	430,971	301,939
51	Cesinovo-Oblesevo	20	15	14	326,815	208,190	138,751
52	Jagunovce	20	7	6	984,772	120,951	99,456
53	Makedonska Kamenica	20	10	8	62,161	29,306	22,815
54	Novo Selo	20	6	3	527,332	180,183	12,859
55	Gorce Petrov	18	2	0	1,365,035	33,752	0
56	Karpos	17	6	1	373,629	155,092	2,234
57	Makedonski Brod	16	4	2	2,177,347	37,948	13,919
58	Sopiste	16	9	8	5,014,558	2,976,035	302,399
59	Staro Nagoricane	16	8	7	1,068,139	46,646	687,203
60	Aracinovo	15	9	8	94,319	46,116	28,936
61	Cucer-Sandevo	15	9	8	1,216,899	27,316	23,134
62	Kicevo	15	8	3	930,114	62,634	31,695
63	Kratovo	15	6	5	307,125	54,027	20,971
64	Bogovinje	14	5	3	829,569	408,169	219,845
65	Vrapciste	13	10	10	291,319	214,713	208,519
66	Dojran	11	3	3	319,181	12,481	12,473
67	Saraj	11	8	4	3,178,563	857,233	394,825
68	Zelino	11	6	3	3,641,058	1,337,972	210,451

69	Tearce	10	2	0	1,026,764	240,502	0
70	Zelenikovo	10	7	4	536,181	350,125	48,616
71	Debar	9	2	1	1,160,682	16,994	4,457
72	Cair	8	5	3	26,745	15,817	7,591
73	Mavrovo i Rostusa	8	5	4	3,236,531	591,336	443,351
74	Rankovce	8	5	3	95,919	18,940	15,539
75	Studenicani	7	3	1	1,838,721	11,650	5,162
76	Plasnica	2	0	0	25,938	0	0
77	Zrnovci	2	1	1	130,656	9,831	9,831
78	Centar Zupa	1	0	0	7,893	0	0
79	Vevcani	1	0	0	6,022	0	0
80	Suto Orizari	0	0	0	0	0	0

Source: Managing Authority, 2023

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

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

During 2022, staffing changes took place in Managing Authority. One person was temporarily employed in Managing Authority (in the Unit for programming and evaluation) with contract obligations by the end of 2022. The staff count in Managing Authority in 2022 was 15 employees, including the Head of Managing Authority.

In order to mitigate the consequences of not having a staff retention policy, in October 2021, in all IPA structures in Macedonia, a short-term solution for rewarding the employees working on IPA started to be applied. This solution incorporated in the Law on budget execution (on an annual basis), provides 15% higher salary to employees and was also implemented during 2022. The long awaited solution for 30% salary increase for staff involved in implementation of IPA, proposed by the Government, is still in development and expected to be aligned or incorporated in the reform of the state administrative salaries system in form of a new Law on salaries.

In order to be able to publish the eighth call under the Programme, IPARD MA amended the Programme. The modification included transfer of budget contribution from measures 1 and 7 into measure 3. This, fourth modification of the Programme was adopted by Commission Implementing Decision C(2022) 5355 from 20<sup>th</sup> of July 2022.

The Managing Authority, in anticipation of the new programming period 2021–2027, realized one four-day workshop (funded by the measure Technical Assistance). At the workshop, IPARD MA staff in cooperation with IPARD Agency staff reviewed the Guidelines for communication and publicity provided by EC and prepared a draft version of IPARD's communication and publicity strategy for the new programming period, as well as a draft annual plan of communication and publicity activities for 2023 and 2024.

In order to facilitate the process of issuing documents from the Technical Bodies involved and as previously done with the Water Department and Environment Directorate and the Food and Veterinary Agency (FVA), IPARD MA prepared:

- Guideline for the procedure for building objects on agricultural land;
- Guidelines on the procedure for obtaining opinion – permit for irrigation of agricultural land;
- Guidelines on the procedure for issuing documents for Environmental Impact Assessment (EIA).

The Guidelines shall contribute to better explanation and guiding the potential recipients towards fulfilling criteria of the Programme for all measures. They have been uploaded on the official IPARD web site.

During 2022, IPARD Managing Authority finished the process of development of the new IPARD Programme for programming period 2021-2027. As an outcome of the process of drafting IPARD Programme 2021-2027, the Commission issued an implementing Decision on adopting the IPARD Programme 2021-2027 on 9<sup>th</sup> of March 2022. The Programme was developed through a thorough process of consultation among Macedonian IPARD authorities and involvement of relevant authorities and bodies as well as appropriate economic, social and environmental partners in the consultation process. The results of the consultations are presented in separate chapter 13 of the

IPARD Programme 2021-2027. Such consultative meetings with ipard authorities and relevant authorities, bodies and organizations such as economic, social and environmental partners continued during 2022, with the aim of harmonizing the list of eligible expenditure for the IPARD Programme 2021-2027.

The difficulties occurred in the process of collection of data for monitoring and reporting purposes have continued in the course of 2022. IPARD Managing Authority pointed out and raised the problem on several occasions. Namely, the manual for reporting (work procedure within the IPARD Agency) provides that only one person, without adequate replacement in case of absence or disability, shall perform the function of reporting officer. Such a solution is largely reflected on the function for monitoring the Programme and reporting of the IPARD Managing Authority and should be taken into account, addressed for the new programming period. Although the final outcome from the implementation of the project "Customised Software for Integrated Administrative and Control System (IACS)" – (EuropeAid/139016/DH/SER/MK) will significantly improve reporting requirements and enable IPARD MA read only access in the Agency's IPARD implementation data base, the results from the work of the project experts are still not visible.

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

According to the new Rulebook on systematization of working posts and the Rulebook on organization and work of the Ministry of Finance as of 29<sup>th</sup> December 2022 (with Ref. no. 01-11277/1 and Ref. no. 01-11278/1) IPA Funds Management Department/Management Structure is consisted of three Units (National Fund Unit/IPA Accounting Body, NAO Support Unit and the newly established NAO Support Unit in the field of agriculture and rural development). According to the new Act on Systematization of working posts, the new Unit within the Department was established in order to appropriately divide the regular tasks and responsibilities currently being performed within the department, as well as to decompress the increased workload on the managerial positions. The change is a result of functional analysis performed according the national law and takes into consideration the workload analysis prepared through the years. Certain activities such as irregularities, HR issues and risk management process are horizontal for both IPARD and other IPA Programmes and shall be performed as single process for all programmes.

Formal designation of the authorities for IPARD II remained unchanged during 2022. However, the vacant position of the Deputy Head of the IPA Funds Management Department was filled on 30<sup>th</sup> December 2022. Mr. Vlado Karamanolevski, former Head of NAOSO, was promoted to Deputy Head of Department (decision for promotion of administrative servant number 04-13439/1 as of 30<sup>th</sup> December 2022). The vacant key positions (Head of NAOSO and Head of NAOSO in the field of Agriculture and Rural Development) shall be substituted by the Head of Management Structure and Deputy Head of Management Structure till filling of the key positions.

During 2022, changes of the IPARD Agency Manual of Procedures were made. Namely, in order to speed up the process of payments and on the other hand to decrease the risk of de-commitment of funds under IPARD Programme, possibility of advance payment was introduced. According to the national set up of using advances, the applicant can submit a request for an advance payment of the financial support within 60 days after the conclusion of the agreement for financial support. The advance payment cannot exceed an amount greater than 50% of the amount of the approved financial support for the investment.



The modifications were qualified as significant and a request for approval was sent to DG AGRI on 17<sup>th</sup> October 2022. National authorities were informed by EC on 3<sup>rd</sup> January 2023 that the proposed changes do not conflict with the provisions of the Framework Agreement (FwA) and the SA II and there is no need of prior approval by the Commission. After the EC reply, consent is issued by NAO for implementation of these modifications (implementation of advance payments) as from processing the applications for financial support received under public call 01/2022. This consent is conditional with achieving full functionality of SAP system. Till the preparation of this Annual Management Declaration, advance payments are not applied since IPARD Agency is still working on testing and securing full functionality of SAP system.

## **I. Effective functioning of the management and internal control systems under IPARD programme 2014-2020**

### **I.1 Summary of the reports on the internal audits and of controls carried out by the Management Structure**

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

During 2022, the communication with DG AGRI was mainly related to clearance of accounts procedure for FY 2020 and FY 2021 and communication related to legal base concerning entrustment/roll over for IPARD III.

#### **Clearance of accounts procedure for FY 2021**

Within the frame of clearance procedures, during 2022, with the letter Ares (2022)5134632 as of 14.07.2022 the clearance of accounts for the FY 2021 was initiated by DG AGRI. With this communication pursuant to Article 41 of the Sectoral Agreement, DG AGRI proposed financial reductions for exceeding the six-month deadline for payment to final beneficiaries in amount of 428.115,95 EUR and four financial errors raised from AA findings in amount of 66.363,82 EUR.

With letter 10-5988/1 from 2<sup>nd</sup> September 2022, having in mind that exceptional management conditions due to COVID - 19 pandemic in 2021 were encountered for implementation of all measures from IPARD II Programme, IPARD Management and Operating structure proposed zero reductions to be applied. National authorities are on position that the approach that was applied by DG AGRI in the clearance procedure for FY 2020 should be applied not just for payment claims paid in 2020 but also for payment claims received in 2020 and paid in 2021. This position is based on the fact that within clearance procedure for payment claims received in 2020 (and paid in 2021), the period of 6 months foreseen for processing this claims should be extended with 97 days (days when the State of Emergency was active in the country regarding COVID 19).

DG AGRI partially took into consideration the time period between 18.03.2020 and 23.06.2020, (i.e. the duration of the state of emergency announced by the Presidential decision), and recalculated the financial reductions for exceeding the six-month deadline for payment to final beneficiaries in amount of 288.989,75 EUR. Bilateral meeting was held on 20<sup>th</sup> January 2023 by videoconference where position regarding the late payments and financial errors raised from the findings were again elaborated. The procedure is still ongoing.

#### **Clearance of accounts procedure for FY 2020**

As regards to the clearance of accounts for FY 2020, DG AGRI submitted formal communication letter (dated 29.07.2022 Ref. Ares (2022)5470210), where exclusion from EU financing of an

amount of 29.714,52 EUR is proposed, corresponding to the financial errors identified by the Audit Authority (AA) and an amount of 34.222,86 EUR corresponding to a reduction for late payments based on Article 41(9) of the SA II.

### **Other communication with DG AGRI**

During 2022, following communication with DG AGRI was conducted:

- Addendum to Guideline No.5 on the Annual accounts (Ref. Ares(2022)977656 - 10/02/2022);
- IPARD II – Potential solutions to avoid risk of de-commitment (Ref. Ares(2022)4520337 - 20/06/2022);
- Guidance concerning the eligibility of tractors (Ref. Ares(2022)4635708 - 24/06/2022).

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

### **Activities regarding preparation for implementation of IPARD III**

- IPA III Financial Framework Partnership Agreement (Ref. Ares(2022)2973178-12/04/2022) Ratified and published in OJ on 04/11/2022;
- IPARD 2021-2027 Programme (C(2022)1538 from 09.03.2022);
- Sectoral Agreement for IPARD III III (Ref.Ares(2023)162333 - 10/01 2023) signed by both parties ;
- Guidance concerning the entrustment for budget implementation tasks for IPARD III (Ref.Ares(2022)6917534 - 06/10/2022);
- Lists of eligible expenditure for measures 1, 3, 5, 7 and 9 (Ref.Ares(2022)7467091 - 27/10/2022);
- Guidance on minimising the 'deadweight' loss (Ref.Ares(2022)7874417 - 15/11/2022);
- IPARD programme: Changes to the fiche on measure 7 "Farm diversification and business development" (Ref.Ares(2022)8361331 - 02/12/2022);
- Note verbale (Ref.Ares(2023)348273 - 17/01/2023).

### **Entrustment of new measures**

Request for entrustment of new measures is planned for IPARD III. However, entrustment process will follow after roll over of the already entrusted measures and fulfilment of precondition such as engaging additional employees in the IPARD Agency according to WLA and providing new working premises for the Agency.

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

The IPA Audit Authority during 2022 issued the following Final Audit Reports for IPARD 2014-2020:

- Final Audit Report for the system audit for 2021 in NAO/MS for implementation of IPARD II Programme - Policy area 4 - Agriculture and Rural development as of 11th February 2022;
- Final Audit Report for the system audit for 2021 in MA for the programmes financed from IPA II - Policy area 4 - Agriculture and Rural development as of 11th February 2022;
- Final Audit Report for the system audit for 2021 in AFSARD for implementation of IPARD II Programme- Policy area 4 - Agriculture and Rural development as of 11th February 2022;

- Final Audit Report for the audit of operations 3 and audit of operations 4 for 2021 in AFSARD for implementation of IPARD II Programme - Policy area 4 - Agriculture and Rural development as of 29th March 2022;
- Final Audit Report for the audit of accounts and annual financial statements for 2021 in NAO/MS and AFSARD for IPARD II Programme as of 29<sup>th</sup> March 2022;

The IPA Audit Authority during 2022 issued the following Final Audit Reports for IPARD 2007-2013:

- Final Audit Report for the financial audit of the accuracy and completeness of the financial statements relating to debt for projects financed by IPARD I 2007-2013, Component V - Rural development as of 22<sup>nd</sup> March 2022;
- Summary Audit Report from verifications on IPARD ex-post control system in the IPARD Agency as of 1<sup>st</sup> April 2022;
- Summary Audit Report and opinion on the correctness and completeness of the financial report related to the debts for FY 2021 IPARD I Programme 2007-2013, Component V - Rural development as of 1<sup>st</sup> April 2022;
- Final Audit Report from IPARD ex-post control system in the IPARD Agency as of 1<sup>st</sup> January 2023.

During 2022, Annual Audit Report and Annual Audit Opinion from the Audit Authority for 2021 were issued on 1<sup>st</sup> of April 2022 (No. 01-737).

With the Annual Audit Opinion for 2022, the auditors expressed an **unqualified opinion with emphasis of matter** regarding the Reliability of the annual - financial reports or statements / annual accounts. Within the audit opinion, based on the audit procedures with regard to the programme the auditors expressed reasonable assurance that:

- The declaration of expenditures and Annual Financial Reports or Statements/Annual Accounts for FY 2021 issued by NAO **give a true and fair view.**

With the opinion attention is given to: generating incorrect data from the accounting system (SAP) in the Debtors' Ledger, less inflow on the IPARD euro account due to off-setting of debt and withheld funds as bank charges.

**Unqualified opinion with emphasis of matter** for legality and regularity of expenditures and functioning of Management and control systems. Within the audit opinion, based on the audit procedures with regard to the programme the auditors expressed reasonable assurance that:

- The expenditures for which reimbursement has been requested from Commission **is legal and regular.**
- The management and control system **put in place and function properly.**

With the opinion attention is given to: lack of supervision in the process of authorisation of commitments and payments, wrong calculation of eligible funds for co-financing, late payments to recipients, absence of a long-term retention and motivation policy.

In regard to the Annual Audit Activity Report for 2021, 29 open findings were followed by NAO related to IPARD 2014-2020, presented in the table:

Institution	Major	Intermediate	Minor	Total	Implemented findings during 2022	% implemented findings
NAO/MS	2	2	/	4	3	75%

MA	/	1	/	1	/	0%
IPARD Agency	7	15	2	24	7	29,2%
<b>Total:</b>				<b>29</b>	<b>10</b>	<b>34,5%</b>

As regards to the Annual Audit Activity Report for 2021 from 29 findings, 10 were closed till the end of 2022 or 34,5%.

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

Regarding the open findings from AA reports, NAO in coordination with the operating structure on 29<sup>th</sup> April 2022 prepared Consolidated Action Plan for implementation of the recommendation and overcoming the findings from AA Reports.

On 3<sup>rd</sup> November 2022 was prepared Revised Action Plan in order findings from the external IT audit engaged by DG AGRI to be included in the Action Plan. The NAO support office performs analysis and follows the dynamic of implementation of activities and informs NAO on a regular base regarding the status of implementation of the recommendations.

According to the last status, can be concluded that:

In the NAO/MS, 3 (three) finding were closed related to: key position not filled (qualified as medium risk finding), Off-setting of a debt and understated inflow of funds on the IPARD II euro account (qualified as high risk finding) and less inflow on the IPARD euro account due to withheld funds as a bank fee for executed transactions (qualified as high risk finding).

In addition, 1 (one) finding remain open related to providing an appropriate motivation and retention policy.

Regarding MA, during 2021, 1 (one) finding remain open related to securing optimal HR capacities (qualified as medium risk finding).

In IPARD Agency 7 (seven) findings were closed related with wrong calculation of eligible costs (less paid funds and higher amount of financial support approved), deficiency in the process of obtaining reference prices and generating incorrect data from the accounting system (SAP) in the Debtors' Ledger.

Following findings remain open in IPARD Agency:

- 11 (eleven) findings from audit on operations related to: concluding contract without 3 offers being provided (these 2 (two) findings are part of the procedure of CoA for FY 2020), non comparable offers and higher amount of financial support paid due to technical mistake (these two finding are part of the procedure of CoA for FY 2021), delays in payment to aid recipients; delays in submission of data by the Technical bodies; delays upon processing of applications; not accepting eligible expenditure for assembling materials, weak system of established internal controls for implementation of the contract for technical assistance and 2 (two) findings related to less paid funds.
- 5 (five) findings from system audits related to HR capacities in the Agency; IT - beck up system and delay in submitting reports to MA and NAO.
- 1 (one) finding from financial audits related to budget report.

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

### **c) Internal Audit**

#### Management Structure

According the Annual Internal Audit Plan for 2022 in the Ministry of Finance, one audit mission was planned over the system of internal controls in the process of human resources management in the IPA Funds Management Department/Management Structure. The audit mission was performed during the fourth quarter of 2022. According the Final Audit Report number 23-8532/3 as of 20<sup>th</sup> December 2022, one high and one medium risk findings were identified in relation to the system of internal controls in the process of human resources.

The Annual Internal Audit Plan of the Ministry of Finance for 2023 (No.23-10791/1 dated as of 15.12.2022) is foreseen audit mission over the system of internal controls in the process of management of funds/accounts and control of the correctness of requests for funds and certification of expenditures - National Fund Unit.

#### IPARD Agency

According the Annual Internal Audit Plan of the IPARD Agency for 2022, eight audit missions were planned, out of which 5 audits over processes concerning IPARD, one follow up audit and one audit at the request of the IPARD Agency director.

During 2022, one audit from the 2021 Annual Audit Plan and four audits from the 2022 Annual Audit Plan were conducted:

- Audit on the process of approval of payments from the IPARD Program 2014-2020;
- Audit on the reporting process to the Management Authority in accordance with the Implementing Agreement concluded between MA and IPARD Agency;
- Follow up audit on the implementation of recommendations;
- Audit over the on-the-spot control process after payment (ex-post) from the IPARD Program 2014-2020;
- Self-assessment of the compliance of the procedures of the IPARD Agency for the implementation of the IPARD Programme 2021-2027.

Three remaining audit from Audit Plan for 2022 will be conducted during 2023.

The Annual Audit Plan of the IPARD Agency for 2023 (No.32-1542/1 dated as of 15<sup>th</sup> December 2022) is adopted. According the plan, 5 audit missions are planned, out of which 2 audits over processes concerning IPARD, one follow up audit and one audit upon request by the director (which might be also on IPARD if needed).

#### Managing Authority

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

The Annual Audit Plan for 2022 of the Ministry of Agriculture, Forestry and Water Economy foresees audit mission over the process of organisation of a Monitoring Committee for 2020. The audit is ongoing and is planned to be finished till the end of February 2023.

The Annual Audit Plan of the Ministry of Agriculture, Forestry and Water Economy for 2023 (No.98-1163/1 dated as of 25.01.2023) foresees one audit mission over the process of publicity of IPARD Programme that is planned to be performed in 2023.

#### **d) External audit**

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

The main objective of the audit was to examine whether the IPARD agency complies with the ISO 27002:2013 information security standard and limited review with focus on follow up of information security of the systems used by the National Fund and National Authorising Officer. The audit was conducted in the period 21-25 September 2020, while the report was received by NAO in July 2022.

With the report, 5 recommendations for IPARD Agency and one observation for Management Structure were issued. These recommendations/observations are being followed through the dynamic of implementation of activities and presented in the update of the Action Plan.

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

NAO support office within the Annual plan for verification visits for 2022 planned three verification visits.

The first verification visit was ex-post on the spot control on paid projects. This verification visit started in April 2022. With this verification visit were ex post on the spot checked projects in amount of 1.414.025,34 EUR, representing volume of around 18,58% of the total paid projects during 2018 and 2019. Under measure 1 the sample population was also limited on investments where the paid amount to the beneficiary was over 1.300.000 MKD. The Final Report was issued on 4th July 2022.

The scope of second activity was to verify compliance of the established/designed system with the ICF requirements for IPARD III. This activity is ongoing within the process for preparation of the request for entrustment with the budget implementation tasks for IPARD 2021-2027 Programme.

Third verification visit is for Administrative check of the paid projects in the period July - November 2022 and has started in December 2022. Within this verification visit are to be checked 7 projects from measures 1, 3, 7 and 9 in amount of 1.228.551,38 EUR, amount representing around 23% of the disbursed amount within this period.

Annual Plan for Verification Visits for 2023 is adopted on 30th January 2023 and is foreseeing four visits (continuation and finalisation of the first two visits which have been started in 2022 and additional two visits related to the processes of ex-post-on the spot checks and follow up on the implementation of recommendations given with the previous verification visits).

### **I.2 Annual Management Declaration submitted by IPARD Agency and Management Authority**

Annual Management Declaration (AMD) was prepared and submitted by the Director of IPARD Agency to NAO on 9<sup>th</sup> January 2023. With the AMD is confirmed that the established management and internal control system within IPARD Agency operates effectively and in accordance with the



accredited procedures and gives the necessary guarantees concerning the legality and regularity of the underlying transactions.

Annual Management Declaration (AMD) was prepared and submitted also by the Head of Managing Authority to NAO on 9<sup>th</sup> January 2023. With the AMD is confirmed that the established management and internal control system within MA operates effectively and in accordance with the accredited procedures.

### **I.3 Work performed related to the risk management of the IPARD structures**

The Risk Management procedure is regularly performed twice a year by the Risk Management Structure. The Risk Registers of all institutions involved in the implementation of IPARD II Programme (Management Structure, Managing Authority and IPARD Agency) are regularly updated according the activities taken for mitigation of risks. Two Risk Management Panels have been organized during 2022, one on 31st May 2022 and the second one on 29th November 2022. On the Risk Management Panels all risks regarding implementation of IPARD II Programme were discussed and reviewed. After the Panel meetings, a Consolidated Risk Register was adopted by NAO and consequently officially communicated to all concerned parties. Appropriate activities were defined in the Action Plan in order to mitigate the identified risks. The activities are commenced and ongoing.

According to the last adopted Consolidated Risk Register (Action Plans for mitigation of risks), the following risks on entity level are considered as high: staff turnover, lack of staff, overload of working tasks and inability to attend organized trainings. High risks on activity level were also identified and followed in continuity, concerning the following impact areas: processing the law suits; quality of executed on the spot checks due to lack of equipment and using, updating and maintenance of the reference price database.

Regarding Information Security one risk is considered as high: delays in implementation of the Action Plan for Information Security.

Also, high fraud risks were detected through the Fraud Risk Assessment Tool concerning the following impact areas: acceptance of non-eligible cost, overpayment due to overvalued reference price and created artificial conditions in order to obtain grand support.

Corrective measures were also discussed and established in order to mitigate the expressed risks.

### **I.4 Administrative capacities of the institutions within IPARD structure**

#### *Management Structure*

According to Workload Analysis of the Management Structure, it was identified that optimal number of employees for 2022 is 19 (including NAO).

The number of employees in the Management Structure at 31<sup>st</sup> December 2021 was 18 (eighteen), including NAO.

During 2022, 1 employee has left the IPA Funds Management Department from the working position Junior Associate - Financial Manager on 20<sup>th</sup> May 2022.

During last quarter of 2022 one promotion have been finalised in IPA Funds Management Department, namely the head of NAO Support Unit was promoted on position Assistant Head of Department.

No new employments have been realised in the Management Structure in the course of 2022.

Three employees (Head of the IPA Funds Management Department and two Advisers for effective functioning of management and control system) have closed maternity leave.

Regarding the long leaves, one employee is on maternity leave in the period from October 2022 to June 2023 (Junior Associate for Financial Management). At the end of 2022, the occupancy rate of the working posts in the IPA Funds Management Department is 89%. The Workload Analysis for the period 2023-2025 was prepared and the results of the calculations showed that the optimal number of employees in MS for 2023 is 19 (nineteen).

According to the workload analysis, priority in the forthcoming period will be 4 promotions (including promotions for two vacant key managerial positions) and two new employments.

#### IPARD Agency

According to the Workload Analysis (WLA) for 2022 the optimal number of employees needed in IPARD Agency for implementation of the accredited measures, including the measure Investments in Rural Public Infrastructure (IRPI) was 165 employees. At the beginning of 2022, IPARD Agency numbered 146 employees designated to work in IPARD structure.

During 2022, IPARD structure within IPARD Agency was increased for 4 employees and in the same time was decreased for 11 employees.

With these changes as of 31<sup>st</sup> December 2022, IPARD structure within the Agency numbers 139 employees and the occupancy rate of the working posts of 84%.

According to the WLA analysis of the IPARD Agency for 2023 the optimal number of employees in the Agency is 177, including the measure Investments in Rural Public Infrastructure (IRPI). With the WLA for 2023 change was made where in the Sector for Control all employees are included in the IPARD structure (taking into account general authorisation, controllers working in the Unit designated for national measures shall be engaged in IPARD as well). Taking into account this change all needed positions in the Sector for Control for implementation tasks regarding IPARD Programme are considered fulfilled.

With this change as of 1<sup>st</sup> January 2023, IPARD structure within the Agency numbers 152 employees (139 at the end of 2022 increased with 13 employees from Sector for on the spot control (inclusion of controllers working on national measures)).

#### Managing Authority

According to the Workload Analysis (WLA) for 2022, Managing Authority has set optimal level of staff on 17 employees. At the beginning of 2022, MA numbered 15 employees.

During 2021 one person was employed and 3 persons left the MA (one advisor for publicity and 2 senior associates who were temporarily employed).

According this changes, the number of employees in MA at the end of 2022 is 13 (Including HoMA) and the occupancy rate is 76%.

At the beginning of 2023 (as of 25<sup>th</sup> of January 2023, one new employee was engaged in the MA with whom the number of employees in MA counts 14).



The Workload Analysis for the period 2023-2025 was prepared and the results of the calculations showed that the optimal number of employees in MA for 2023 is 17 (seventeen).

*IPARD Structure capacities*

In the table below the data regarding the human capacities in the IPARD Management and Operating structure for the year 2021 are presented:

Institution	Number of staff on 01.01.2022	Number of staff needed as per WLA 2022	Realized new recruitments by 31.12.2022	Left the position 31.12.2022	Number of staff 31.12.2022	Occupancy rate	Turnover rate
NAO/NF	18	19	0	1	17	89%	5.56%
IPARD Agency	146	165	4	11	139	84%	7.53%
Managing Authority	15	17	1	3	13	76%	20%
Total	179	201	5	15	169	84%	8.38%

In total, 201 employees were needed for implementation of IPARD II Programme in 2022. The number of staff at the end of 2022 is 169 employees or 84% occupancy rate representing decrease of 2% in relation to 2021.

In 2022 staff turnover on the level of the programme (IPARD II) is 8,38%.

In 2022 there is negative net balance of 10 employees, meaning 5 employees were engaged and 15 left the institutions.

Table - IPARD structure changes with cut of date 01.02.2023 as per WLA 2023 needs including the changes regarding SC

Institution	Number of staff on 01.01.2023	Number of staff needed as per WLA 2023	Realized new recruitments by 01.02.2023	Left the position by 01.02.2023	Number of current staff	Current occupancy rate
NAO/NF	17	19	0	0	17	89.5%
IPARD Agency	152*	177	0	0	152	85.9%
Managing Authority	13	17	1	0	14	82.4%
Total	182	213	1	0	183	86%

\*with WLA 2023 for IPARD Agency from Sector for Control all employees are included in the IPARD structure (meaning inclusion of controllers working on national measures). This changes shall be considered in the baseline for calculating needs in 2023 and are not considered and have no effect on the calculating the needs and turnover for 2022.

By the preparation of this self-assessment report, following can be reported:

Regarding the staff retention in IPA Structure with the Law on Execution of the Budget for 2022 short term solution for motivation and retention of staff in IPA structures (Retention Policy) is implemented. The solution provides 15% flat rate top up on the salary of the staff in the IPA structures till the end of 2022 and same is also incorporated for 2023. With this solution is intended to overcome the gap till adoption of long term systematic solution.

In parallel, working group established by NIPAC is working on long term systematic solution of retention and motivation policy that should be placed in the Law on Administrative Servants and related legal acts.

On the initiative of NAO a request has been submitted to the DG AGRI and DG NEAR (letter 10-2675 / 1 dated 13.04.2022) to consider the possibility of an additional financial component of IPA to complement the retention and motivation policy of staff in the IPA Structure under IPA III programmes. This request was also supported by Serbia, Albania and Montenegro. However, till now no respond by EC was submitted to NAO on this request.

### I.5 Irregularity management

The NAO received 81 cases of irregularity from the IPARD Agency during 2022. The cases were analysed and appropriate corrective measures were undertaken by the relevant institutions, under coordination of NAO. These cases were reported through IMS during 2022.

- The newly identified irregularities might be considered from the following aspects, as presented below:
- All cases were qualified as irregularity;
- 60 cases are still open;
- 21 cases are closed;
- 79 cases were identified before the payment was made, thus s no financial impact occurred;
- 2 cases were identified after the payment was made, thus have financial impact.

Table 1

Irregularities identified during 2021				
Total number of irregularities	Irregularities before project approval	Irregularities before payment	Irregularities after the payment was made	Other cases (not related to applicant)
81	0	79	2	0

Table 2

Qualification of irregularity		Opened	Closed	Total
	suspected fraud		0	0
irregularity		60	21	
Financial Impact	with financial impact	2	0	81
	without financial impact	58	21	

The new National Anti-fraud Strategy for protection of the EU financial interests in Republic of North Macedonia and the Action Plan for its implementation were prepared in consultation and close cooperation with the experts from the IPA Twining Project "Strengthening Budget Planning, Execution and Internal Control Functions", Office of the European Delegation in Skopje, the European Anti-fraud Office (OLAF) and the members of the working group.

At the fifty-second session, held on 14.06.2022, by the Government of the Republic of North Macedonia were adopted the National Anti-fraud Strategy for protection of the EU financial interests in the Republic of North Macedonia 2022-2025 and the Action Plan for its implementation for 2022-2023.

After the adoption, IPARD Managing and operating structure implements the activities stated within the Action Plan for implementation of the National Anti-Fraud Strategy.

The National Anti-Fraud Strategy on Protection of the Financial Interests of the European Union in the Republic of North Macedonia for the period from 2022 to 2025 outlines the agreed priorities

and actions of the competent national authorities in the field of protection of the financial interests of the European Union in the Republic of North Macedonia.

## II. Financial management of EU funds in the Republic of North Macedonia and for the legality and regularity of the underlying transactions

### II.1 Financial management

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

Pursuant to Article 33(3) of the Framework Agreement and Annex 7 of the Sectoral Agreement, NAO sent to the Commission a Forecast of its Likely Payment Request for 2022-2023 for the programme on 14<sup>th</sup> January and 14<sup>th</sup> July 2022. Base for preparation of the forecasts is the plan for publication of public calls as well as plan for financial realization of the calls/signed contracts between IPARD Agency and recipients, both being provided to NF by IPARD Agency.

NF performs additional analyses taking into consideration the experience and disbursement pace from previous years, obtained information from Agency on contracts status, problems encountered availability of funds in the national budget, etc. Once, having all of this information processed, NF prepared Forecast of its Likely Payment Request. During 2022, forecasted payments were realised with excellent 93%.

In the tables below the executed payments – IPA contribution in Euros in 2021 and 2022 are presented:

Measure	Executed payments in 2021 – IPA contribution in Euros	Executed payments in 2022 – IPA contribution in Euros
Measure 1	3,283,331.92	3,765,702.48
Measure 3	2,137,312.77	6,842,929.68
Measure 7	1,579,600.59	2,714,600.67
Measure 9	120,823.80	65,699.02
<b>Total</b>	<b>7,121,069.08</b>	<b>13,388,931.85</b>

The analyses refers to the EU contribution expressed in Euro

Overall status of Programme for the period 2014-2020				% compared with available budget
	IPA	NCF	Total	
Available budget 2014-2020	60.000.000	19.766.275	79.766.275	
Disbursed	34,877,637.73	11,593,311.62	46,470,949.35	58%

The analyses refers to the EU contribution expressed in Euro

Pursuant to Article 37 of the Sectoral Agreement, NAO has sent four Declarations of Expenditures that served as Payment requests for the expenditure incurred and revenues generated in the course of 2022. National Fund regularly sent the payment requests through SFC 2014. There was no de-commitment of funds at the end of 2022.

IPARD II Payment requests 2022		
Reference	Community Contribution in €	
1	Declared in Q1 2022	1,563,039.90

2	Declared in Q2 2022	6,753,578.18
3	Declared in Q3 2022	2,681,614.45
4	Declared in Q4 2022	2,373,598.70

The analyses refers to the EU contribution expressed in Euro

During 2022, the off-set amount of EUR 122,500.00 was replenished on the IPARD euro account.

## II.2 Accounting

Available budget within the IPARD Programme 2014 – 2020 is 60.000.000,00 EUR (EU part) out from which by the end of 2022 actual contracted rate (contracted amount without amount of cancelled contracts and annexes of contracts) is nearly 95%.

Rate of actual disbursement of the contracted (contracted amount without amount of cancelled contracts and annexes of contracts) is at 61,3 %. Thus, during 2023 pressure will be put on timely authorisation and payment of the projects.

During 2022, continue the trend of increased rate of cancelled contracts due to increased prices on the market regarding the raw materials, good and services especially in the construction area. We expect this rate to increase during 2023 as well, which will negatively affect the overall consumption of the Programme budget. One of the measures under discussion among IPARD Structures for increasing the absorption of the IPARD funds is requesting N+4 from DG AGRI.

### 4.3 Activities undertaken by the IPARD Agency

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

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

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

In 2022, the IPARD Agency with the defined deadline and on a regular basis delivered to the IPARD MA the monitoring tables for implementation of the IPARD Programme which include information for physical and financial indicators, reports from the performed controls, identified irregularities and additional requests for reports, defined in the Implementing Agreement.

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

During 2022, IPARD Agency recorded all transactions in SAP software. As soon as we are convinced that all reports generated through the SAP are true and accurate, SAP software will be used as only tool for accounting in IPARD Agency and all financial indicators will be withdrawn from the system.

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

The working group has to participate in the activities of the project "Adjusting the Integrated Administration and Control System (IACS)", more specifically in the implementation of the IPARD module as a software solution, which will lead to increased efficiency and effectiveness. The final

goal is to simplify the data transfer and communication between the institutions and increased data transparency.

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

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

In terms of implementation of the IPARD Program 2014-2020, in 2022 IPARD Agency signed contracts for 2316 applications in the supported amount of 62.461.369,00 € .

For the public calls 01/2017, 01/2018, 02/2018, 01/2019, 02/2019, 01/2020, 01/2021 and 01/2022 IPARD Agency approved and signed cumulative 2005 amount for payment, of the measure 1 approved and signed 1782 amount for payment in the amount of 14.467.977 €, and of the measure 3 approved and signed 102 amount for payment in the amount of 15.245.035 €, and of the measure 7 approved and signed 106 amount for payment in the amount of 4.956.976 €, and of the measure 9 approved and signed 15 amount for payment in the amount of 207.647 €.

During the year 2022, for measures under the IPARD In.2022 year the IPARD Agency had publish public call 01/2022 for IPARD II Programme: for measure 3 " Investments in physical assets concerning of agricultural and fishery products ".

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

During 2022 years, the IPARD Agency from all publish calls received 4194 claims for payment which were processed or are still processing in the current year. IPARD Agency approved cumulative 2316 claims for payment and paid claims for payment 2005 in total amount is 37.877.635,00 €.

Data in given in the table for received, approved and paid claims for measure 1,measure 3,measure 7 and measure 9, cumulative from 2018 year to 2021 year.

	Measure 1	Measure 3	Measure 7	Measure 9	total
Received claims for payment in 2018	1404	57	187	3	1651
Received claims for payment in 2019	2503	122	187	8	2820
Received claims for payment in 2020	3251	183	448	12	3894
Received claims for payment in 2021	3251	183	698	17	4149
Received claims for payment in 2022	3251	225	698	20	4194
Approved and signed claims for payment in 2018	902	30	20	3	955
Approved and signed claims for payment in 2019	1156	67	23	8	1254

Approved and signed claims for payment in 2020	1485	101	60	12	1658
Approved and signed claims for payment in 2021	1917	118	103	17	2155
Approved and signed claims for payment in 2022	1942	136	218	20	2316
Total approved amount for payment in 2018	116	8	0	3	127
Total approved amount for payment in 2019	801	28	7	7	843
Total approved amount for payment in 2020	1217	55	13	8	1293
Total approved amount for payment in 2021	1595	83	49	12	1739
Total approved amount for payment in 2022	1782	102	106	15	2005
Paid claims for payment in 2018	452.878,00	546.071,5	0	3.836,50	1.002.786,00
Paid claims for payment in 2019	5.772.283,00	4.180.095,00	59.921,00	9.319,00	10.021.618,00
Paid claims for payment in 2020	7.418.942,00	6.264.792,00	662.775,00	21.126,00	14.367.635,00
Paid claims for payment in 2021	10.702.275,00	8.402.106,00	2.242.376,00	141.950,00	21.488.707,00
Paid claims for payment in 2022	14.467.977,00	15.245.035,00	4.956.976,00	207.647,00	34.877.635,00

During 2022, year IPARD Agency executed administrative controls to all submitted applications. In addition, reasons for rejection of application prior the signing contracts are provided:

Completeness:

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

	Measure 1	Measure 3	Measure 7
Public calls 01/2017,01/2018,02/2018 01/2019,02/2019 01/2020 01/2021	576	30	3

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

	Measure 1	Measure 3	Measure 7
Public calls			

01/2017,01/2018,02/2018 01/2019,02/2019 01/2020 01/2021	32	6	92
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Eligibility:

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

	Measure 1	Measure 3	Measure 7
Public calls 01/2017,01/2018,02/2018 01/2019,02/2019 01/2020 01/2021			2

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

	Measure 1	Measure 3	Measure 7
Public calls 01/2017,01/2018,02/2018 01/2019,02/2019 01/2020 01/2021	2	2	4

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

	Measure 1	Measure 3	Measure 7
Public calls 01/2017,01/2018,02/2018 01/2019,02/2019 01/2020 01/2021	311	12	177

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

	Measure 1	Measure 3	Measure 7
Public calls 01/2017,01/2018,02/2018 01/2019,02/2019 01/2020 01/2021	1	1	2

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

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

During 2022, Sector for authorization of payments rejected/canceled 94 claims for payment. The reasons for rejection of claims/cancellation of contracts are infringement of the contract, have not delivered claims for payment. Failure to comply with the legal provisions that the applicant is obliged to submit request claims for payment in specified time, defined in contract.

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

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

- 80 on-the-spot controls prior approval of which:
  - 1 on-the-spot controls at investments under Measure 1
  - 79 on-the-spot controls at investments under Measure 3
- 245 on-the-spot controls prior payment, of which:
  - 171 on-the-spot controls at investments under Measure 1
  - 18 on-the-spot controls at investments under Measure 3
  - 56 on-the-spot controls at investments under Measure 7
- 338 ex-post on the-spot controls, of which:
  - 316 on-the-spot controls at investments under Measure 1/101
  - 17 on-the-spot controls at investments under Measure 3/103
  - 5 on-the-spot controls at investments under Measure 7/302

The Sector for on-the-spot control has carried out 1 on-the-spot control for establishing hidden works during realization of investment and 4 additions controls.

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

In 2022, after the modification of the IPARD Programme 2014-2020 (making completeness of the application form mandatory), the Agency accordingly made certain changes in the internal procedures (introduction of evaluation committee in determination of reference prices) and the control lists according to the proposed modifications. In addition, one of the most significant changes for the new programming period is that the Agency as much as possible of the required documentation will obtain through ex officio, which would enable to shorten the application procedure for completing the applications i.e. to shorten the procedure for approving the applications.

#### **Progress Summary from the implementation of the Community Financial Support**

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

While processing the claims for payment in 2022 the Agency encountered problems during the processing of the claims for payment, difficulties for the beneficiaries in providing the necessary documentation, providing proof for origin of the materials and the equipment, timely and correctly update of the accounting records.

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



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

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

There have been (1) one irregularity under measure 7 established and reported while carrying out the OTSC.

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

Since its inception in January 2016, the IPARD Monitoring Committee has held 11 meetings. The meetings of the Committee are organized using support provided by the Technical Assistance measure. A company engaged in 2021 shall support the Managing Authority in organization of Monitoring Committee meeting by the middle of 2023.

Main Decisions taken by the Monitoring Committee during 2022:

- The IPARD Monitoring Committee reviewed and adopted (via written procedure) the annual report on the implementation of the IPARD Programme for 2021.
- The IPARD Monitoring Committee reviewed and adopted the amendments of the Action Plan for activities envisaged in the technical assistance measure for 2022 (APTA 2022).
- The IPARD Monitoring Committee reviewed and adopted the Action Plan for activities envisaged in the technical assistance measure for 2023 (APTA 2023).
- The IPARD Monitoring Committee reviewed and adopted the Annual Action Plan for Communication and Publicity for 2023 for the IPARD Programme 2014-2020.

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

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

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.

At the 11<sup>th</sup> MC meeting, IPARD MA representative informed on the results of the ongoing evaluation activities, which emphasize the limited capacity and knowledge of the evaluation methods, including the methods for collecting primary data in IPARD MA, as well as delays in the delivery of data by the Agency, which remains a major obstacle to the implementation of the evaluation system. The risk of delayed and inconsistent data regarding the published public calls is emphasized, as it contributes to further delays in improving other legal or program requirements, as well as to the overall upgrade of the implementation processes of the IPARD Programme.

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

The implementation of the measure Technical Assistance proved to be of significant importance for the Managing Authority and the IPARD structures in whole, since the IPARD Agency, Management Structure and different stakeholders involved have indirectly benefited its implementation.

In total, Managing Authority submitted 20 applications for using support under measure Technical Assistance in amount of (336.155 € EU support). All applications were approved and contracted by the Agency (amount of 336.155 € EU support). By the end of 2022, 15 contracts were implemented and 14 them were paid by the Agency has paid (amount of 207.649 € EU support).

Unit for Technical assistance realized a workshop for “Improvement and upgrade of the IPARD monitoring system in anticipation of the new programming period”.

One of the realized activities in this period is the organization of workshop for improvement of publicity actions and visibility of the Programme. Representatives from the IPARD Agency were also invited and provided their feedback in improvement of publicity actions of the Programme such as: improvement and inclusion of additional explanatory guidance in guidelines for beneficiaries for all measures and drafting a strategy for publicity and communication of the Programme for the upcoming programming period.

Also during 2022, the measure also supported the consultative process in drafting the IPARD III Programme via organization of meetings with all sub-sectoral groups according to the sectors covered in the IPARD Programme and organization of meetings with LAGs.

Technical (office) capacities of Managing Authority were also strengthened using support from the measure. Two procurements of office supplies were done during 2022.

#### **Envisaged activities within APTA 2023:**

In December 2022, on the 11<sup>th</sup> meeting of the IPARD II Monitoring Committee, APTA for 2023 was adopted. The following activities are subject of procurement:

- Expenditure on information and publicity campaigns, including costs of printing and distribution – web site maintenance, in indicative amount of 1.200 €.
- Expenditure on information and publicity campaigns, including costs of printing and distribution – Printing of promotional materials (instructions, brochures and application forms), in indicative amount of 2.500 €.
- Cost of translation and interpretation - translation of Programme documents in indicative amount of 8.000 €.
- Streamlining of specific parts of the management and control system - workshop to improve the methodology and calculation for Work Load Analyses of IPARD structures (WLA) (meeting room, meeting materials, catering services, accommodation and experts), , in indicative amount of 2.500 €.

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

In accordance with Article 55 of IPA II Implementing Regulation, programming of assistance in agriculture and rural development has been prepared in close consultations with all appropriate interested parties (socio-economic partners as defined by the national legislation in this case). 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, competent state, regional, local authorities and other public authorities, the economic

and social partners and any other appropriate bodies representing civil society, non-governmental organisations, including environmental organisations.

The strategy of this Programme and short description of the selected measures is published on the MAFWE web-site inviting the general public for comments on the chosen strategy, financial plan distribution and measures and actions to be supported in detailed description. The public is asked to provide their opinion by providing answers to the following questions:

1. Whether the selected sectors for support as well as the type of eligible investment correspond with the actual needs?
2. Whether the general and specific criteria in the measures are attainable and realistic?
3. The proposed investment value (minimum and maximum) in the measures correspond to the needs?
4. The definition of the beneficiaries is well suited to the actual situation and the agriculture sector and the rural areas?
5. Whether the budget allocation per measure is acceptable and is it considered that the same can be adequately used?
6. What other measures should be included in the Programme?
7. Suggestions/ proposals to improve the absorption of the available IPARD funds.

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

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

In the scope of the communication and publicity campaign, several events (workshops, forums, meetings) were held in order to improve cooperation in between IPARD structures and between IPARD structures and other stakeholders (Technical Bodies, Nongovernmental organizations, Consultants). Direct communication with the stakeholders at these events contributed to significant improvements in the implementation of the Programme, as well as increased cooperation and trust of external stakeholders in the IPARD structure in anticipation of the new programming period.

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

1. representative from the Chamber of Commerce of Macedonia – economic partner;
2. representative from the Chamber of Commerce of north-western Macedonia – economic partner;
3. representative from the Macedonian Association of Processors – economic partner;
4. representative from the National federation of farmers of North Macedonia – economic partner;

5. representative from Craft Chamber – economic partner;
6. representative from the Faculty of Agricultural Sciences and Food, University "Ss. Cyril and Methodius" – social partner;
7. representative from Goce Delchev University – social partner;
8. representative from the Association of Units of Local Self-Government (ZELS) – social partner;
9. representative from Rural Development Network – social partner;
10. representative from the Faculty of Veterinary Medicine – social partner;
11. representative from the Movement of Ecologist of Macedonia – environmental partner;
12. representative Agro-Leader – social partner
13. representative from the Network of Young Farmers – social partner;
14. representative from the Association of Rural Coalition Kumanovo – social partner;
15. representative from the Association of Citizens' Associations - Farmers Association – social partner;
16. representative from the Association of Manufacturers of Wine Exporters and Other Grape Beverages "Wines from Macedonia" – economic partner.

Managing Authority included all relevant authorities and bodies as well as appropriate economic, social and environmental partners in the consultation process of drafting the new programming document. The results of the consultations is presented in the separate chapter 13 of the IPARD Programme 2021-2027. Six different workshops are held covering different sectors supported under measures in the Programme.

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

### **I. INTRODUCTION**

The activities related to the publicity of the IPARD Programme 2014-2020 are foreseen in the Annual Action Plan for Publicity and Communication of the IPARD Programme for 2022. The specific objectives of the publicity plan are: delivering quality information to the target groups in order to promote the opportunities offered by the aid of the European Union and our country, to promote the results of the implementation of the IPARD Programme, to increase the number of quality applications and to raise awareness among the general public about the contribution of the European Union.

The activities listed below are carried out in accordance with the Annual Action Plan for Publicity and Communication of the IPARD Programme for 2022 with physical presence or through electronic communication.

The planned activities refer specifically to:

- Organization of (on-line or with physical presence) IPARD info educational days by promoting successful examples;
- IPARD forums (on-line or with physical presence) for a more successful implementation of the IPARD Programme 2014-2020;
- IPARD workshops (on-line or with physical presence) for preparation of IPARD application forms, publication of public calls
- Performances/interviews in electronic media and newspapers;
- Publication of the list of end users of funds from the IPARD Programme 2014-2020;

- Creation and distribution of application forms and guidelines dedicated to IPARD Programme 2014-2020;
- Preparation and distribution of brochures dedicated to the publicity of IPARD Programme 2014-2020;
- Publication of audio and video clips;
- Updating the website: [www.ipard.gov.mk](http://www.ipard.gov.mk)

The institutions responsible for implementing the above-mentioned activities in accordance with their competences and functions are the following: IPARD Managing Authority at the Ministry of Agriculture, Forestry and Water Economy and the IPARD Agency.

## II. REALIZED ACTIVITIES

### 1. Organization of IPARD informative and educational days (on-line or with physical presence).

The organization of the informational and educational days of the IPARD Programme 2014-2020 took place in the period before and during the published public calls for a specific measure. In this period, from May to December 2022 (the period between two meetings of the Monitoring Committee), the institutions responsible for implementing the publicity plan, organized and realized 6 info days in connection with the Public Call 01/2022.

The previous announcement of the Public Call for Measure 3 of the IPARD Programme 2014-2020 was published on June 15, 2022, and the Public Call was published on July 8, 2022 and lasted until September 21, 2022.

Previous announcement for the Public Call 01/2022 for the submission of requests for the use of funds from the fifth component of the Instrument for Pre-Accession Assistance for Rural Development of the European Union (IPARD Programme 2014-2020) - IPARD - ([ipard.gov.mk](http://ipard.gov.mk))

The published Public Call 01/2022 was available on the portals at the following links:

<https://nezavisen.mk/posledniot-povik-od-ipard-2-vreden-pet-milioni-evra-e-na-15-juli/>

<https://www.biznisvesti.mk/objaven-posledniot-javen-povik-od-programata-ipard-2/>

<https://vlada.mk/node/29661>

<https://kanal5.com.mk/na-15-juli-posleden-povik-od-ipard-2-vreden-pet-milioni-evra/a533024>

[http://www.ipardpa.gov.mk/Root/mak/default\\_mak.asp](http://www.ipardpa.gov.mk/Root/mak/default_mak.asp)

<https://vecer.mk/ekonomija/na-15-juli-posledniot-povik-od-ipard-2-vreden-pet-milioni-evra/>

Publicity activities related to Public Call 01/2022 for measure 3 "Investments in physical assets for processing and marketing of agricultural and fish products" were carried out in July and August in the following municipalities: Tetovo, Kumanovo, Ohrid, Resen, Gradsko. In the mentioned municipalities, several target groups, such as the general public and the rural population, the potential beneficiaries of measure 3 "Investments in physical assets for processing and marketing of agricultural and fish products", were informed about the financing possibilities with this last Public Call within the framework of IPARD Programme 2014-2020.

The info days were realized in coordination between the IPARD Managing Authority and the IPARD Agency. The possibilities offered by IPARD, especially measure 3, were elaborated before a wider audience, by representatives from both institutions, and info days were followed by more than 100

participants. Taking into account the current situation with the energy crisis, the info days caused great interest among companies from the processing industry.

Information about planned publicity activities was sent to chambers of commerce, crafts and other associations, portals, agricultural cooperatives, the Rural Development Network, the National Federation of Farmers and other institutions, by email, and they were asked to forward this information to their members and/or publish it on their websites. The general public and potential users of IPARD funds are encouraged to ask questions via e-mail or phone calls regarding measure 3, "Investments in physical assets for processing and marketing of agricultural and fish products".

## **2. Delivery of direct information towards the beneficiaries**

Pursuant to Article 12, paragraph 3 of the Agreement concluded between the IPARD Agency and the IPARD Managing Authority for the implementation of the IPARD Programme, the Agency submits monthly reports on the promotional activities of the Agency. The delivery of information, by telephone and e-mail, to potential users is carried out continuously, that is, in the telephone center of the IPARD Agency. Information about publicity is provided by the IPARD Managing Authority via e-mail, by phone and in the premises of the IPARD Managing Authority. In the last few months, more than 150 calls were received and more than 58 questions were asked.

The questions that were asked on the website of the Agency refer to the publication of the last Public Call 01/2022 for measure 3 and other measures from the IPARD Programme 2014-2020. The most frequently asked questions are related to the priority sectors, whether photovoltaic are eligible as an expense, where to find the application form, who is eligible to apply and what are the eligible investments, questions about renewable energy sources, eligible expenses for all three measures and many others related to measures from the IPARD Programme 2014-2020.

Potential users are interested in when the IPARD III Programme will be adopted and when the first Public Call will be published, and what are the news related to the measures of the IPARD Programme 2021-2027.

The questions and answers asked by the interested parties, by e-mail and at the organized events, are published on the websites of the IPARD Managing Authority and the IPARD Agency.

More information can be found at the IPARD Programme 2014-2020 - FAQ at the following links: <http://ipard.gov.mk/mk/cpp/> and [http://www.ipardpa.gov.mk/Root/mak/default\\_mak.asp/](http://www.ipardpa.gov.mk/Root/mak/default_mak.asp/) in the section "IPARD Programme 2014-2020 Questions about IPARD advertisements", for all submitted questions and [http://www.ipardpa.gov.mk/Root/mak/default\\_mak.asp](http://www.ipardpa.gov.mk/Root/mak/default_mak.asp) in the section "IPARD Programme 2014-2020/ IPARD daily questions ", for daily questions and answers.

## **3. Appearance on national and local media**

During this period there were a sufficient number of appearances, announcements and interviews on national and local radio and television channels as well as daily newspapers and internet portals (more than 180 press releases).

Most of the announcements refer to the Public Call 01/2022 for measure 3 "Investments in physical assets for processing and marketing of agricultural and fish products". Regarding announcements and interviews, an official IPARD Agency had one interview for MIA (Macedonian Information Agency) which was broadcast in several media.

Some of the press releases can be viewed at the following links:



<https://civilmedia.mk/intervju-so-nikolovski-sakame-sekoja-peda-zemja-da-ja-stavime-vo-funktsija-na-proizvodstvo-na-hrana/>  
<https://www.slobodenpecat.mk/nikolovski-godinava-minimum-30-milioni-evra-za-prvot-povik-od-ipard-3-za-novi-investicii-vo-zemjodelstvoto/>  
<https://agrotim.mk/nikolovski-programata-za-ruralen-razvoj-ke-bide-za-pomalite-zemjodelski-stopanstva-dodeka-ipard-ke-bide-na-raspomagane-za-investicii-na-pogolemite-stopanstva/>

Businesspersons from Kumanovo and Tetovo with great interest in applying for measure 3 "Investments in physical assets for processing and marketing of agricultural and fish products" - 24 Info (24info.mk)

Announcements and information about the IPARD Programme are continuously published in the media. Appendix 3 shows part of the material related to IPARD Media - Press clippings. Due to the number of press releases, only part of the material is given.

#### **4. Publication of the list of IPARD Programme 2014-2020 final beneficiaries**

According to the Communication and Publicity Action Plan for 2021, the activity for announcing the list of IPARD Programme 2014-2020 final beneficiaries, is carried out by IPARD Agency as the responsible body for the realization of this activity.

The list of IPARD Programme 2014-2020 final beneficiaries is published quarterly on the Agency's website at the following link:

[https://ipardpa.gov.mk/Root/mak/default\\_mak.asp](https://ipardpa.gov.mk/Root/mak/default_mak.asp)

The published lists of payments made in the second quarter and the third quarter of 2022 are: (by clicking on the excel document, the list of paid funds opens). Signed contracts from the IPARD II Programme for the period until 12.10.2022.

#### **5. Preparation and distribution of application forms, guidelines for beneficiaries, brochures and posters for the IPARD Programme 2014-2020**

The guidelines for beneficiaries that were distributed during the publicity campaign were printed with the previously executed publicity contract, while the changed guidelines for beneficiaries and application forms (for the Public Call 01/2022) were printed at cost of the Ministry of agriculture, forestry and water economy. For measure 3 of the IPARD Programme 2014-2020, a total of 200 documents were additionally printed (guidelines for beneficiaries, application forms and brochures) covering the latest changes in the documents and publicity materials.

The materials, left over from the previous publicity campaign that did not undergo changes, were used to inform all stakeholders during the Public Call 01/2022 for Investments in physical assets for processing and marketing of agricultural and fish products. The final version of the guidelines for beneficiaries, application forms and brochures are published on the website of the IPARD Managing Authority [www.ipard.gov.mk](http://www.ipard.gov.mk).

#### **6. Production and publication of audio and video clips**

Regarding Public Call 01/2022, new videos and audio recordings were not prepared, and previously released videos were used to strengthen the publicity campaign.

Within the previous Publicity Campaign of the IPARD Programme 2014-2020, three videos were prepared that referred to three accredited measures.

The video clip for the measure 3- Investments in physical assets for processing and marketing of agricultural and fish products was produced in cooperation with two successful projects from the IPARD Programme, namely: Winery Movino and meat industry Podgoroka.

The videos for all measures can be seen on the website of the IPARD Managing Authority on Macedonian language and at the same time with an English translation of the English version of the website: <http://ipard.gov.mk/mk/pocetna/>.

## **7. Update of the IPARD Programme 2014-2020 web site (www.ipard.gov.mk)**

The website [www.ipard.gov.mk](http://www.ipard.gov.mk) is regularly and continuously updated with information and news regarding the Public Call 01/2022, info days, the draft version of the IPARD III Programme, the Ex-ante Evaluation Report of the IPARD Programme 2021-2027 – in preparation and many more useful information.

The announcements about the informative and educational days were published continuously during the public call. The new guidelines for beneficiaries regarding measure 3 Investments in physical assets for the processing and marketing of agricultural and fish products are published on the website (mentioned above in the Report) at the following link:

Announcements for information days are available at the website link:

<https://ipard.gov.mk/mk/category/edukativna-kampanja/info-denovi/> and home page in "announcements and news".

The IPARD III draft Programme is published on the website, and in the same menu, the report on Ex-ante evaluation of the IPARD Programme 2021-2027 is published. For more information, follow the link: <https://ipard.gov.mk/en/draft-ipard-2021-2027-programme/>

Changes to the website have been made in the submenu - part of the main menu for IPARD Monitoring 2014-2020, where a new section has been added, named "Reports and tables with indicators". In this section, the Annual Implementation Reports and tables with indicators for monitoring and evaluation of IPARD II are published.

In the period from May to November 2022, the website provides traffic statistics. The statistics record the following data, namely:

- Website users 13.228
- New users 11.109,
- Total page views 65.215.

The website is visited by many interested parties from different countries, from our country, countries in the region and beyond.

The website <http://ipard.gov.mk/mk/pocetna/> is regularly updated with information, announcements and news related to the activities for the implementation of the IPARD Programme 2014-2020.



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

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

	Sector	Contracted		Paid	
		Total public expenditure	EU contribution	Total public expenditure	EU contribution
M1	Livestock sector	3.838.903	2.775.551	1.853.626	1.390.222
	Crop sector	23.567.065	17.772.611	17.411.506	13.058.616
	On-farm processing	96.443	72.333	17.048	12.786
	Renewable energy	8.470	6.353	8.470	6.353
M3	Milk and dairy products	2.150.829	1.658.839	1.023.064	767.299
	Meat and meat products	4.636.766	3.302.786	3.880.245	2.866.522
	Fruits and vegetables processing	17.045.726	12.970.524	13.091.329	9.990.561
	Cereal, milling and starch products	950.676	663.429	321.164	240.874
	Vegetable and animal oils and fats	32.821	24.616	12.826	9.620
	Grape must, wine and vinegar	4.357.572	3.260.597	1.998.082	1.370.159
	Production of energy	0	0	0	0
M7	Alternative agriculture production	734.607	495.829	345.775	253.553
	Manufacture of food products and beverages	3.166.629	2.428.789	714.698	540.774
	Manufacturing of non-food products	12.976.047	10.026.001	3.749.192	2.813.605
	Development of crafts activities	617.284	506.398	21.774	16.331
	Provision of services to agriculture	782.345	624.259	44.049	33.039
	Promotion of services for the rural population	1.268.759	914.070	19.965	14.974
	Promotion of Rural Tourism	6.024.748	4.631.023	1.703.839	1.284.677
	Production and sale of renewable energy	0	0	0	0
M9	Monitoring Committee	400.582	321.955	235.203	202.165
	Information and Publicity campaign	5.392	4.584	5.392	4.584
	Programme evaluation	1.056	898	1.056	898
	Support to other measures	0	0	0	0
Total		82.662.720	62.461.445	46.458.303	34.877.635

Source: IPARD II M&E indicator tables 2022, 2023

Having in mind the characteristics of the Macedonian agriculture, more advanced and developed crop sector (vegetables, vineyards and orchards, cereals production and industrial crops) visible through Macedonian agri export products, the implementation of the measure 1 is highest in the crop sector. Out of 3.215 applications submitted in measure 1, 3.154 are in crop sector, 81 are in livestock sector, 11 in on-farm processing and 5 in production of energy from renewable resources.

The situation also reflects on the implementation by sectors in measure 3. Processing of fruit and vegetables is most attractive sector in measure 3. Out of 225 applications submitted, 99 are in fruit and vegetables processing.

IPARD interest and support in measure 7 is divided in different sectors, with most of the submitted applications in alternative agricultural production 256 applications, 138 in non-food products, 121 in rural tourism, 73 in food and beverages production, 46 in production of renewable energy, 33 in provision of services to agriculture, 22 in provision of services for the rural population and 9 applications in development of crafts activities.

**Table 31: Annual payments to recipients in 2022**

Measure	EU part	National	Private	Total expenditure
Measure 1	3.765.702	1.182.556	6.415.086	11.363.344
Measure 3	6.842.929	2.175.525	343.511	9.361.965
Measure 7	2.714.600	910.170	2.907.347	6.532.117
Measure 9	65.697	12.767	0	64.464
Total	13.388.928	4.267.018	9.424.293	27.080.239

Source: IPARD II M&E indicator tables 2022, 2023

**Table 32: Cumulative payments to recipients**

Measure	EU part	National	Private	Total expenditure
Measure 1	14.467.977	4.822.671	13.871.050	33.161.698
Measure 3	15.245.035	5.081.675	11.532.090	31.858.800
Measure 7	4.956.976	1.652.322	4.255.928	10.865.226
Measure 9	207.647	34.004	0	241.651
Total	34.877.635	11.590.672	29.417.417	75.885.724

Source: IPARD II M&E indicator tables 2022, 2023

**Table 33: Financial performance (public expenditure (EU + national expenditure) against the last approved financial plan<sup>12)</sup>**

Measure	EU part (A)	National	TPE	IPARD Programme financial plan (EU part) <sup>13)</sup> (B)	Financial performance (A/B)
Measure 1	14.467.977	4.822.671	19.290.648	17.120.000	84,5 %
Measure 3	15.245.035	5.081.675	20.326.710	15.710.000	97,0 %
Measure 7	4.956.976	1.652.322	6.609.298	12.330.000	40,2 %
Measure 9	207.647	34.004	241.651	440.000	47,2 %
Total	34.877.635	11.590.672	46.468.307	45.600.000	76,4 %

Source: IPARD II M&E indicator tables 2022, 2023

<sup>12)</sup> The last approved financial plan of the Programme was approved with the 4<sup>th</sup> modification of the Programme by Commission Decision C(2022) 5355

<sup>13)</sup> Allocations from 2014, 2015, 2016, 2017, 2018 and 2019 taken into consideration

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

### **a. Mechanisms and actions for coordination of IPARD**

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

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

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

The working group had regular (weekly meetings) throughout the reporting period of this report.

### **b. The Complementarity of the IPARD Assistance with the national funding**

To ensure complementarity of IPARD assistance with national funding and avoid any overlaps between the National Programme for Financial Support to Rural Development and IPARD Programme 2014-2020, following measures were taken:

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

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

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

**c. The Complementarity of the IPARD Assistance with other IPA components**

Both the Head of IPARD Managing Authority and the Director of the IPARD Agency are nominated members of the IPA Monitoring Committee and regularly participate on the joint meetings.

MAFWE Department for EU integration is responsible for monitoring of contracts related to other IPA support granted for agriculture and rural development sectors and thus it is responsible to crosscheck the possible overlap in cases of request by the IPARD Managing Authority and the IPARD Agency. MAFWE Department for EU integration involves both the IPARD Managing Authority and the IPARD Agency in the process of planning of the IPA assistance to largest extent possible as to avoid any potential overlap between the project actions and this Programme and to target the assistance to complement this Programme actions.

**d. The Complementarity of the IPARD Assistance with other IFI's and donor support**

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

Concerning IFI's, NAO also acts as State Advisor in the MoF which coordinates the use of IFI's funds.

## 7. Conclusions from the implementation in year 2022

**Large number of applications and interest for investments under the IPARD Programme 2014-2020.** Number of applications submitted on 8 public calls reached 4.174 (applying for 224.648.732 € EU contribution). The requested amount for support for all received applications up to now overpassed the programming period 2014-2020 available budget for approximately 3,5 times. Most of the requested funds (approximately 35 million €) are for measure 7 (in the part of investments in renewable energy sources), where the rate of approval of applications is the lowest (12%). In this regard, Managing Authority made changes to measure 7 in the first modification of the Programme, and the Agency excluded investments in renewable energy sources from the following public calls in measure 7.

**Relatively slow process of approving applications,** which depending on the public call and the number of applications submitted lasted between 4 and 15 months (see Table 21). Understaffing in the Agency (especially Sector for authorization of payments) and problems in obtaining reference prices especially for investments that are more complex and ones involving construction are the main reasons for the slow processing of applications.

The process of approving the applications has accelerated after the first modification of the Programme (completeness of applications is mandatory) and with implementation of publicity activities that resulted with improved quality of applications. In addition, transformation of the process of submission of applications from manual to electronic was agreed as suitable solution to this issue. In order to facilitate the transfer towards electronic processing of applications, the Agency is receiving EU support through a project "Customised Software for Integrated Administrative and Control System (IACS)" - EuropeAid/139016/DH/SER/MK. In the scope of the project modules for Sector of project approval (contracting process), Sector for on-spot control (control process), Sector for authorization of payments (payment process) and Managing Authority (read only access for the purposes for monitoring and reporting) are envisaged to be developed. The outcomes of the project were expected in 2022 and having in mind that the implementation of the Programme is coming to the end, they will be used to improve the implementation of the Programme in the next programming period.

Regarding the **preference of types of investments for the purchase of equipment** in relation to investments in construction and reconstruction, the analyses of the IPARD Managing Authority indicate that the changes in the law on agricultural land (allowing the construction of agricultural facilities on agricultural land without transformation of the land) and the preparation of the Guidelines for the procedure for the construction of facilities on agricultural land, minimally influenced the improvement of the situation. Tolerating illegal construction, especially in rural areas, is still a huge problem, which is also reflected in the use of IPARD. When this situation coincides with the prices of building in rural areas (higher by 30-50% of the real prices due to the unreachable of the terrain and the small choice of construction companies) and the habits of the local population to use their own resources for construction (human and material), the condition is more than expected.

During 2022, a trend of **cancellation of already concluded contracts** was observed. According to the analysis, this cancellation of contracts is the result of the global trend of inflation and the increase in the prices of raw materials, equipment and services. The long period of time required for the realization of investments only further worsens the situation, enabling a greater negative

impact on the realization. Also, an unprincipled approach/prepressure on the part of the suppliers was observed in terms of raising the prices compared to those given in the offers, although only a few (5-6) months passed from the moment of issuing the offers to the moment of realization of the offers.

**Good knowledge and information** of possibilities that are offered by IPARD Programme 2014-2020 among potential beneficiaries, contributed towards large number of applications. The high level of awareness of the opportunities offered by the Programme and the familiarity with its criteria and details, is largely due to the extensive publicity campaign of the Programme implemented by the IPARD Managing Authority in cooperation with the IPARD Agency, NEA and other stakeholders (farmers' associations, consultants, representatives from technical bodies). In addition to forums and workshops, the campaign included face-to-face meetings with potential beneficiaries, prior to the announcement of public calls, enabling potential beneficiaries to obtain reliable and quality information about the Programme in advance.

**Technical Assistance Measure** proved to be **quite useful for the implementation process**. Namely, after the slow start in implementing this measure in 2017, by the end of 2021 a total number of 17 contracts have been implemented (0,3 mill. € EU contribution), out of which 12 procurements (contracts) were realized with an overall amount of 0,15 million € EU contribution, thereby contributing towards improved Programme implementation, particularly in terms of Programme publicity, as well as streamlining certain aspects of Programme implementation.

**Coordination among IPARD structures may be improved**, especially in terms of data exchange between the IPARD Agency and Managing Authority necessary for monitoring and evaluation purposes. The envisaged establishment of a system for electronic processing of applications in the Agency will cause improvement of the process of data exchange, monitoring and evaluation and reporting, having in mind that it will enable read only access to the system of the Agency for other IPARD management structures.

**ANNEX 1:**

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

**Status: 31.12.2022**