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ANNEX

THE REPUBLIC OF NORTH MACEDONIA

EU INSTRUMENT FOR PRE-ACCESSION (IPA)

RURAL DEVELOPMENT PROGRAMME

2014-2020

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ACRONYMS AND ABBREVIATIONS

ACDF	Agricultural Credit Discount Fund
AFSARD	Agency for financial support in agriculture and rural development
AWU	Annual Working Unit
BRC	British Retail Consortium
CAP	Common Agricultural Policy (of the EU)
CEFTA	Central European Free Trade Agreement
CMO	Common Market Organisation
Commission	European Commission
CORINE	Coordinated Information on the European Environment
EARDF	European Agriculture and Rural Development Fund
EIA	Environmental Impact Assessment
ENP	European Neighbourhood Policy
ENI	European Neighbourhood Instrument
EU	European Union
EU 25	European Union of 25 Member States from 1 May 2004 to 31 December 2006 (BE, CZ, DK, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, SI, SK, FI, SE, UK)
EU 27	European Union of 27 Member States from 1 January 2007 to 1 July 2013 (BE, BG, CZ, DK, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, RO, SI, SK, FI, SE, UK)
EU 28	European Union of 28 Member States from 1 July 2013 (BE, BG, CRO, CZ, DK, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, RO, SI, SK, FI, SE, UK)
EUR	European Union Currency
F&V	Fruits and Vegetables
FADN	Farm Accountancy Data Network
FAO	Food and Agriculture Organization (of the UN)
FDI	Foreign Direct Investments
FFRM	Federation of Farmers
FMS	Farm Monitoring System
FTA	Free Trade Agreement
FVA	Food and Veterinary Agency
GAP	Good Agricultural Practice
GDP	Gross Domestic Product
GEF	Global Environment Fund
GHG	Greenhouse gass emission
GIS	Geographic Information System
GIZ	German International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit)
GMO	Genetically Modified Organisms
GSM	Global System for Mobile communications
GTZ	German Technical Cooperation
GVA	Gross value added

GWh	Gigawatt hour
HACCP	Hazard Analysis and Critical Control Points (standard)
HNVF	High Nature Value Farming
IACS	Integrated Administration and Control System
IBRD	International Bank for Reconstruction and Development
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession assistance
IPA TAIB	Instrument for Pre-Accession assistance – Technical Assistance for Institution Building (also called IPA Component I in the programming period 2007-2013)
IPARD	Instrument for Pre-Accession assistance for rural development (also called IPA Component V in the programming period 2007-2013)
IPARD I	Instrument for Pre-Accession assistance for rural development in the programming period 2007-2013)
IPCC	Intergovernmental Panel for Climate Change
IPPC	Integrated Pollution Prevention and Control
ISO	International Organization of Standardization
IUCN	International Union of conservation of nature
JBIC	Japan Biological Informatics Consortium
JICA	Japan International Cooperation Agency
LAU	Local Administrative Units
LAG	Local Action Group
LDS	Local Development Strategy
LEADER	"Liaison Entre Actions de Développement de l'Économie Rurale", meaning 'Links between the rural economy and development actions'
LEE	List of Eligible Expenditures
LFA	Less Favoured Areas
LPIS	Land Parcel Identification System
MAP	North Macedonia’s Association of Processors
MC	Monitoring Committee
MAASP	North Macedonia’s Agriculture Advisory Support Programme
MAFWE	Ministry of Agriculture, Forestry and Water Economy
MK	Country Abbreviation of North Macedonia
MKD	North Macedonia Denar (currency of the country)
MoC	Ministry of Culture
MoE	Ministry of Economy
MoEPP	Ministry of Environment and Physical Planning
MoF	Ministry of Finance
MoH	Ministry of Health
MoLSG	Ministry of Local Self Government
MoLSP	Ministry of Labour and Social Policy
MoES	Ministry of Education and Science
MoTC	Ministry of Transport and Communication

MW	Mega Watts
NAO	National Authorisation Officer
NARDS	National Agricultural and Rural Development Strategy
NCEA	National Classification of Economic Activities
NEA	National Extension Agency
NF	National Fund (Ministry of Finance)
NGO	Non-Governmental Organisation
NIPAC	National IPA Coordinator
NPAA	National Programme for Adoption of Acquis
NRDN	National Rural Development Network
NUTS	Nomenclature of Units for Territorial Statistics
OECD	Organisation for Economic Cooperation and Development
OG	Official Gazette of North Macedonia
PPP	Public Private Partnership
PRAG	Practical Guide to Contract Procedures for EU External Actions
SAA	Stabilisation and Association Agreement
SEA	Secretariat for European Affairs
SEE	South East Europe(an)
SIDA	Swedish International Development Agency
SMEs	Small and Medium Enterprises
SSO	State Statistical Office
SWOT	Strengths, Weaknesses, Opportunities and Threats analysis
TA	Technical Assistance
TAIEX	Technical Assistance and Information Exchange
TPE	Total Public Expenditures
UAA	Utilized Agriculture Area
UHT	Ultra-high temperature (for milk)
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational Scientific and Cultural Organisation
UNFCCC	United Nations Framework Convention on Climate Change
USAID	United States Agency for International Development
VET	Vocational Educational and Training
VAT	Value Added Tax
WB	World Bank
WTO	World Trade Organization

1. TITLE OF RURAL DEVELOPMENT PROGRAMME

IPA Rural Development Programme 2014-2020 (hereinafter referred to as "The Programme").

2. COUNTRY PROFILE

North Macedonia is situated in the South - Western part of the Balkan Peninsula and in the South - Eastern part of Europa. The country has a total territory of 25 713 km2 out of which water area is 857 km2 while the land area is 24 856 km2. The population of the country according to the last Population Census in 2002 was 2,02 million people.

According to the national nomenclature of territorial units for statistics - NUTS, the whole country is classified in the NUTS 1 and 2 levels. The national classification and coding of the administrative units is presented in Table 1.

Table 1: Administrative and territorial organization according to NUTS levels

NUTS level	Code	Description
1	MK0	Whole territory as administrative unit
2	MK00	Whole territory as administrative unit
3	MK001, MK002, MK003, MK004, MK005, MK006, MK007, MK008	8 non-administrative units- statistical regions derived from grouping the municipalities as administrative units with lower level
4	MK001XX, MK002XX, MK 003XX, MK 004XX, MK 005XX, MK 006XX, MK 007XX, MK 008XX	70 municipalities as administrative units 10 municipalities as administrative units in the City of Skopje
5	MK001XXXX, MK002XXXX, MK 003XXXX, MK 004XXXX, MK 005XXXX, MK 006XXXX, MK 007XXXX, MK 008XXXX	1767 settlements as administrative units

Source: Nomenclature of Territorial Units for Statistics in North Macedonia - NUTS (OG No.158/2007)

The country is divided into 8 non-administrative planning regions (NUTS 3), 80 municipalities (LAU 1) and 1 767 settlements (LAU 2). According to the OECD definition of rural areas[1], there are 6 predominantly rural NUTS 3 regions and 2 - intermediate rural NUTS 3 regions.

2.1 Geographical area covered by the Programme

The Programme will be implemented on the entire territory of North Macedonia.

The definition of rural areas and agricultural regions will be used for territorially based interventions under measures "Farm Diversification and Business Development" and "Agri-environment-climate and organic farming measure" respectively.

[1] OECD definition is used to align the socio-economic analysis according to common indicators (http://www.oecd.org/gov/regional-policy/OECD_regional_typology_Nov2012.pdf). According to OECD definition and 2002 census data, six predominantly rural regions (Eastern, Northeaster, Polog, Southeastern, Southwestern and Vardar) and two intermediate regions (Skopje and Pelagonija) are designated. Although Skopje is the capital city, the number of urban population does not exceed 500 000 inhabitants so it is classified as intermediate.

3. DESCRIPTION OF THE CURRENT SITUATION

3.1 General socio-economic context

3.1.1 Definition of areas related to Programme implementation

Rural Areas

For the purpose of the Programme implementation, rural areas are designated on the level of settlements as administrative units (LAU 2) in which the number of inhabitants does not exceed 30 000 inhabitants in accordance to the last official national population census in 2002. Thus rural areas cover 80% of the territory and 59% of the population.

"List of rural areas" is presented in Annex 1 to this Programme. This list shall apply for territorial targeting of the investment activities supported under the measure "Farm Diversification and Business Development".

In case national population census is conducted in the period of duration of this Programme, the Managing Authority will revise the list in accordance to the results of the census not later than one month from the date of publishing of the official results by the SSO.

Mountainous areas

The country is predominantly mountainous with 80% of its territory consisting hills and mountains and with average elevation of the terrain of 850 meters above sea level.

For the purpose of the Programme implementation, the designation of mountainous areas has been undertaken at the level of settlements (LAU2) above 700 m of altitude where natural handicaps and climatic conditions as well as steep slopes are limiting the opportunities for efficient agriculture activity. Designation is based on the territory belonging to a settlement (cadastral territory), based on average values for the designation criteria - altitude at settlement level. The number of settlements designated as 'mountainous' areas are 734 with total population of 244 460 inhabitants[2].

The List of 'Mountainous' area is provided in Annex 2 to this Programme. This list shall apply for higher aid intensities for investment projects under the measure "Investments in physical assets of agricultural holdings".

Agricultural regions

As a result of the country's topography and climatic conditions, separate agricultural regions are identified, each with its own soil, terrain and micro-climate specifics which influence the choice of agriculture production. The informal division identifies 10 agricultural regions which correspond to the country's geographical valleys: Skopsko Pole, Kumanovsko-Lipkovsko Pole, Kochansko Pole, Ovche Pole, Polog, Pelagonija, Tikvesko Pole, Strumichko pole, Ohrid-Prespa Lake Region and Gevgelisko-Valandovsko Pole. These regions are characterised with intensive agriculture activity and above 90% of the agriculture holdings are performing their activity in these regions.

[2] According to SSO Population Census Data (2002)

For the purpose of the Programme implementation, the definition of agricultural regions shall apply for territorial targeting of agri-envrionmental payments related to activities for soil and water protection under the measure "Agri-environment-climate and organic farming measure".

The List of Agricultural Regions is delineated on a municipality level (LAU 1) as provided in Annex 3 to this Programme.

3.1.2 Demographic situation[3]

According to the latest official population census, performed in 2002, the country had a total population of 2 022 547 in 564 296 total numbers of households with average 3,6 persons per household (higher than EU 27 average of 2,3). The average population density calculated on the total area of the country (25 713 km2) is 79 persons per km2 (indicating low population density compared to EU 27 average of 115).[4]

In 2002, 59% of the total population lived in predominantly rural regions (compared to 22,5% in the EU 27). The population density in the predominantly rural regions is lower than the national average (69 vs. 81 inhabitants per km2 of land area, respectively). (Table 2).

The population was mainly concentrated in the urban centres, with 23,1%, in Skopje-the capital city, 5% in Kumanovo, 4% in, Bitola, 3,5% in Tetovo, 3% in Veles, and in 24% in other smaller cities-towns (most of which are up to 10 000 inhabitants). Most densely inhabited is Skopje region with 318 inhabitants per km2 or 28% of the total population is situated in this region; the Vardar region (38 inhabitants/km2) is the least populated region with only 7,6% of the total population.

Table 2: Population and Territory of Rural Areas

Type of Region	Population (Census 2002)		Population (estimates 31.12.2012)		Cadastral territory		Population Density (Census 2002)
	Number	% of Total	Number	% of Total	km2	% of Total	Inhabitants / km^2
Predominantly Rural regions	1.206.272	59,64	1.218.945	59,17	17.418	72,26	69
Intermediate Regions	816.280	40,36	842.099	40,83	6.668	27,74	122
Total	**2.022.552**	**100,00**	**2.062.294**	**100,00**	**24.106**	**100,00**	**84**

Source: SSO, 2013 (MAFWE calculations, 2014).

In the last thirty years, the country faces severe 'aging population syndrome'. From 1981 to 2012, the number of young people (0 to 19 years) declined from 41% to 23,9% in the total population, while population aged 65 and above increased from 8% to 12% (still lower than EU 27 average of 17,9 %). *The rural areas have problems in retaining the young population.* Unsatisfactory rural age structure is particularly found in the

[3] Last official census data (2002) are used for the demographic analysis unless stated otherwise.

4 According to 2012 population estimates of SSO, the total population was 2 062 294 inhabitants and national population density of 80.2 inhabitants per km2.

Pelagonija (14,9%), East (13,2%), Vardar (13,1%), Southeast (12,4%) and Skopje (12, 6%) regions.

According to the recent population estimates in 2013, the number of population has increased to total of 2 065 769 inhabitants. However, the increase in the population in predominantly rural regions compared to 2002 was insignificant (1%) than in the intermediate regions (3,7%). The observations made on the level of rural municipalities, almost all rural municipalities experience decline in the population and 80% of the population increase in 2013 is in the Skopje region only.

The average age of the population in North Macedonia is approximately 40 years, and 70,7% of the population is of working age (between 15 and 64). According to gender structure of the population 76,8% of men are between 15-64 years of age and 52,7% of women being between 15-64 years of age.[5] *The share of the working age population is lower in intermediate regions (40%) than in the predominantly rural regions (60%).*

Table 3: Population by Age

Type of Region	Population below working age (0-15)		Population at working age (15-64)		Population above working age (65 and above)		Total	
	Population (thousand)	% in total population	Population (thousand)	% in total population	Population (thousand)	% in total population	Population (thousand)	% in total population
Predominantly rural regions	200.822	16,5	878.915	72	139.665	11,5	1.219.217	100
Intermediate Regions	147.594	17,4	582.710	68,9	116.063	13,7	846.552	100
Total	348.416	16,9	1.461.625	70,7	255.728	12,4	2.065.769	**100**

Source: SSO, Annual population estimates for 2013 (MAFWE calculations, 2014).

3.1.3 Administrative system

The country's administrative system is organised on state and local level. In the state governance context, the state powers are separated into legislative (the Parliament), executive (the President of the Republic and the Government) and judicial (Judicial Council of the Republic). The Government of the Republic is located in the capital Skopje. The Government is comprised by Ministries and other state agencies and institutions.

Local governance is organised by local self-government units on municipal level[6]. The Municipality is governed by Municipal Council and the Mayor elected on local elections organised every four years. The individual settlements and towns within the Municipality can establish forms of self-governance of Urban Communities or Local Communities. The city of Skopje is a separate unit of local self-governance because of the specific character of the city as capital of the country[7].

[5] According to SSO (2013)
[6] According to the Law on territorial organization of the local self-governments
[7] According to the Law of the City of Skopje

The competences and the work of the local self-governments are regulated under the Law of the local self-governments. Additional competences may be delegated from central (Government level) to the Municipalities according to specific legal acts, such as building, cadastre registry, management of urban land, environment, etc. The local self-governments can cooperate and establish common authorities under the Law of inter-municipal cooperation. The local self-governments are organised in one national association – Association of local self-governments (ZELS) established in 1972.[8]

According to the country's territorial division, municipalities are classified as urban (with headquarters in cities) and rural (with headquarters in villages) and the city of Skopje as agglomeration of 10 municipalities (with headquarters in the city of Skopje). In accordance to this typology, there are 37 rural municipalities and 33 urban municipalities and the city of Skopje. The total number of settlements in the country is 1 767 out of which 33 settlements are defined as cities and 1 734 settlements are defined as villages. Out of 33 cities, 12 cities have bellow 10 000 inhabitants (so called "small towns").

Table 4: Municipalities by Type

Administrative division[9]	Number of municipalities	Total number of settlements	Number of settlements bellow 10 000 inhabitants	Population (2002)	Territory	Population Density
					Km^2	Inhabitants/km^2
Rural municipalities	**37**	**673**	**673**	**370.858**	**17.076**	**39**
Urban municipalities	**33**	**1.043**	**1.022**	**1.144.768**	**6.459**	**132**
- *of which villages*	*/*	*1.010*	*1.010*	*397.539*	*4.215*	*103*
City of Skopje	**10**	**51**	**50**	**506.926**	**1.818**	**278**
- *of which villages*	*/*	*51*	*50*	*120.475*	*n/a*	*/*
Total	**80**	**1.767**	**1.745**	**2.022.552**	**24.106**	**/**

Source: SSO Census data, 2002 (MAFWE calculations, 2014). * including urban municipalities of the city of Skopje

The average number of the population in rural municipalities is 20 963 inhabitants. However, 25 rural municipalities have total population of up to 10 000 inhabitants out of which almost one third have less than 5 000 inhabitants. The total number of settlements up to 10 000 inhabitants is 1 746 i.e. which is comprised of all the villages in the country and 12 small towns (see Annex 5 to this Programme).

Out of 37 rural municipalities in total, there are 15 rural municipalities, which are surrounding urban centres (out of which only 7 are surrounding the city of Skopje). In general, these municipalities have a better human resource potential and better opportunities for business development based on efficient integration with urban centres. The situation, however, varies significantly according to the size and performance of the urban centre as well as the connection infrastructure and distance.

The remoteness from large urban centres, small population and low-population density in these municipalities create additional constraints to socio-economic development. *The rural areas outside urban municipalities experience higher population decline; have less-educated labour force and experienced much higher unemployment rates.* In the rural

[8] http://www.zels.org.mk/
[9] According to the Law on territorial organization of local self-government

municipalities bordering or near the capital, the socio-economic development can be regarded as positive.

Peri-urban pressures on agriculture in the country are still low and occur mainly around the largest cities (Skopje, Tetovo, Bitola, Strumica), which are expanding their urban territory.

3.1.4 Economic Drivers, Productivity and Growth

The trend of a sound macroeconomic policy is consistent in the past years, although the global economic crises, causing the biggest contraction of the global economy in the last 80 years, inevitably led to decline in the national economic activity mainly through the external sector. In fact, contraction of global trade in 2009 led to drop in foreign demand for North Macedonia's export products, in particular in those branches that have highest share in the industrial production index. The rate of real GDP growth decreased in 2009 (- 0,9%) and in 2012 (- 0,4%).

The National Bank had responded to the negative macroeconomic trends with set of monetary measures towards the commercial banks. Further, the Government has implemented important structural reforms in package of so called "anti-crises" measures, which focused on reducing the regulatory burden and cutting red tape, improving the customs administration, and introducing a flat tax on personal and corporate income. Two packages of anti-crises measures were implemented by the Government to prevent the decrease of the economic activities and to revive the economy.

The economy started to recover in 2013 reaching positive rates of GDP growth of 2,9% and 3,9% in the first quarter of 2014.

Inflation has averaged 2,5 percent over the past 10 years. After the sharp decrease (- 1,6%) in 2009, the inflation rate has reached its pick of 4,7% in 2012. In 2013 the inflation rate dropped to 1,4%.

Table 5: Macroeconomic data

	2008	2009	2010	2011	2012	2013

GDP in million € (current exchange rate)	6.772	6.767	7.109	7.554	7.585	8 112 *
GDP (per capita in €)	3.308	3.300	3.459	3.665	3.680	3.930*
GDP real growth rate (in %)	5,5	-0,4	3,4	2,3	-0,5	2,7*
Inflation (in %)	4,1	-1,6	3,0	2,8	4,7	1,4
Average exchange rate (denar/€)	61,27	61,27	61,51	61,53	61,53	61,58
Unemployment rate (in %)	33,8	32,2	32	31,4	30,6	29
Export of goods and services in millions €	2.692,6	1.932,6	2.530,1	3.210,9	3.106,9	3206,3
Import of goods and services in millions €	4.455,1	3.492,2	3.977,9	4.859,2	4.863,5	4.790,7
Balance of trade in millions €	-1.762,5	-1.559,6	-1.447,8	-1.648,3	-1.756,6	-1.584,4
Balance of trade in % of GDP	29%	25,3%	23,5%	24,5%	25,9%	20,6%

Source: SSO and NBRM, 2014. (* estimations)

In the economy as a whole in 2013, the primary sector together accounted for 11,7% of Gross Value Added (GVA), the secondary sector accounted for 20,7% of GVA and the tertiary sector contributed with 67,5% of GVA. Financial intermediation, real estate, renting and other business and social activities, had the highest contribution to the GVA of around 20%; Mining and quarrying, Manufacturing and Electricity, gas and water supply – 14%; Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods (13%), Agriculture (including forestry, hunting and fisheries) – 9%; and Construction (8,5%). Agriculture from being the third contributor in GDP has dropped as fourth although its share in GDP has remained steady (around 9%) comparing in the last 6 years.

In terms of the structure of total employment in the country, data for 2012 show that 24,8% of people were employed in the primary sector (agriculture, forestry and fishing), 23,4% in the secondary sector (industry and construction) and 51,8% in the tertiary sector (services and others).

Despite these recent improvements in emerging economic drivers, the country still faces considerable challenges in achieving sustained rapid growth and lowering unemployment.

North Macedonia's economy is largely dependent on external trade, leaving it vulnerable to economic trends in the EU and other major trading partners. The future success of the economy principally depends on the successful implementation of a broad range of structural economic reforms, especially with regards to further improvement of the business environment, enhanced support to innovativeness, entrepreneurship and development of micro, small and medium-sized enterprises, promotion of human capital, as well as increased export support and external promotion. In addition to the structural reforms, the economic growth depends on the increase of public investments including intensive investments in providing the necessary infrastructure to promote private investments and job creation in particular to the sectors with multiplier effects.

Economic growth and improvements in employment in recent years have not translated into significant poverty reduction in North Macedonia [10] being measured at around 30% of population living at risk of poverty in the period 2003-2008. The newly introduced Annual Survey of Income and Living Conditions (SILC) by SSO, available for 2010 and 2011, has resulted that poverty remained largely unchanged, at 27,3 percent in 2010 and 27,1 percent in 2011. The welfare of the poorest 40 percent of the population has not improved either. This is attributed to the fact that the majority of the poorest population are low-skilled labour with limited income earning potential thus being unable to gain from the economic growth of the sectors acquiring high skilled and educated labour. Although, the labour policy measures had resulted in decrease of the rates of labour taxation, pension and social protection, these rates are still largely affecting the low-wage earners.

Export growth accelerated in 2013 as the country has diversified its exports in recent years both in terms of products and destinations. Export growth reached 6,6 percent in 2013, largely driven by an increase in Foreign Direct Investment (FDI) related exports. Most FDI related exports are connected to the automobile industry and include goods such as catalysts and electronic dashboard components. Tobacco products, fresh vegetables, and furniture have also significantly contributed to export growth. By contrast, iron, steel, and apparel as traditional export goods, have fallen in importance. Notwithstanding the strong export growth, the country has been running persistent current account deficits, mainly because of high oil and electricity imports.

The Government is pursuing an active strategy to attract FDI. Net FDI reached 6 percent of GDP in 2008 (399,9 million EUR) and due to the crisis in the global economy and the EURO zone, declined in the last years reaching 3,3 percent of GDP in 2013. The Government embarked on an ambitious programme for FDI into the country which led to attraction of important second-generation investments of already established companies in 2012 and 2013. The value of FDI in 2013 reached 251,5 million EUR and 87 million EUR in the first quarter of 2014. Although FDI has contributed significantly to export growth, backward linkages have been weak. This is expected to change, as new foreign operations were established in 2013 (and more are expected in 2014) that should have stronger links with the local economy.

As in most economies, SMEs represent the vast majority of all enterprises. According to the number of employees, 65 375 or 92% were micro and small enterprises out of which around 90% are with number of employees between 1-9 which is one of the qualifications for ranging the legal entities as micro enterprises. The number of entities with 250 or more persons employed have a share of only 0,3% in the total number of enterprises. (Table 6)

Slightly over one third of active enterprises are in the wholesale and retail trade sector (35,7%). Other important sectors include manufacturing (11%), transport, storage and communication (9%), and construction. These four sectors comprise over three-quarters

[10] World Bank "Country Program Snapshot, April 2014"

of the total number of active enterprises. The four sectors in which most business entities are operating are also the biggest contributors to employment (65%).

The national average business density is 36 business entities per thousand inhabitants or 32 SME per 1 000 inhabitants. Almost half of the business entities are operating its economic activities in two regions – Skopje and Pelagonija, regarded as intermediate rural regions.

The number of active SMEs translated into an SME density of 32 per 1,000 inhabitants on national level is higher than average figures for the SEE region (23 per 1 000 inhabitants), but is far below the EU 27 average of 45 per 1 000 inhabitants. SMEs are also important in terms of employment creation, accounting for estimated 80% of the total employment in the country.

The crafts sector comprises of handicrafts, small scale manufacturing and service companies in construction and other sectors. Recent legislative changes to the Law on Craftsmanship have greatly simplified the conditions for start-ups in this category. For registration, it is only necessary to have a crafts diploma and office/ work facilities. Tax free period of three years after the establishment of a new crafts enterprise has been introduced to promote the crafts sector entries, and thereafter a simplified income tax involving flat personal income tax rate at 10%.

Around 1 900 craft enterprises were registered till 2012 (not taking into consideration the ones that are not registered in the country's Central Register – 30% of the total number) and an estimated 10 000 sole proprietors. Crafts are organized in regional Crafts Chambers (14), the most active of which are those located in Skopje, Strumica, Gevgelija, Prilep, Bitola, Tetovo and Kumanovo i.e. in the urban centres. *Very little registered crafts activity is recorded in the rural areas although potential exists.* (see also section 3.4.3. of this Programme)

Table 6: Number of active business entities by sectors

Sectors of activity	No	%	Number of business entities by number of persons employed					
			0*	1-9	10-19	20-49	50-249	250 +
Total	**71 290**	**100,0**	**4 415**	**60 599**	**2 989**	**1 787**	**1 291**	**209**
Agriculture, forestry and fishing	2 866	4,0	158	2 608	35	30	33	2
Mining and quarrying	164	0,2	9	106	25	16	4	4
Manufacturing	7 918	11,1	371	6 004	666	468	347	62
Electricity, gas, steam and air conditioning supply	132	0,2	21	93	4	4	7	3
Water supply, sewerage, waste management and remediation activities	306	0,4	16	211	21	22	27	9
Construction	4 322	6,1	191	3 595	287	166	78	5
Wholesale and retail trade; repair of motor vehicles and motorcycles	25 429	35,7	765	23 373	820	341	115	15
Transportation and storage	6 095	8,5	80	5 623	241	100	44	7
Accommodation and food service activities	4 482	6,3	138	3 918	300	102	23	1
Information and communication	1 446	2,0	209	1 081	87	37	25	7
Financial and insurance activities	390	0,5	58	273	11	19	17	12
Real estate activities	485	0,7	88	357	20	14	5	1
Professional, scientific and technical activities	5 817	8,2	297	5 292	159	53	14	2
Administrative and support service activities	1 514	2,1	443	931	56	42	25	17
Public administration and defence; compulsory social security	258	0,4	8	30	34	78	77	31
Education	1 025	1,4	53	468	44	159	296	5
Human health and social work activities	3 315	4,7	36	2 978	85	78	116	22
Arts, entertainment and recreation	1 179	1,7	397	656	46	42	34	4
Other service activities	4 147	5,8	1 077	3 002	48	16	4	0

Source: SSO (2012), published 2013, * no reported employment

3.1.5 Labour market

The latest official statistics in 2013 shows 5% decrease of the unemployment rate compared to 2008. Out of the total active population in 2013 in the country, 29,1% are unemployed. (Table 7)

Table 7: Employment rate

	2008	2009	2010	2011	2012	2013
Activity rate (15-64) %	63,5	64,0	64,2	64,2	63,9	64,9
Employment rate (15-64) %	41,9	43,3	43,5	43,9	44,0	46,0
Unemployment rate (15-64) %	33,8	32,2	32,0	31,4	31,0	29,1

Source: Agency for employment in RM, 2014

Despite the decrease of the unemployment rate that was result of the governmental policies for employment and self-employment as well the FDI's in the technological and industrial zones in the country, the unemployment rate still does not compare favourably with the EU 27 average of 10,8%. *The high unemployment rate of young people (15-24) is an additional problem that leads to the out migration of the young labour force from rural areas to urban centres and abroad.*

The regional unemployment rate in 2013 varied between the range of 19% in the Southeast region being the lowest to 44,8% in the Northeast region being the highest. *Unemployment rate is worse in rural than in the urban regions. (Table 8).* The average unemployment rate in the predominantly rural regions is above the national unemployment rate (30,5% vs. 29,1%) while the unemployment rate in the intermediate rural regions of 26% is lower than the national average.

Table 8: Economically Active Population and Employed/Unemployed in Rural and Urban Regions

Type of Region	Economically active population	Employed	Unemployment Rate
	% of total population	% of total economically active population	%
Predominantly Rural regions	65,8	46,2	30,6
Intermediate Regions	69,1	51,3	26,0
Total	**64,9**	**46.0**	**29,1**

Source: SSO, 2013 (MAFWE calculations, 2014).

The rate of unemployment according to gender structure is almost equal between man and women in 2013. Thus, the rate of unemployed man is 29,1% and the unemployment rate of women is 29,2%.

3.1.6 Education system

Although the overall literacy situation is good (more than 96% of the population is literate), difference in the educational structure of the population appears between urban and rural areas.

Considerable share (13,4%) of rural population above age of 15 has insufficient or total lack of education, 2,6% are illiterate and 10,9% have not completed primary education. Illiteracy is higher among women (4,5%) than among men (1,3%) and it is particularly worrisome among the female adult population as there are more than three times as many adult illiterate women as there are illiterate men.

The educational problem is obvious among the unemployed, since only 16% of them have higher or university education, the majority (55%) has secondary education, and the remaining 29% are unqualified. Young population (age 15-24) participates with 54% of the unemployed[11].

As one of the measures to improve the literacy is the mandatory secondary education introduced in 2008. The Government is also subsidizing the costs for schooling in terms of provision of free books and educational material for all pupils, IT equipment and internet connections of schools and free transportation of the pupils in the rural area. The socially vulnerable families receive monthly dotation from the state for schooling their children. In addition, the investments in refurbishment and modernization of primary and secondary schools were increased resulting in around 200 schools being refurbished and modernized in the rural areas including modernization and equipping the sports halls or building new sports halls for the schools which previously did not had such facilities.

As to promote the higher education of the rural youth, the Government introduced dispersed high education studies by which all the faculties are obliged to organize their classes outside Skopje (so called 'dispersed studies'). Two additional Universities were established in Stip, University "Goce Delcev" and in Ohrid - University "St. Apostol Pavle". The University "Goce Delcev"- Stip is focusing its curricula on technical education – agriculture, construction, geology and mining, transport and logistics. The University "St. Apostol Pavle" is focusing on ICT studies. Numerous other private colleges have been established mainly for social studies and IT.

Also, efforts have been made to provide opportunity for economically active population above 35 years to achieve higher education diploma by promoting free student quota and special curricula and time schedule for evening or weekend lectures.

In the country, apart from formal secondary and university education, there is a lack of additional (informal) education and vocational training, except the existing vocational training for crafts services.

Smallholder farmers (especially in remote areas) have the weakest educational and professional level among agricultural producers. *Very little has been done so far in investments into education and training of agriculture producers and workers.* Establishing a system for training in agriculture is in focus of the Government programme for the period 2014-2018.

[11] State statistical office, Labor force survey 2012

3.1.7 Land use and ownership

North Macedonia is a land-locked country with total area of 25 713 km2. The territory of the country is prevalently mountainous and intersected by large valleys. Hills and mountains account for around 79% of the land area with the balance made up of plains (19%) and natural lakes (2%). (Table 9)

Table 9: Land use

Type	ha (000)	% of total area
1. Land area	2.461	98,0
1.1 Utilised agricultural area	1.261	50,1
1.2 Forests	1.092	44,3
1.3 Other land area (natural parks, water banks, urban etc.)	108	4,4
2. Inland waters including lakes	56	2,0
Total area	**2.517**	**100,0**

Source: SSO, 2013, published 2014.

Out of the total territory of the country, 1 261 thousand ha or 50,1 % is agricultural land (cultivated land, permanent pasture and meadow, land used for permanent crops and kitchen gardens), 44,3 % are under forests while about 4 % are water and other surfaces.

In 2013, cultivated land represented around 509 thousand ha or about 40% of total agricultural land. From the total cultivated land 81% are under arable land and gardens, 3% are under orchards, 4% under vineyards, while the meadows represent 11 % from total cultivated land. Pastures are represented on 751 187 ha or 60% of total agricultural land. (Table 10)

Table 10: Agricultural land area (in 000 hectares)

Area	2008	2009	2010	2011	2012	2013
1. Agricultural land, out of which	**1.064**	**1.014**	**1.121**	**1.120**	**1.268**	**1.261**
1.1 Cultivated land, out of which	521	513	509	511	510	509
1.1.2 Arable land and gardens	*424*	*420*	*415*	*415*	*414*	*413*
1.1.3 Orchards	*14*	*14*	*14*	*14*	*15*	*15*
1.1.4 Vineyards	*22*	*21*	*21*	*21*	*21*	*22*
1.1.5 Meadows	*61*	*58*	*59*	*61*	*60*	*59*
1.2. Pastures	**542**	**500**	**611**	**608**	**757**	**751**
2. Ponds, reedbeds and fish ponds	**1**	**1**	**1**	**1**	**1**	**1**

Source: SSO, 2014

Only 79,6 thousand ha of UAA can be irrigated although the irrigation systems are installed for around 120 thousand ha (10% of UAA). The rate of UAA under irrigation is around EU 27 average but far below the individual member states especially the Mediterranean countries (e.g. 40% in Greece). As reported by the Public enterprises for Water Economy only 2,7% of UAA is actually annually irrigated due to deteriorated irrigation systems.

Land ownership structure in the country is predominantly private. Individual agriculture holdings cultivate 80% of arable land and the rest is cultivated by agriculture enterprises (out

of which around 36 000 ha are cultivated by privatized former Agriculture Combinats) and public enterprises. However, still the state owns majority of urban, agriculture (including pastures) and forest land. The management of the state owned resources is centralized except of the urban land which is managed by the local self-governments. MAFWE manages the state-owned land in terms of renting or distributing agriculture land on use-fruct rights to socially vulnerable population. The protected areas (natural parks), pastures and forests are managed by public enterprises. Agriculture enterprises and business entities are the largest users of pastures that are in possession of the state (78%).

According to information from the Cadastral records, with respect to ownership, the total arable agricultural land can be divided into 451 702 ha privately owned and 237 882 ha state-owned land. Having in mind that the MAFWE is currently updating the geodetic basis and is inventorying state-owner land, the estimations expect lower figures for the size of state-owned agriculture land (around 180 thousand ha). To date MAFWE has allocated a total of 143 600 ha state-owned agricultural land to a total of 5 350 beneficiaries, or, on average, 26.80 ha per beneficiary. (Table 11)

Table 11: Distribution of state-owned agricultural land

Hectares	Number of users	Allocated area
Up to 10	4 700	40 000
10-50	300	25 000
50-100	264	20 100
100-500	66	14 600
500-1000	11	7 900
1000-5000	7	13 000
Over 5000	2	23 000
Total	**5 352**	**143 600**

Source: MAFWE Department for land policy (2012), 2013

Even though the average size of allocated state-owned land per beneficiary is 26,8 ha, if 9 users are excluded from the calculation i.e. business entities (former Agriculture Combinats) who lease more than 1 000 ha, *the majority of the allocated state owned agriculture land is of the average size of 10 ha per beneficiary, mostly to individual agricultural holdings with headquarters in the area where the state owned land is located.*

State owned arable land is also distributed to the education and research institutions and to prisoning-correctional institutions as part of the social rehabilitation and inclusion programmes.

As of 2007, MAFWE has introduced elements of the Integrated Administration and Control System (IACS), including the Single Registry of Agricultural Holdings (referred to as Farm registry) and the Land Parcels Identification System (LPIS). The aerial survey of June 2009 and the initial production of digitalized data for agricultural land purposes have resulted in information about arable agricultural land and the real graphic ortho-photo map of the

territory. In 2012, due to the organised campaign MAFWE, all of the registered agriculture holdings have recorded their land production capacities and as of 2013 the payments of the "per ha" subsidies is on the basis of the LPIS records.

Statistical overview of the digitalized parcels in LPIS shows that, *from the aspect of land use, agricultural land is predominated by arable land plots or 71% of total UAA, meadows with 12%, and perennial plantations with 8%*. Mixed use of land (arable – meadows/pastures – perennials) is recorded in the mountainous regions.

Table 12: Land Use based on LPIS

Code	Land use	No. of physical blocks	Area in ha	% of the total area	Average size of physical blocks
200	Arable land – fields	266 731	349 460	71	1,31
210	Glasshouses and plastic tunnels	3 515	3 479	0,7	0,99
310	Meadows	48 912	58 440	11,9	1,19
400	Undefined land use – perennial plantations (grape or fruit plantations)	15 399	9 567	1,9	0,62
410	Grape plantations	37 784	29 687	6,0	0,79
420	Orchards	16 996	9 650	2,0	0,57
500	Land of varied use	22 536	31 798	6,5	1,41
900	Temporarily non-arable land	555	153	0,0	0,27
Total		**412 428**	**492 232**	**100**	**1,19**

Source: LPIS 2012 (MAFWE calculations 2013)

The parcel size statistics refer to physical blocks defined according to land use and limited by other physical boundaries in the area. *The average parcel size is very small (high frequency of parcels bellow 0,2ha) and with significant presence of borders in between or dispersed small plots of unorganized agricultural space. Agriculture roads are absent or unorganised in between small parcels.*

Agricultural holdings are organising their production on many parcels, estimated to 5 land parcels per holding. According to MAFWE survey, most of the individual agriculture holdings organise their production on 7-10 parcels. The average size of these parcels is between 0,25 ha – 0,6 ha. Most of the parcels are at distance between each other from 500 m - 2 km, and very often in various cadastral municipalities (approx. 20% of the parcels), hence making their cultivation largely expensive and inefficient. The shape of the agricultural parcels is mostly irregular, usually narrow and long, which has an unfavourable impact on the agricultural activities and use of adequate and contemporary production technologies and machinery.

According to the 1998 Cadastral registry, the total area of 2 464 876 hectares in the country is divided into 4 572 129 cadastre parcels. The average size of arable land parcels is 0,26 hectares, whereby 0,2 hectares is the average size of privately owned parcels and 0,53 hectares is the average size of state-owned parcels.

In order to address this structural impediment to development of agriculture, in 2013 Strategy for Land consolidation was adopted following by legal act Law for Land Consolidation. The implementation of the foreseen actions are planned to take place in the forthcoming period.

Other structural challenges in the sector include high levels of short-term land rental and low levels of land mobility and land sales as well as lack of information on land market and land availability.

3.2. Performance of the agricultural, forestry and food sectors[12]

3.2.1 Competitiveness of Agriculture and Food Processing

Agri-food Economic Development

Agriculture GDP share is around 9% in the period 2008-2012 (compared to the 1,7% in the EU 27). The share of the food processing industry including beverages and tobacco in GDP ranges between 3% - 4%. Thus agro-food sector is still being one of the bigger contributors to the national economy accounting for up to 13% in the GDP.

Table 13: Agriculture and food processing economic development indicators

	2008	2009	2010	2011	2012	2013
GDP in million € (current exchange rate)	6.772	6.767	7.109	7.554	7.585	8 112*
Agriculture value added, at basic prices, in million € (current exchange rate)	646	629	686	690	691	783*
Agriculture (GVA in % of GDP)	*9,6%*	*9,4%*	*9,9%*	*9,2%*	*9,1%*	*9,6%*
Food processing, beverages and tobacco value added, at basic prices, in million € (current exchange rate)	251	253	257	300	240	256*
Food processing, beverages and tobacco (GVA in % of GDP)	*3,7%*	*3,8%*	*3,7%*	*4,0%*	*3,2%*	*3,1%*
Total employment	**609.015**	**629.901**	**637.855**	**645.085**	**650.554**	**678.838**
Agriculture, forestry and fisheries employment (including seasonal, self-employment and family unpaid labour)	119.498	116.601	121.521	120.893	112.623	127.186
Agriculture employment (% of total employment)	*19,6%*	*18,5%*	*19,1%*	*18,7%*	*17,3%*	*18,7%*
Total exports, in million €	**2.692,60**	**1.932,60**	**2.530,10**	**3.210,90**	**3.106,90**	**3206,3**
Agriculture and food processing (+beverages and tobacco)Exports in millions €	378,5	357,8	423,7	468,6	478,93	504
Agri-food exports (% of total exports)	*14,1%*	*18,5%*	*16,7%*	*14,6%*	*15,4%*	*15,7%*
Total imports, in million €	**4.455,1**	**3.492,2**	**3.977,9**	**4.859,2**	**4.863,5**	**4.790,7**
Agriculture and food processing (+beverages and tobacco)Imports in millions €	534,4	499,8	532,2	620,6	679,36	654,5

[12] The data used to present the economic development of agriculture are from SSO unless otherwise referenced in the text.

Agri-food imports (% of total imports)	*12,0%*	*14,3%*	*13,4%*	*12,8%*	*14,0%*	*13,7%*
Balance of trade, in million €	-1.762,5	-1.559,6	-1.447,8	-1.648,3	-1.756,6	-1.584,4
Agriculture and food processing (+beverages and tobacco) balance of trade in millions €	-156	-142	-108,6	-152	-200,4	-150,5

Source: SSO GDP statistics, 2014 (MAFWE calculations) (* estimations)

Agriculture employment and labour productivity[13]

Agricultural sector, including forestry and fisheries accounts 18,7% in the total employment in 2013 which is more than two/thirds higher than the EU 27 average of 5,2%. Out of total 127 186 people engaged in agriculture in 2013, 44% (55 758) are unpaid family workers, 46% are self-employed and around 9% are regularly employed. Around 13% (16 487) of the total engaged labour force in agriculture are engaged as part-time or seasonal basis. Agriculture is an additional activity for 9 518 family farmers.

The increase of the overall employment in the country has been represented also by the increase in the share of employment in agriculture of 1,4 % in 2013 compared to 2012.

More than half of the total employed persons in agriculture are engaged in growing crops and perennial plantations and the rest are engaged in combined cultivation of crops and animals.

Taking into account the amount of time actually worked, the regular agricultural labour force in North Macedonia was estimated to be the equivalent of 118 000 people[14] working full-time (in annual work units). (Table 14)

Table 14: Total agriculture labour input (1000 AWU)

Description	2008	2009	2010	2011	2012
Total agricultural labour input	130	118	117	131	118
Non-salaried agricultural labour input	60	55	55	68	62
Salaried agricultural labour input	70	63	62	63	56

Source: SSO, "Economic accounts for agriculture", 2013

The higher share of family workers indicates the majority of farms being subsistence or semi-subsistence. The net salaries in agriculture amounted to average € 240 a month (approximately about € 11 a day).

In 2012 labour productivity in agriculture increased by 15% expressing that higher value of agriculture products (GVA) is produced with less labour input (AWU). However, the gross value added per annual work unit of around 5 900 EUR in 2012 is significantly lower than the EU 27 average of 13 000 EUR. *Low performance of labour productivity is largely*

[13] The data used to present the economic development of agriculture are from SSO unless otherwise referenced in the text.

[14] This represented 1.2% of the full-time equivalent agricultural workforce in the EU 27 in 2010.(source: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-FK-13-001/EN/KS-FK-13-001-EN.PDF)

resulting from the small size agriculture holdings, fragmented and scattered land parcels and mixed production choices (see also section 3.1.7 of this Programme).

One of the major problems in the country's agricultural sector is the aging of the labour force. Only about 10% of the employed in agriculture are young (from 15-24 of age). Low incomes and unfavourable working conditions in agriculture, as well as deteriorating living conditions in rural areas discourage young people to start a carrier in agriculture. Young people are more mobile and less emotionally related to the land and country-side. According to AFSARD data, only 13,5% of the total number of agricultural holdings who applied for financial support in 2013 are managed/represented by young farmers aged between 18 and 40 years of age.

Also, there is a clear risk for a shortage of qualified labour in agriculture, especially for production of labour intensive products. Lack of seasonal labour particularly in the harvesting season and lack of shepherds labour poses serious threat to future development of the labour intensive agriculture sector, which needs emergent modernisation.

The majority of the agricultural labour force lacks formal agricultural training and managerial and business skills. *More than 60% of the employed in agriculture as wage-earners are working on elementary positions with basic tasks for which higher qualifications and skilled competences are not required.*

Agriculture holdings, farm structure and typology

Over time there has been ongoing slow change in the structure of agriculture with fewer and larger farms, less employment, more specialisation and concentration of production, and growth in part - time farming. According to recent SSO structural survey in agriculture (2013) there were 170 885 agriculture holdings in June 2013 compared to 192 082 in June 2010 and 192 675 agriculture holdings censused in 2007. The reduction of number of agriculture holdings is 11,3% (or less than 1,6% annually). Almost the whole reduction rate can be attributed due to the decrease of number of individual agriculture holdings.

Table 15: Number of agriculture holdings and cultivated area/LSU

	Number of agricultural holdings	Total available area of the holdings, ha	Total utilised agicultural area, ha	Forest and other land, ha	Utilised agricultural area by holding, ha	LSU	LSU per ha
Total	**170 885**	**369 270**	**315 863**	**53 407**	**1,85**	**2,14**	**1,16**
Individual Agriculture Holdings	170 581	314 638	266 579	48 059	1,56	1,96	1,25
Agriculture Business entities	304	54 632	49 284	5 348	162,12	105,23	0,65

Source: SSO (2012), 2013

The average size of agriculture holdings in terms of utilised agriculture area is 1,85 ha which is 20% increase from the average size recorded in 2010. Despite the increase, the average farm size is far below the EU 27 average of 14,3 ha. The problem of small farm size increases to the fact that 58,2% of total agriculture holdings utilised less than 1 ha of land.

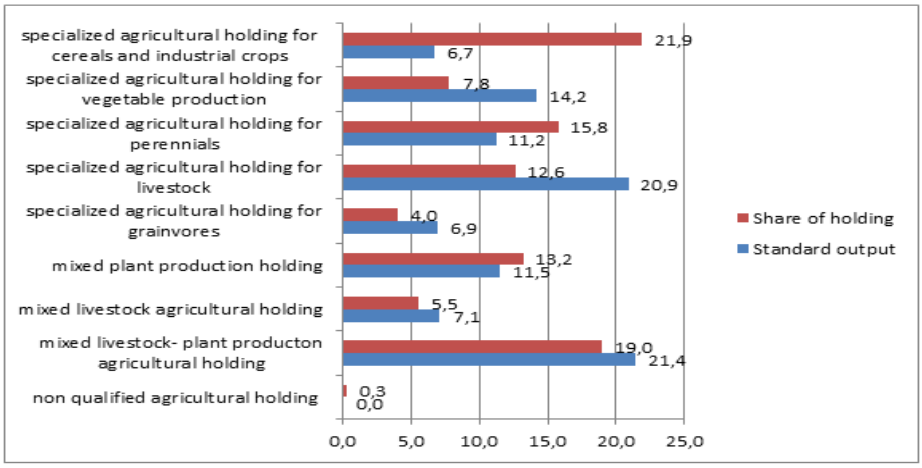
Not only can agriculture holdings in North Macedonia be characterised as being small in terms of land area but also in terms of their livestock; on average, each holding that had livestock had just 2,14 LSU (which is the equivalent of just over two adult dairy cows), compared with 20,0 LSU on each holding that had livestock in the EU 27 in 2010.

There are stark contrasts between the size of the holdings managed by the individual agriculture holdings and those managed by the business entities (cooperatives, limited companies, sole traders). While the individual agriculture holdings utilise around 1,6 ha per holding on average, the business entities cultivate around 162 ha per large agriculture holdings. *Thus, the structure of agriculture holdings in the country can be attributed of large number of very small semi-subsistence farms (< 1,5 ha and < 2 LSU) cultivating 85% of the total available agriculture land and very small number of large agriculture holdings (>100 ha and >100 LSU) cultivating 15% of the agriculture land.*

The classification of agricultural holdings based on type of farming and economic size of the holdings, by using standard output coefficients and farm structural data, is last performed by SSO in 2012. [15]

According to last performed classification of agriculture holdings, a little less than one in every five agriculture holdings (19%) are classified as mixed crop-livestock farms, compared with about one in every eight (12,9%) in EU 27. There was also a higher relative share of agricultural holdings classified as mixed crop production (13,2%) compared with 4,2% for the EU 27. By contrast, the proportion of agriculture holdings classified as specialist field crops farms (with cereals, oilseeds and/or protein crops) and specialist permanent crop farms (with vineyards, orchards and olive groves) was lower than across the EU 27 (21,9% and 15,8% compared with 25% and 20.2% respectively). The share of agriculture holdings classified as specialized for (grazing) livestock (12,6%) was relatively lower than the respective share for EU 27 of around 16%. The smallest share of agriculture holdings (4%) are specialized in grainvores (pig or poultry).

Figure 1: Classification of agricultural holdings per type of farming



Source: SSO, Economic Accounts for Agriculture, 2013

[15] Additional source of data is used for comparison of the national farm typology with the EU 27 typology (http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-FK-13-001/EN/KS-FK-13-001-EN.PDF)

A little less than two thirds (63,2%) of the agriculture output in the country was made from the agriculture holdings specialised in field crops (cereals, industrial crops and vegetables), specialised (grazing) livestock and mixed livestock – crop production, which was much higher proportion than the EU 27 average (52,6%).

The biggest contributors to the formation of the gross standard output are agricultural holdings with mixed livestock – crop production (21,4%), while the smallest contributors were the agriculture holdings specialised in cereals and industrial crops with only 6,7%, despite the fact that on every five farms one is specialised in production of cereals, oilseeds and/or other industrial crops.

While the individual agriculture holdings are characterized by mixed farming (livestock-crop production), *the business entities in agriculture are specialised mainly in livestock breeding, cereals and industrial crops sectors, and therefore their concentration is higher in grain producing regions (Ovce Pole and Pelagonija). The high share of individual agriculture holdings with mixed production indicates to subsistence and semi-subsistent type of farming in the country.*

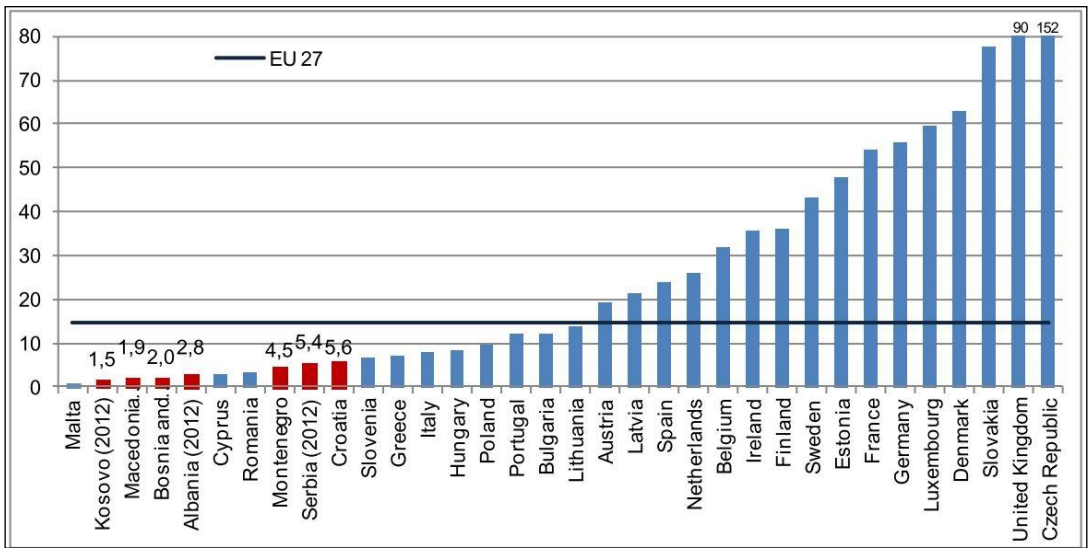
According to the classification by economic size of the agricultural holding, *More than half or 58,2% of the agricultural holdings are classified in the first category of ESU- up to 2 000 euro*, 18,6% belong to the second class from 2 000 to 4 000 EUR, 13,3% in the third class- 4 000 to 8 000 EUR and 6,3% have economic size from 8 000 to 15 000 EUR.

Overall the agriculture sector can be regarded as unfavorable farm structure comprised of majority share of individual farming households with mixed production, extensive methods of production (especially in the grain sector), with low cash-flows and low competitiveness in terms of productivity. All of this impedes investment levels in advanced technologies and determines relatively low crop yields.

Despite in increasing trends of farm size per land use, land fragmentation remains a serious structural problem for increasing agriculture productivity and thus competitiveness. Continuous division of logs due to inheritance further feeds the process of fragmentation of parcels as serious structural weakness. Considering that majority of agriculture holdings are below farm size of 0,5 ha (around 70% of total number of farms), there is evident ineffective use of agriculture land which affects the productivity by large.

The fragmentation of the agricultural land is also evident when compared to the EU and SEEs countries. The country is far below the EU average and the UAA per agricultural holdings in the SEE countries (Figure 2).

Figure 2: Comparison of UAA per agricultural holding with EU and SEE, (2010, 2012, ha)



Source: EUROSTAT, national country statistics (FAO/SWG Study, 2013)

Major agricultural products[16]

The total agricultural production value and the value of services in agriculture amounts to 1,2 bn. EUR in 2012, which is increase of about 1,2% compared to 2011, largely due to the increase of prices at farm level. Although the overall agriculture production quantities has not increased significantly on annual basis, the value of agriculture products increased especially in the production of fruit and vegetables-export oriented crops and milk production due to increase of the demand from the dairy processors but also due to the improvements in the milk quality.

Table 16: Structure of Gross Agricultural Output

Description	Value (in mill EUR)	% of total
Crop output	*872,8*	*72,7%*
Livestock output	*293,1*	*24,4%*
Services in agriculture	*5,4*	*0,4%*
Secondary non separated non-agricultural activities	*29,1*	*2,4%*
Gross Agriculture Output	**1 200,4**	**100,0%**

Source: SSO, "Economic accounts for agriculture" 2012, published 2013.

Crop production

According to the share in the agriculture output, crop production has the highest contribution of around 73% in 2012. This high share results from the value of vegetable and production of perennial crops (fruits and wine grape) and the annual increase thereof.

[16] The data used to present the situation in agriculture production are presented in full in Annex 4 Agriculture Production statistics

Table 17: Structure of Crop Agricultural Output

	% of total	
Crops	*100%*	
Cereals		11,9%
Vegetables		48,0%
Industrial crops		0,6%
Fodder crops		7,5%
Tobacco		9,0%
Potatoes		3,6%
Fruits		15,1%
Wine Grape		4,4%

Source: SSO, "Economic accounts for agriculture" 2012, 2013.

Nearly half of the arable land area in 2013 was used for the production of cereals, and the remaining half was cultivated for vegetable, industrial crops, and fodder crops production. Around 1 000 ha are used for protected crop production under green houses.

Table 18: Arable land by crop category of use in '000 hectares

Year	Total Arable land area	Cereals	Industrial crops	Vegetable crops	Fodder crops	Green houses	Fallow and uncultivated arable land
2008	424	178	23	51	34	1	137
2009	420	182	24	51	36	1	126
2010	415	163	27	51	36	1	137
2011	415	163	28	51	35	1	137
2012	414	163	27	51	35	1	137
2013	413	168	25	51	36	1	132

Source: SSO, 2014.

The pattern of crop production varies by size of the farm. The large agriculture holdings (above 50ha) specialise in cereals (mainly wheat) and industrial crops. Small farmers are very important producers of fresh fruits and vegetables and grapes (i.e. cash crops).

Significant part of the crop production comes from agricultural holdings with a mixed type of farming. According to the Agricultural Census data (2007), mixed holdings produce half of the cereals and one third of fruit and vegetables quantities on national level.

Cereal production resulted from harvest of total 168 thousand ha of arable land (40% of total arable land in 2013) and yielding on average 3,4 tonnes of cereals per ha. The average yields are slightly around the average of the SEE countries (3,6 tonnes per ha), but far below the average yields of cereals recorded in Croatia (4,5 tonnes per ha) and Albania (4,9 tonnes per ha)[17].

The majority of the production quantities of cereals result from *wheat production* which in 2013 was recorded in total of 258 960 tonnes harvested from 50% of the arable land under cereals. The remaining 50% of arable land under cereals resulted in production of barley (125 565 tonnes), maize (131 043 tonnes), oats (5215 tonnes), rye (8 897 tonnes) and rice (27921

[17] Source: http://data.worldbank.org/indicator/AG.YLD.CREL.KG

tonnes) in 2013. The North-East, East and Pelagonija Region accounted for about 60% of the total cereal production.

Although modest, the production of rice is very important due to covering the domestic needs and being a major source of additional income to around 5 000 families. *Rice* production area has increased from 3 120 ha in 2009, to 4 660 ha in 2013. The average yield of paddy varies between 4 500kg/ha and 5 500kg/ha. The area under rice is situated in Kocansko pole agricultural region.

In 2013, the *vegetables production* was harvested from around 12% (48 851 ha) of the total arable land not considering the area on which vegetable is produced as inter crop (additional 10 396 ha). The production quantities of vegetables harvested amounted in total of 817 810 tonnes. Major vegetable crops are potatoes (190 878 tonnes or 23% of total production quantities of vegetable), tomatoes (130 960 tonnes or 16% of total vegetable quantities), peppers (152 153 tonnes or 18%), onion (50 787 tonnes or 6%) and cabbage (157 416 tonnes or 19%). The remaining 18% of the vegetable production quantities is resulting from cultivation of beans, lentils, garlic, cucumbers and melons.

Vegetable production is performed mainly in the open field, in greenhouses and under plastic tunnels, with and without heating. About 80% of the vegetable production is concentrated in the South East region with Mediterranean climate.

According to the Agricultural census (2007), 26 341 individual agricultural producers are engaged in the production of industrial crops, from which around 46% are located in Pelagonija agricultural region. In the recent years, tobacco is the most prevailing industrial crop (tobacco is cultivated on 88% of the total sown area under industrial crops).

In the production of major *oil-bearing crops* (seeds and roots) cultivation of sunflower is the major oil-bearing crop produced in the country but rapidly decreasing. Since 2011 the sown area under sunflower decreased by half (from 5 715 ha in 2011 to 2 458 ha in 2013). Sunflower is cultivated mainly in the Pelagonija agricultural region (50-70%). There is insignificant production of oil bearing roots, which are mainly used as source of proteins for livestock feed.

The production and surface are under *fodder crops* is stable throughout the years with slight increase of the areas under alfalfa, clover and fodder beet compared to 2012. In 2013 the *forage production and fodder crops* are present with only 8,7% in the total arable land. Major forage crop is alfalfa on 19 404 ha with annual production of 113 195 tonnes in 2013.

The area under *perennials* (vineyards and orchards) is around 7% of the total arable land. In terms of share in the gross agriculture output, fruit and wine grape production are second biggest contributor to the gross agriculture output (vegetable being the first). In terms of planted area under perennials, the *most important perennial crop is vineyards*, which accounted for more than 59% of the total permanent crop area (around 37 thousand ha), but in terms of value *fruit production contributes around 80% of the total production value of perennials).*

About 292 075 tonnes of grapes and 195 726 tonnes of fruits were produced in 2013. The apple production is the main fruit crop accounting for two thirds of the total fruit production

volume (63% in 2013). The decrease in apple production by 12% in 2013 was due to lower yields than in 2012. An increase in production volumes in 2013 compared to 2012 was recorded in cherries, sour cherries, and peaches due to renewal of the fruit plantations and establishing new plantations in the last 6 years. *Fruit production has growing potential in terms of growing export market demand on new markets.*

The total production of grapes (including wine and table grapes) in the last five years (2008-2012) is relatively stable, with an average production of about 245 thousand tonnes annually. In 2013, the production volumes of grapes have increased by around 20% (292 075 tonnes) compared to the four-year average. The annual yield is also stable around 11 tonnes per ha on average. On the irrigated land parcels, the average yield is significantly higher ranging from 17 - 23 tonnes per ha. In the structure of the total production of grapes, table grapes accounts for 28% and the remaining 72% are wine grapes. *Table grapes production has growing potential in terms of favourable natural pre – conditions (harvest starts one month earlier than the region), varieties (from early harvest to late harvest) and the growing market demand.* To achieve the growing market potential for table grapes, special focus is needed not just in expanding the area under table grapes but also the choice of variety is crucial (e.g. seedless varieties).

Almost 60% of vineyards (for wine production) are older than 15 years or are of variety which cannot be used for quality wine production. *Not just the age structure is a problem for wine grape sector development, but the planted varieties as well.* The growing export of the wine industry in terms of high quality bottled wines requires adjustment to the varietal structure of wine plantations to follow the market needs. *Growing export of wine demands also new areas of vineyards for which potential exists on the fallow hilly land areas.*

The country has unused *potential for the production of energy crops as well as quantities of residues from agriculture production.* The main crops currently produced that could be used for the production of bio-fuels are cereals, industrial crops, vegetables and perennials. Approximately 1,7 million tonnes annually remain as a biomass after the harvesting of plant production. Part of it is used for livestock breeding (straw, silage) and the remaining quantity is ploughed in. The regions providing the major quantity of energy crops and plant biomass are: Southwest and Pelagonija. The largest share of plant residues (around 80-85%) comes from cereals, vineyards and orchards. In the recent years great interest of fast-growing trees appears mainly from “newcomers” in the agriculture sector– especially on slope lands in the eastern parts of the country. Nevertheless, the sector is underutilised and significant improvement of actions needs to be stimulated by policy measures as to streamline and benefit the potential.

Livestock production

Livestock production contributed to 24,4% of the agricultural output in 2012.

Table 19: Structure of Livestock Agricultural Output

Description	% of total	
Livestock	*100%*	
Cattle		18,9%
Pigs		15,4%
Equines		0,0%
Sheep and goats		8,5%
Poultry		3,1%
Milk		46,7%
Eggs		6,4%
Other animal products		1,0%

Source: SSO, "Economic accounts for agriculture" (2012), published 2013

According to the Agricultural Census (2007) around 85% of the total number agricultural holdings were breeding livestock but only one in six agriculture holdings is specialised in livestock (12,6%). The number of agriculture holdings which breed livestock has largely decreased from 2007. In 2013, only 56,5% of the agriculture holdings were breeding livestock. The total number of livestock units in 2013 is 365 868 and on average, each agriculture holding that had livestock had just 2,14 LSU (which is the equivalent of just over two adult dairy cows). The individual agriculture holdings own less than 2 LSU in comparison with the business entities which own above 100 LSU.

The number of animals is in constant decrease in the last 6 years. The only significant increase in livestock numbers in 2013 is in the number of poultry (23% increase).

Table 20: Livestock numbers (in heads)

Category	2008	2009	2010	2011	2012	2013
Cattle	253.473	252.521	259.887	265.299	251.240	238.333
Sheep	816.604	755.356	778.404	766.631	732.338	731.828
Pigs	246.874	193.840	190.552	196.570	176.920	167.492
Poultry	2.226.055	2.117.890	1.994.852	1.994.260	1.776.297	2.201.550

Source: Source: SSO, 2014

Around 90% (40 916 agriculture holdings) of the livestock production in agricultural holdings is breeding *dairy cattle and 45% of the dairy agriculture holdings rear in herds of less than 10 animals*. Only 31% of the agriculture holdings rear in herd above 31 cows. *On average, agriculture holdings are rearing dairy cows in herd of 3 - 5 animals. The structure of size of dairy herds per agriculture holdings has shown improvement in the average size of dairy herds in 2006 (1 - 3 milking cows). Consequently the milking yields are below the EU 27 average (3 009 kg per dairy cow vs. 6 692 kg per dairy in EU 27 in 2011).*

Currently, less than 20% of raw milk delivered to milk processing establishments is compliant with EU requirements for milk quality. The introduction of higher premium

subsidies per quality of milk from 2015/2016, is expected to result in a rapid consolidation of the cattle dairy sector as some of the semi-subsistence producers will further reduce their size and will start producing for their own consumption only, while the number and share of output of commercial oriented farms who have, or are in process of, adapting their businesses to meet Community standards - will increase.

Sheep breeding is also concentrated in small-scale agricultural holdings. The average number of sheep per farm ranges between 20 and 200 animals, kept mainly for lamb meat production and milk production (rarely for wool). About 95% of milking sheep are raised by individual agriculture holdings. In the recent years, there is increasing interest in *goat breeding* due to demand for goat dairy products are increasing and there is a potential for development of the sector. Sheep-breeding is semi-nomadic and it is performed by grazing during summer.

A significant share of the agricultural holdings breed *pigs*, but the majority of them has 1 to 2 sows or up to 5 fattening pigs. There are 3 business entities agricultural holdings with more than 100 animals, which accounted for 70% of the total pig-stock. In 2013, the number of pigs was 167 492, which is decrease of approximately 15 % or 29 078 heads compared with 2011.

It is estimated that the production of pig meat covers almost 90% of the domestic demand for fresh pork. However, the domestic production of pig meat does not satisfy the growing demand of the meat industry for processing both in terms of quantity and quality. The lack of pork meat for meat processing industry is covered by imports of fresh, chilled or frozen pork which is increasing annually. *The sector has a development potential in case the varieties of pigs bred adjust to the quality levels needed for the processing industry and the breeding techniques are applied to timely satisfy the domestic market.*

The total number of *poultry* in 2013 was 2,2 million chickens, of which the number of laying hen is amounted to 1,2 million hens on average producing of 174 eggs per hen. About 35% of the total number of laying hens is reared intensively on large poultry farms, with average of 80 to 100 thousand hens per farm and average production of over 236 eggs per hen. The remaining percentage belongs to individual agriculture holdings with an average production of average production of 128 eggs per hen. *By adoption and implementation of the salmonella monitoring plans in egg production, the sector can export eggs to the EU. All of the farms need to be aligned to the animal welfare standards for laying hens.*

There is an increased potential on the domestic market for fresh poultry meat reaching a high price of 5 EUR per kg. *The sector development is impeded by lack of breeding programmes for producing one-day-old chicks as well as feeding concentrates which are imported.* These problems are making the rearing of broilers inefficient on small scale. There is increasing interest for alternative poultry rearing systems such as “free range” or breeding other birds (geese, turkey and gallus domesticus etc.) which are found as income-attractive by farmers.

The small size of the livestock agricultural holdings, the inadequate breeds and animal housing still poses risks to low productivity of the sector and low quality of the products.

Beekeeping in the country has a long tradition and high potential as the climate is favourable for growing different vegetation and crops, which are a good source of nectar and pollen for

honeybees. Statistically, the number of beehives in 2013 was 68 294, which is increase of 3 017 families or about 5% compared with the 2011. However, according to the Animal Identification and Registration system (introduced for registering bee hives in 2012), the number of registered bee hives in 2013 is 154 704. The bulk of production (nearly 100%) takes place in the individual sector, with average yield of 11 kg of honey per bee family. Annual honey production in 2013 was 784 tonnes which is significantly lower than in the neighbouring countries[18].

Investments in agriculture

Investments in assets in agriculture amounted for around 9 mill EUR in 2012, out which 1,2 mill. EUR were invested in buildings, 6,1 mill EUR in machinery and equipment (all from import) and perennials (0,8 mill. EUR).[19] The annual consumption of fixed capital (depreciation) in 2012 is 8% of the agriculture GVA[20]. *The depreciation of the fixed capital in agriculture outweighs the new investments by 4 times, leading to conclusions that the investment activity in agriculture is marginal and insufficient to modernise the agriculture production.*

The lack of investment in agricultural machinery resulted in the significantly increased use of manual labour and in consequence low labour productivity. In 2013, the total number of tractors in the country was about 92 708 and of harvesters – 1 797. The number of tractors is relatively low – 0,2 tractors per ha of UAA and 0,5 per agriculture holding. Although the average number of tractors is approximately at EU level (average of 0,6 per agriculture holding), the agricultural machinery is worn out and obsolete as around 70% of the tractors and combine harvesters are more than 20 years old. *Thus, despite the significant support under the national rural development programme and IPARD I for the modernisation of agricultural machinery, further investment is needed in the crop production sector. Moreover to the need of investing in new mechanisation, the crop production sector is in strong need for investment in agricultural machinery for sowing, fertilizing, protection and irrigation of crops.*

In the crop production sector the low productivity is determined to a large extent by low level of mechanisation, low quality seeds and permanent plant varieties/rootstocks and poor land management practices affected also by high fragmentation of land.

Significant investments are needed for improvement of quality of agriculture products at farm level i.e. for harvesting, post harvesting and storage of fruit and vegetable, drying and storage facilities for cereals as well as packaging equipment (especially as regards to rice) for cereals.

Due to the favourable climatic conditions, early vegetable sub-sector has significant potentials for further development on competitive basis. Thus investments are needed for

[18] The production of honey in Serbia amounts around 3 thousand tonnes and around 1,5 thousand tonnes in Bulgaria.
[19] SSO, Gross Fixed Capital Formation, 2014
[20] SSO, EAA, 2014

modernisation of "plastic tunnels"[21] into "plastic halls"[22] with drip irrigation system and sustainable heating.

Very little maintenance and investment in technology modernization has been made in the majority of the glasshouses. Despite the support provided under the IPARD I Programme, the investments in glass-houses were precluded by the regulatory obstacles to legalise the structure and obtain building permits for construction/reconstruction. Currently, the exploitation of the existing 260 ha (most in blocks of 6-24 ha) of glasshouses ranges between 70-75% of the capacity. This is due to inefficient and obsolete heating systems, which substantially raise production costs, and, since there is an acute lack of operating capital to pay for heating, many glasshouses have no advantage with regard to the time of harvesting. The use of thermal waters for heating and other renewables should be further expanded where possible.

To address the consideration of climate change mitigation and adaptation, investments are needed for efficient irrigation systems - modern sprinkle/drip irrigations systems to replace the obsolete channel irrigation systems, shadow (UV) nets and protection covers from hail and heavy rain and increase use of renewable energy sources.

Although investments in planting and re-planting of perennials is growing, still more investments are needed due to long period of under-investment, resulting in an unfavourable age and variety structure, but also due to the favourable pre-conditions for fruit and wine growing. In addition, the requirements of the emerging markets and the processing industry relates to high quality standards. Thus, focus should be put on planting of technologically advanced perennial plantations and replanting of orchards and vineyards, adaptation of the age structure and varietal structure of perennials and investments in post-harvesting at farm level as well as at a level of upstream market channels. Regional concentration of the production (e.g. wine grapes in Tikves valley, apples in Ohrid-Prespa agriculture region etc.) makes a good base for promoting horizontal integration of agriculture holdings with further support in establishing producer groups, as well as specialisation.

In order to utilise the potential for production of bio-fuel and bio-gas from plant products, provision of investments to develop the cultivation of industrial crops is needed as well. Although, the production of industrial crops (other than tobacco) is modest, great potential exists especially for the oil bearing seeds and roots (including soya) for production of bio-fuels which demand is rising. Opportunities exist also in on-farm production of bio-fuel from own resources to mitigate the risks from the rise of the fuel prices which affected highly the agriculture production costs in the recent years. To successfully meet the opportunities, production efficiency of the oil-bearing crops is to be increased and is related to on-farm investments, equally as to the farm management practises. Production of fodder crops and hay is largely linked to the livestock production, but it is still not sufficient neither modernised to reach sufficient productivity levels which can compensate for the increase in

[21] Simplest non-permanent construction for early vegetable cultivation in smallest dimensions (high 0,8m and wide 3 meters while the length can differ) from wood or metal construction and covered with plastic sheeting.

[22] Modern permanent construction for vegetable cultivation which is bigger in size (the height is usually 3 meters and the width and length can differ), with a permanent construction and covered with plastic sheeting or plastic panels. It can be used for nurseries and for horticulture production.

costs of livestock feed. Fodder maize and soya beans as source of feed proteins for livestock are mainly imported.

Furthermore, general weaknesses of the agriculture sector regarded to the unfavourable farm structure, low level of producer's co-operation also hinder the development of competitive crop production. The upstream organisation is still very weak especially in the fruits sector and the horizontal integration is almost absent. Although there are emerging investments in the modernisation of the processing capacities, the logistic networks and marketing channels are inefficient and compound by retailers.

Improvement of the farm management practises is precluding for benefiting the investments and modernisation of the crop production. Promotion of horizontal integration of the agriculture producers is crucial for maintaining growth potential and market trends.

In the animal breeding sector the harmonisation of national legislation with the Union standards in the area of milk hygiene, environmental protection and animal welfare – particularly in the milk and meat production sectors require significant investments. According to FVA assessments, 60 % of the holdings with milking cows have no milking installations. The enforcement of the new Union animal welfare standards related to egg-laying hens in the poultry branch requires investments in all poultry agriculture holdings in transition period of adjustment. Significant investments must also be made in manure-storing points and in purification installations for protection of waters and ammonia emissions.

The milk sector needs an additional restructuring to sustain the increased requirements of quality milk from the processing industry. Low productivity both in meat and milk production farms is also a result of insufficient stocks of genetic potential (in meat sector the stock is dominant by milking cows), low quality of feedstuffs produced on the small-scale farms and, furthermore, poor farm management practices, in general. Strengthening of primary meat production is very important due to the fact that meat processing industry which is undergoing modernisation in the last years (especially as concerns the big scale processing units) in fact lacks raw meat material in order to use the full available capacities.

It is worth noting that the livestock breeding in individual agriculture holdings doesn't meet the UAA requirements. In the case of sheep and goats the livestock owners use common grazing land, while for cattle, pigs and poultry breeding, grain and concentrate feed is purchased which makes the production costs high especially for livestock breeding for meat production. Lack of grain and silage storage capacities affects the potential of the livestock production capacities.

Aiming to increase competitiveness of primary livestock production there is a need to improve the farm structure as this is of vital importance aiming to increase the productivity which, in fact, can only be a result of a number of actions such as improved breeds and feedstuffs, etc. Moreover, the investments into physical structures of livestock farms (breeding spaces, milking and cooling equipment, manure and slurry management, etc.) as well as improvement of farm management practices through investments into human capital will result into increased competitiveness.

The honey production meets the need of the domestic market. However, there is an increased potential for export of organic 'forest' and 'meadow' honey. For development of this sector there is a need for establishment of 'bee pastures' planted with 'honey' plants and trees in order to control the 'pasture' of bees as well as to improve the honey quality and certification to organic. Modern equipment on farm is also needed to improve the local products and there placement on local markets. Although honey is the main product from bee breeding, there is a potential for production of other bee products such as pollen, propolis and beebread. Honey products are largely demanded for medicinal and cosmetic purposes.

Organic farming

The *organic farming* sector is underdeveloped in North Macedonia and the number of agricultural holdings certified as organic is relatively small (416 agriculture holdings registered in 2013) compared to the total number of registered agriculture holdings in the country. Although the farmers show an increasing interest in organic production, the number of "organic" agriculture holdings has halved since 2011. The significant drop in number of certified organic agriculture holdings is attributed to two main reasons: cumulative decrease of the direct support as the subsidies schemes changed from area/headage based payment to 30% of "top-up" payment calculated on the regular direct subsidies and domestic consumer income and willingness to pay higher price for organic products.

The organic production is mainly exported, as the domestic market is still limited. There is a growing export demand for the organic products, such as essential oil plants, herbs, spices, fruits, vegetables and honey. The supply of processed organic products is almost insignificant and there are almost no linkages between the organic farmers and processors.

In 2013 the interest for conversion to organic production of cereals (1 000 ha), sheep (40 000 heads) and beehives (5 121) prevailed.

Table 21: Organic production and farm structure

Organic farming per production structure		
2011	2012	2013
Organic crop production		
6.581 ha	4.663 ha	3.168 ha
Organic livestock production		
124.258 heads	79.421 heads	69.983 heads
Organic honey production		
13.581 beehives	9.003 beehives	6.363 beehives
Number of certified organic agriculture holdings		
2011	2012	2013
Organic crop production		
451	263	197
Organic livestock production		
164	204	159
Organic honey production		

136	94	60

Source: Register of organic producers, Department for Agriculture, MAFWE, 2014

According to MAFWE analysis from 2014, average agriculture holding dealing in livestock organic production breeds 280 heads of sheep or 50 heads of cattle, or 1,5 ha for organic crop production.

The largest share in organic crop production goes to grains, followed by forage, fruit, grapes and fresh vegetables, whose share in the total organic production is about 4-6% each and oleiferous and industrial crops whose share is 1% respectively. In livestock production, the leading sector is sheep breeding (95% of organic livestock production). The share of organic goat and cattle breeding is 2-3% each. The organic livestock production is impeded by lack or expensive organic feed. As the sheep breeding practises are mainly nomadic on "clean" mountainous pastures, this sector is much "easer" to be certified as organic.

The organic production is regulated under the Law for organic production applied since 1 January 2010 and aligned with the corresponding EU Regulation No 834/2007 and the Commission Regulation 889/2008.

Regarding the control system of the organic production in the country, apart the two authorized certification bodies (Balkan Biosert and Pro Cert); in 2013 MAFWE authorized the third certification body (Agribiocert) for control and certification in organic production. The control bodies conduct expert control and certification in line with the MKC EN 45011 (General requirements for bodies working with product certification systems). The confirmation that control and certification bodies work in accordance with this standard is provided by the Institute of Accreditation of North Macedonia (IARM) as a result of the process of accreditation. IARM is a full member of the European co-operation for Accreditation (EA), and in 2012 it signed the Mutual Recognition Agreement of Accreditation Certificates (EA-MLA) with the European cooperation for Accreditation.[23]

Great advantage for organic production is the existence of autochthonous varieties of crops which are traditionally grown and are best adapted in the area where they are grown. It is very important that large presence of such varieties significantly decreases risk of production failure due to agro-climate conditions.

Growing awareness of the consumers and continuous increase in the demand of organic food will contribute to inevitable increase of the supply of certified organic products. In the past years, on the domestic market consumers were not offered sufficient quantities of officially certified organic plant products, both fresh as well as processed. *Low consumers income and high trade margins imposed by the retail network, make organic products available only to a high income categories of consumers. There are significant weaknesses to be noted and largely remain a barrier to more intensive development of organic plant production. The first weakness worth to be mentioned is the low supply of input materials for plant production at the domestic market, including seeds and seedlings and protection products allowed for application in organic plant production. Absence of animal feed and appropriate veterinary*

[23] The Agreement allows for documents issued by national accredited bodies referring to compliance assessment (testing and calibration laboratories, inspection and certification bodies for product certification) to be recognised in EU and beyond.

medicine for organic livestock rearing is a weakness for further development of certified organic meat and milk products.

Insufficient and discontinued promotion of the advantages of organic production to the environment and human health contributes to low awareness of the consumers for these products. Insufficient education and organisation of organic farmers is yet another barrier to organic plant production development both at local and national level.

Food Processing Industry[24]

The gross value added in the food processing industry in 2012 was estimated to EUR 240 million and it contributed to 3,2% of the GDP. The employment in 2012 was 17 476 persons, which represents 2,6% of the total number of employed in the country.

According to the last official GDP statistics (production method), in 2011 the food processing industry contributed to 15,1% to the total manufacturing output. Although in 2011 the share of the food processing industry in total GDP has reached its peak of 4%, the value of the food processing industry output slightly decreased by 0,6 percentage points compared to 2010. In the period 2008-2010 the growth of the food processing industry output can be attributed as slight and constant and resulting as a decrease of the production activities of the other processing branches due to the economic crises. The output developments of food processing industry in this period of growth were achieved without an increase in the number of employed indicating an increase in the labour productivity.

A significant part of the food processing industry growth could be also attributed to the fast growth of the domestic demand and exports. The processed agricultural products accounted for 30,9% of total imports of agricultural and food products and 14,1% of total exports of agricultural and food products. The most important export products are lamb meat, waffles and biscuits and processed vegetables.

From a total of 7 918 active registered companies for processing in 2013, 445 were registered as food operators or processing of agricultural products and food of plant and animal origin and placing food on the market (MAFWE, FVA, 2014). The largest share of the total number of food processing companies belongs to category of SME. The largest share in number of food operators are fruit and vegetables processors (23.3%), wine producers (18%) and milk and dairy products processors. Of the total number of approved operators for food from animal origin, total of 6 establishments are approved for export to the EU of which 4 slaughterhouse facilities for exporting lamb and two processing facilities for export milk or fresh milk in the EU.

Table 22: Number of approved and registered processing enterprises

F&V	*Wine*	*Milk*	*Meat*	*Mills*	*Eggs*	*Honey*	*Fish*	*Feed*	∑

[24] The economic development statistics which are analysed in this section are presented in detail in Table 13 unless stated otherwise.

104	*80*	*78*	*58*	*53*	*60*	*4*	*2*	*6*	*445*

Source: MAFWE (2013) and FVA (2013), 2014

Production output of most of North Macedonia's food processing enterprises is quite low compared to European average (around 2 000 EUR per person employed versus around 40 000 EUR per person employed in food processing sector in EU 27). Consequently, majority of the food processing enterprises sell their products at regional or national level. For instance, 4 out of total 18 slaughterhouses and 2 out of 78 milk processing companies are registered for export to EU. *The small capacity of food processors and low pace of implementation of EU standards are main reasons that hinder the food processing sector from becoming competitive on the mass product markets.* On one hand there are establishments, in the mainly export oriented sectors (wine, F&V and meat), with modern processing equipment that can compete on the single EU market, but they need to expand their capacities to respond to the demanded quantities. On the other hand, some processing establishments do not have the financial resources required to meet the strict hygiene and food safety standards.

The fruit and vegetable processing industry is represented by 104 registered establishments out of which 70% are performing their activity in the rural areas.

Table 23: Number of fruit and vegetable processing enterprises and regional distribution

Region	Number of registered enterprises	Region	Number of registered enterprises
Skopje Region	23	Pelagonija Region	17
East Region	14	Vardar Region	11
South - East Region	23	South - West Region	7
North - East Region	3	Polog Region	6
Total	**104**		

Source: FVA (2013), 2014

Fruit and vegetable processing industry features low level of utilization of production capacities. The average utilization level was about 38% in 2009, 40% in 2010 and 40% in 2011. The total installed capacities for processing fruits and vegetables are about 120.000 tons of final product. The low utilization levels of the production capacities are due to several factors, such as: discontinuous supply of quality raw materials; problematic access to affordable financial resources from banks; general lack of: contract manufacturing with suppliers of raw materials, skilled workers in the processing season, adequate storage facilities for storage of raw materials and finished products, development of new value-added products, well designed common marketing strategy. Despite these facts production of processed fruit and vegetables is slightly increasing.

Table 24: Production of processed fruits and vegetable

Year	Total production ('000 t)	Increase in '000 t (compared to previous	Increase in % (compared to	Index

		year)	previous year)	
2009	45,9	-8,3	-15,3	219
2010	47,6	+1,7	+3,7	227
2011	52,8	+5,2	+10,9	251
2012	54,1	+1,3	+2,5	258

Source: MAP, 2013

According to the product classification, 22 enterprises process only vegetables, 4 process only fruits, while 15 enterprises process both groups of agricultural products. Overall, 90% of all activities involve only vegetable processing, while 10% involve fruit processing. As concerning the installed capacities, 75% are for canning, 23% are for freezing and the remaining for drying and production of other products.[25]

Fruit and vegetable processing industry is of importance for the agro-complex and its development due to the following facts:

- processing raw material (fruits and vegetables) originates mostly from domestic production;
- the industry is export-oriented (80% of total production) to EU and neighbouring markets; and
- it employs significant part of the seasonal workers throughout the year.

Currently, there are 80 registered wineries located in the main grape producing areas in the country. Due to the introduction of more stringent conditions in terms of production facilities and equipment of the wineries, as well as the fulfilment of their contractual obligations towards the grape producers, the number of wineries in 2012 dropped from 86, as were registered in 2010, to 80 wineries that are currently registered in the Ministry's Registry of wine producers.

Table 25: Number of wine producers and regional distribution

Region	Number of registered enterprises	Region	Number of registered enterprises
Skopje Region	8	Pelagonija Region	2
East Region	6	Vardar Region	46
South - East Region	11	South - West Region	2
North - East Region	5	Polog Region	0
Total	**80**		

Source: MAFWE Department for viticulture, wine and orchards (2013)

The overall trend, however, of increase of the number of wineries, still remains, as there have been only 28 registered wineries in 2003. Total processing capacity is almost twice the annual wine production.

The average annual wine production fluctuates between 90 and 100 million litres. The trend in wine production, however, points to a certain decrease in quantity terms, due to the fact that most of the wineries tend to focus on producing high quality bottled wines through strict

[25] Source: North Macedonia's Association of Processors (MAP), 2012

selection of varieties, vineyard management and harvesting, transport and delivery practices. They also invest in sophisticated equipment for processing, finalization, bottling and marketing technologies and competitive domestic and foreign markets.

The milling industry is represented by 53 companies operating only on the domestic market. Companies in this industry primarily mill flour from wheat as well as maize, barley and rice; and mix prepared flour mixes and dough.

Table 26: Number of milling enterprises and regional distribution

Region	Number of registered enterprises	Region	Number of registered enterprises
Skopje Region	8	Pelagonija Region	3
East Region	10	Vardar Region	4
South - East Region	5	South - West Region	5
North - East Region	4	Polog Region	14
Total	**53**		

Source: FVA, 2013

The milling establishments are mostly micro, small and medium-sized companies, with outdated equipment and much needed modernization of the production in order to remain competitive and meet the growing demand on the market.

With the newly introduced Law on food safety in 2010, food operators involved in processing products of animal origin have been obliged to upgrade their establishments that are not in compliance with regulations for food safety and animal health. Processors of food of animal origin, which are assessed as not complying with the requirements of the EU food safety standards and in terms of structural requirements, may continue to perform their activity under the conditions of localized activity (placing food in the region in which they perform their production activity or on national market), and one year before the date of accession to the European Union.

According the data from the FVA, after conducting the assessment and categorization of the food operators (animal origin) in 2010, 39 of the establishments were promoted in the higher category, 31 remain at the same category level, and 15 have downgraded in lower category. Thus, total of 35 facilities for processing food of animal origin are approved for localized activity and 55 facilities - food operators have temporary approval, or are still in the stage of full approval in terms achieving full compliance to the EU food safety standards. FVA annually monitors and ensures gradual compliance with the relevant structural requirements in accordance with upgrading plans.

According to the FVA, there are 63 registered collection centres of raw milk, with capacity of 100 up to 12 000 litres, mostly located in Pelagonija region.

Table 27: Purchased milk quantities

Year	Cow milk (000 litres)	Sheep milk (000 litres)	Goat milk (000 litres)
2009	116 034	6 101	1 795
2010	155 876	8 744	2 198
2011	108 433	8 560	1 862

Source: Strategy for improving and monitoring the quality of milk 2013-2020 – FVA – 2012

Over the last years, the number of dairy factories is constantly increasing, where most of them work with smaller scale production. Currently there are 78 milk processing facilities approved by FVA, while 50% of the total purchased milk is processed in 3 dairies and other 50% in small and medium sized facilities, not including the ones located in high-mountain regions of the country.

Table 28: Number of registered dairy establishments and regional distribution

Region	Number of registered enterprises	Region	Number of registered enterprises
Skopje Region	7	Pelagonija Region	7
East Region	11	Vardar Region	11
South - East Region	11	South - West Region	6
North - East Region	12	Polog Region	13
Total	**78**		

Source: FVA, 2013

According to the performed categorization per day capacity, most of the milk processing facilities are of small scale production with daily processing capacity of up to 1 000 litres, and only 2 of the factories have capacity of over 80 000 litres of milk per day.

Table 29: Structure of dairy processors per installed daily processing capacities

	Up to 1000l	1000-5000l	5000-15000l	15000-80000l	over 80000l	Total
Number of facilities	29	21	16	9	2	77
%	38	27	21	11,5	2,5	100%

Source: FVA, 2013

The main dairy products are pasteurized milk, UHT milk, local cheese varieties, yogurt and sour milk. Processing facilities are more interested in getting quality raw milk, meeting the required standards of quality and safety, basically from the specialized farms or smaller farms associated with agricultural cooperatives or organizing a milk collection centres. Very small livestock farms (1-3 cows) hardly meet the necessary requirements for milk quality.

Annually around 35 million EUR have been allocated to support livestock production. But, this support does not give the desired result and imports of fresh or frozen meat still remains with over 100 million EUR trade deficits. Statistical data show that in past four years the domestic meat production is reduced by 20%. Annual needs in North Macedonia for fresh meat and meat for processing amount nearly 11 thousand tonnes of pork meat, 20 thousand tonnes of beef meat and around 22 thousand tonnes of poultry. Around two thirds of these quantities are covered from import which is growing annually due to the growth in the meat processing industry in the last 4 years.

Meat capacities in the country satisfy the needs of the domestic market for fresh meat. There are 39 companies in the meat processing industry and 19 slaughterhouses (1 for game animals slaughtering).

Table 30: Number of meat processing enterprises and regional distribution

Meat Processing	
Region	**Number of registered enterprises**
Skopje Region	12
East Region	1
South - East Region	2
North - East Region	7
Pelagonija Region	4
Vardar Region	6
South - West Region	1
Polog Region	6
Total	**39**

Source: FVA, 2013

Table 31: Number of slaughterhouses and regional distribution

Slaughterhouses	
Region	**Number of registered enterprises**
Skopje Region	2
East Region	2
South - East Region	6
North - East Region	1
Pelagonija Region	1
Vardar Region	4
South - West Region	0
Polog Region	2
Total	**18**

Source: FVA, 2013

By contrast, North Macedonia is a net exporter of lamb meat. About 85% of lamb carcasses are exported to EU countries mainly in Greece and Italy, in the periods around Christmas and Easter. These markets require lambs with a weight of carcass from 7 to 8 kg as fresh chilled meat. Although North Macedonia's export to the EU is released from fees for imports, distinguished "North Macedonia's lamb" is currently under threat as a result of the introduction and interference of different breeds. Therefore, it becomes more difficult to produce uniform slaughtered lamb with the required qualities.

The total production of pork meat in 2012 was around 10 600 tonnes. Pigs for fattening are slaughtered with a weight of approximately 100 kg live weight. It is estimated that about 90% of domestic demand for fresh pork meat is covered by domestic production. Deficiency of pork meat on the domestic market and meat processing industry is covered by import of fresh, chilled or frozen pork meat (in 2012 were imported 11 114 tonnes which is an increase of about 6% compared to 2011 when 10 476 tonnes of pork meat were imported).

The production of poultry meat is mainly based on slaughtering of chickens-broilers. Production is organized in large industrial type farms and in small private farms and on contractual basis. Only two slaughterhouses (with a total capacity of 2 million birds per year) operate in the country, which limits the development of the poultry industry. The domestic production of chicken meat has a fast growth in the last decade, however covers only 20% of domestic demand. Therefore, the largest quantity of chicken meat is imported as frozen chicken meat. Import of chicken meat is an important portion of the overall import of agro-food products.

Despite the dynamic investment activity of food processing enterprises in recent years the need for further investments is still considerable, especially in those sectors that cater to the

demand of the domestic market – milling products, meat and milk processing, production of oils and fats of animal and plant origin – as well as in the sectors that are export-bound – fruit and vegetable processing, wine making, processing of medicinal and industrial crops, honey production. For the enterprises that have problems with quantity, quality or the prices of raw materials the investments should be combined with priority measures for increasing the competitiveness of the primary sector.

The level of technical and technological quality, which is of crucial importance for the industry in order to withstand competitive pressures in the enlarged European Union, is still quite low. Food enterprises have also problems with worn-out or inadequate equipment in the processes of quality control, packaging and labelling. In the various technological lines the new equipment of less than 5 years in use comprises less than10% of all equipment involved. Due to lack of finances for new technologies often the investment decisions in the processing sector are resulting in purchase of used equipment and machinery from EU countries mainly as reportedly the price is half of the price for new technology. Competitive pressures on the domestic market are mounting as substantial part of meat and milk processors do not yet have permission to export to the EU market.

Half of the fruit and vegetable processors are certified under the ISO 9001 and only about 10 companies are certified under ISO 22000. Fruit and vegetable processors and exporters of fresh fruit and vegetable have raised interest in implementing BRC for exports on the UK markets. As for the systems for traceability of products, more than half of all food enterprises reported that they maintain such systems specially the milk and meat companies.

There is still a need for more investment in environmental protection by food processors especially for management of waste from animal origin, as processing of fruit and vegetables which is considered a sector with a relatively small share of environmental pollution. There are no enterprises in the meat sector which have rendering facilities and waste disposal poses great pressure on the production activity especially in rural areas where the waste disposal systems are underdeveloped.

The energy efficiency of food industry enterprises is low due to use of energy-inefficient technologies, equipment and buildings. Therefore, special encouragement of energy efficiency measures in food industry is needed to reduce cost and improve competitiveness of enterprises. The food industry enterprises has to be encouraged also to utilise renewable energy sources to increase their efficiency and making them more environmentally friendly.

An important need for the food processing industry enterprises is the improvement of the system for vocational training and increasing the share of workers and managers participating in continuous vocational training. Training related to compliance with EU food safety standards is considered as a key priority.

Priority must also be given to funding innovations, the production and marketing of new food products and diversification of the variety of output, which will lead to an increase in the added value of agricultural products.

Foreign Trade in Agri-food Products

In 2013, the overall trade (industrial + agro-food products) (export + import) was on the same level compared with previous year (the total export in 2013 compared with 2012 increased by 3,1% and total import increase also by 1,8%). As to the export of agro-food products in 2013 compared to that of 2012, it continued to goes up by 5,2%, reaching for the first time the value of over half billion EUR (504 million). On other side, the 2013 value of the agro-food import in comparison to 2012 value decreased by 3,6% (from 679,4 million EUR to 654,5 million EUR). The share of export of agro-food and fishery products in total export from North Macedonia in 2013 was 15,7%, while the import of agro-food and fishery products in total import participated with 13,2%.

The trade deficit come to the highest negative values in 2012 of 200,4 million EUR, while in 2013 it got back to the level that is more common for the last years of 150,5 million EUR.

Table 32: Agri-food and fisheries trade

in million €		Total trade (industrial + agricultural products)	Total trade with agricultural, procest and fisheries products	Share of agricultural, procest and fisheries products in total trade
2008	***Export***	2,689.2	378.5	14.07%
	Import	4,643.4	534.4	11.51%
	Balance	-1,954.2	-156.0	7.98%
2009	***Export***	1.925,20	357,8	18,60%
	Import	3.615,80	499,8	13,80%
	Balance	-1.690,60	-142	8,40%
2010	***Export***	2.497,50	423,7	16,90%
	Import	4.119,10	532,2	12,90%
	Balance	-1.621,60	-108,6	6,70%
2011	***Export***	3.197,70	468,6	14,70%
	Import	5.038,50	620,6	12,30%
	Balance	-1.840,80	-152	8,30%
2012	***Export***	3.113,52	478,93	15,38%
	Import	5.061,76	679,36	13,42%
	Balance	-1.948,25	-200,43	10,28%
2013	***Export***	3.211,80	504,0	15,69%
	Import	4.968,40	654,5	13,17%
	Balance	-1.756,60	-150,5	8,57%

Source: SSO, 2014 (MAFWE calculations 2014)

EU countries are key Agri-food trade partners in terms of imports and exports respectively. In 2013, the total value of Agri-food and fisheries trade (export + import) with EU 28 countries amounts to 579,4 million EUR. The share of agro-food and fishery products export to EU 28 in total Agri-food and fishery products export in 2013 was 49,8%, while the share of import from EU 28 in total agro-food and fishery products import in 2013 was 50,1%.

Second important Agri-food trading partner in 2013 are CEFTA countries (excluding Croatia) with total value of trade (export + import) of 345,8 million EUR. The share of agro-food and fishery products export to CEFTA countries in total Agri-food exports was 36,5%, while the share of import from CEFTA countries in total agro-food and fishery products imports was 24,7%. The most important CEFTA trade partner was Serbia with 16,4% share in total export of agro-food and fishery products and 20% of total Agri-food and fisheries imports.

The country is net exporter of tobacco (dry oriental), wine, vegetables and lamb carcasses, and net importer of fish and fishery products as well as chilled and frozen meat.

Foreign trade by Agri-food commodity group is presented in Annex 4 to this programme.

3.2.2 Competitiveness of Forestry Sector

The forest area covered 987 545ha[26] of the total land area in 2013. Out of this area, 597 657 ha are deciduous forests, 72 206ha coniferous, 297 207ha mixed and 44 818ha degraded forests. According to origin, the foreststs are classified as: *High forest* - occupy less than 30% of the total forest area and participate with 61.6% of the total wood mass reserve and *Low forest* - occupy 70% of the total forest and participate with 38.4% of the total wood mass reserve.

Regionally, the richest forest region is Southwest, with around 180 thousand ha, and the poorest is the Skopje region, with around 125 thousand ha. Distribution of forest cover throughout the country is uneven in terms of quantity and quality. High forests with good quality are located along state borders, far from the industrial and inhabited places and human influence. Low-quality coppice forests are located in the central parts of the country, and their condition has resulted partly from climate conditions (e.g. forest fires) and partly from human activities (timber harvest).

The state owns around 90 % of the total forest area (total wood mass of 92.2%). The private owned forests are around 10 % (99 418 ha in 2013) of the total forest area, and their portion of the total wood mass is 7.8%.[27]. There are more than 200 thousand parcels of forests owned by around 65 thousand households. According to the 1998 Cadastral survey, *the average size of forest parcels is 2.48 hectares, with an average of 0.37 ha in private ownership, and 8.39 hectares in state ownership.*

The share of forestry (logging) in GDP accounts for around 3% in the period 2008-2012. The general contribution of the wood industry (primary and secondary wood processing, furniture, paper and celluloses, etc) in the GDP is 2.5-3%. The employment in the forestry sector is estimated between 0.3%-0.5% of the total employment. These numbers are estimated to increase for the employment in the wood industry. The share of forestry sector (logging and wood industry) in the exports is insignificant since the country is mainly import dependant on import of high value added wood products as well as raw materials for the carpentry and building industry.

[26] Statistical Yearbook of North Macedonia, 2014 (NACE Rev.2 10.03. Forestry)
[27] Strategy for Sustainable Development of Forestry, 2006

The total wood mass is 74 343 000 m³ and the total annual growth 1 830 000 m³ with average annual increase per hectare of 2,02 m³. The annual projected woodcutting mass is about 1,3 million m³ and is at the level of about two thirds of the annual increment. Annual actual logging volume is between 550 thousand m^3 and 750 thousand m^3 (691 thousand m^3 in 2013) and is mostly firewood (80- 85%), which is used by households. Logs are used mostly by domestic industry, and only a small part is exported. The country has significant resources of other forest products: medicinal plants, wild mushrooms, forest fruits, and a diverse game. Furthermore, high forests have great potential recreational sport, eco-tourism and recreational hunting. The utilization of forests and the forest products (including game breeding and hunting) is regulated according to the Law on forests and hunting.

Forestry policy is managed by MAFWE. State-owned forests designated as forests for economical use are managed by the Public enterprise "Makedonski sumi" and its 30 regional offices. State-owned forests in protected areas are managed by separate public entities designated with the specific law proclaiming the protected area. In the terms of designation, around 92% of total forest area has been designated as forests for economical use (including protective forests), and around 8% are forests in protected areas.

Private forest owners are organized in association "Association for Protection of the Interests of the Private Forest Owners" established in 1998. The association is crucial stakeholder actively participating in policy design and implementation.

Extent of protected forests

Currently there are three proclaimed national parks in the country: National Park "Pelister" on a forest area of 171,15 km2, National Park "Galichica" with area under forest of 227 km2 and National Park "Mavrovo" being the largest national park area in the country of 780 km2.

Pelister is one of the first protected national parks in the Balkans, obtaining this status in 1948. The five-needle (Pelister) pine - tertiary flora – Molika (Pinus Peuce Griseb), the only such variety in the world, covers an area of about 1,6 thousand hectares. National Park "Galichica" is situated on the slopes of Mount Galichica (between Lake Ohrid and Lake Prespa) and was declared a national park in 1958. National Park "Galichica" is covering an area of 22 750 hectares with nineteen different forest communities. National Park "Mavrovo" was declared as such in 1949. In 1952 it was enlarged to 73 100 hectares out of which around 27 thousand hectares are birch and pine forests.

The "Jasen forest reserve" is proclaimed as special protected area in 1958. It covers an area of 24 thousand hectares and stretches across the mountain massifs of Suva Gora, Suva Planina and Karadzhica. This park falls into the category of special natural reserves protecting many species of flora and fauna and other natural rarities.

There are also forests in two protected areas in the category of monument of nature - "Smolarski Vodopadi" which were proclaimed as such in 2006 and "Vevchanski Izvori", proclaimed in 1999.

Forestry strategy and policy

According to the Sustainable Development Strategy for Forestry, 2006 the main objectives for forest development are: expanding forest area and quality improvement, sustainable development of economically viable forestry, increasing the contribution of forests and related goods and services to the quality of life in rural areas, enhancing the public and social functions of forests and forestry through valorisation of its general and social functions, and raising the awareness of the environmental and social values of forests.

The strategic objectives are implemented via Program for Expansion and Reproduction of Forest focusing on the measures for afforestation, protection of forests against diseases and pests, prevention of drying of pine forests and prevention of forest fires. Each year with the Program, seedlings of various forest types have been provided and used for afforestation of privately owned bare land (distribution based on official request from owners).

For rising the awareness of the environmental and social values of forests, in 2008, the country implements wide public environmental action under the campaign "Day of the Tree – Plant your Future". The actions are joining the global campaign "Billion Tree Campaign" launched in 2006 by the United Nations Environment Programme (UNEP) as a response to the challenges of global warming. The action takes place twice a year (in spring and autumn), and it is followed by numerous parallel activities for raising the awareness of the importance of forests and actions at municipal level for greening the urban areas. The majority of seedlings used in afforestation measures are predominantly scots (white) pine, Austrian (black) pine, Arizona cypress, locust etc.. In the period 2008 - 2012, total of 9 843 ha are afforested with around 25,5 million trees.

Although the country has great potential for development of forestry, impeding factors are: low quality of local raw materials and shortage of industrial timber. Forest industry is faced with shortage of modern equipment and automation systems which are not produced in the country. Level of investments is very low, especially in foreign direct investments. Research, innovations and technology transfer in the forestry sector are unsatisfactory, and collaborations with Forest faculty and other research institutions are negligible.

Poor forest infrastructure impedes the forest sector development as well. Lack of access to forests affects the timely maintenance of forests (pruning and clearance from branches and bushes) which is one of the prevention measures for forest fires and prevention measures for protection against diseases and pests. Also logging is underdeveloped and done without modern equipment.

Bulk of investments, are needed for improvement of the forest-management, wood felling and improvement of the forest infrastructure. The improvement of the economic value of forests could be achieved by planting appropriate species for timber production, including for biomass production and investing in installations and equipment for processing and utilization of this wood biomass. Presently no complete research has been done regarding the unused biomass capacity of the forests.

The main threats and problems in forest management and governance are: extensive illegal logging, forest fires that have affected an estimated 10 thousand ha in average per year[28]*,*

[28] Source: State Inspectorate for Forestry and Hunting - Ministry of Agriculture, Forestry and Water Economy

drying of forests due to drought and climate change, insect calamities and diseases, low level of management activities in private forests, due to small size of forest parcels, their fragmentation and low income from logging activities.

High share of forest owners' are living in urban areas without motivation to do appropriate and expensive silvicultural activities in their forests. It is also reported by the private forest owners that the over-regulated and controlled logging by the state even in private forests is discouraging for further development of their forests. In addition, it was reported that access to trainings for improving knowledge in technical matters of forestry work and sustainable forest management is needed – both for public and private forest management.

Yet, the most significant impact on forest management has been forest fires: approximately 3 962 forest fires have been recorded in the period 1998 - 2013 that have burned almost 161 229 ha of forest and forest land, burned 1 453 784 m^3 wood mass The largest damage occurred in 2000, when the burned area was 46 000 ha. In the summer of 2007 North Macedonia experienced extended wildfires, which severely affected forests and other vegetation over an area exceeding 40 thousand hectares. One of the contributing factors was climate conditions, i.e. a dramatic heat wave and the highest temperatures ever recorded along with the prolonged dry period pushed the usual summer forest-fire season drastically beyond its usual pattern. It is evident that forest fires not only destroy the biodiversity, change the micro-climate, and create potentials for erosion, but also cause enormous economic losses which will take decades to be recovered. The economic losses caused by forest fires in the country in the period 1998 - 2013 is resulting in direct and indirect damage estimated at around 70 million EUR.

A national early warning system for forest fires "North Macedonia's Forest Fire Information System (MKFFIS)[29]" has been developed. The system is built within the framework of the JICA/CMC project: *"Development of Integrated System for Prevention and Early Warning of Forest Fires"*. It is expected that the outcomes of the system will enable the forestry policy to adaptation of measures of prevention and pre-suppression, conduct analysis on forest fire risks, which will lead to decrease in the number of forest fires and burned area. The project will finish in May 2014.

3.2.3 Competitiveness of Fisheries and aquaculture

Fishery has insignificant share in the national GDP of only 0,1% in (2012). The employment in the fishery sector is also at a very low level, with an annual average of 142 employees in 2012. Employments in the fishery sector are related to fish catching, activity in fish hatcheries and fish farms, as well as fishery related services. As land-locked the country is net importer of fish and fishery products – mainly of sea origin. Share of fish and fish products in the total import of agro-food and fish products from EU-27 for 2012 was 1,3%.

Out of the total area of the country, about 56 thousand ha are suitable for fishing, of which, 46,7 thousand ha are natural lakes, 6,4 thousand ha are artificial lakes, 2,2 thousand ha are rivers and 700 ha are fish ponds. Commercial fishery in fresh waters is primarily conducted

[29] More information available here: http://mkffis.cuk.gov.mk

in the three natural lakes – Ohrid, Prespa and Dojran as well as in the artificial accumulations. Recreational (sports) fishing is conducted in all water areas.

The production structure of the fishery sector is comprised by aquaculture capacities, commercial fishing in the lakes and recreational fishing. Aquaculture production mainly concern breeding of carp and trout. According to the 2013 data from the Register of aquaculture producers in MAFWE, total of 96 aquaculture capacities are recorded with installed capacity of 3 070 tonnes including: 1 756 tonnes of trout and 1 320 tonnes of carp and other fish species.

Table 33: Structure and size of installed aquaculture capacities

Fish	Number of capacities according to production size in tones				Total number
	Up to 20t	20-50t	50 – 100t	Above 100t	
Trout	21	16	5	3	45
Carp in cages	18	4	3	1	26
Carp in polls	12	1	2	1	16
Mixed	6	3	-	-	9
Total	**57**	**24**	**10**	**5**	**96**

Source: MAFWE, Department for Agriculture – Unit for fisheries (2013)

Total fish production in the country is based on aquaculture production and catch of commercial fishing which is done only in freshwaters. According to the records of the MAFWE, the production of more important fish species in 2010 and 2011 for aquaculture production and in 2012 for both, aquaculture production and catch of commercial fishing was as follows:

Table 34: Aquaculture production and catch of commercial fishing

Fish	2010	2011	2012
	Total/kg.	Total/kg.	Total/kg.
Trout	724.595	836.766	828.872
Carp	342.309	454.793	417.072
Catfish	10.200	4.100	5.942
Eel	-	-	2.931
Others	13.250	25.800	55.900
Total	**1.090.354**	**1.321.459**	**1.310.717**

Source: MAFWE, 2013

Besides aquaculture production and commercial fishing, it is estimated that about 130 to 150 tonnes of all kinds of fish are caught by performing annual recreational fishing and catch of commercial fishing.

The aquaculture production has steadily increased from 2007, primarily due to intensification and increased capacity via reconstruction of existing old capacities and new investments.

3.2.4 Human capital and knowledge transfer

North Macedonia's Agriculture Knowledge and Information System is comprised of the educational institutions and research institutes, non-formal education institutions and advisory and extension agency and consulting companies. The private sector which provides

inputs to farmers by large plays a role in transfer of innovative practices and technological advantages while promoting their products. Farmers associations are involved in the process with limited capacity. Therefore, the system integrates farmers, agricultural educators, researchers and extension to harness knowledge and information from various sources for better farming and improved livelihoods. However, no formal integrated system is established yet and the actors are largely demand driven without strategic guidance.

3.2.5 Agriculture and forestry education

The country's educational system, under the responsibility of the Ministry of Education and Science (MoES), went through reforms towards the modernization and improvement of the curricula and educational activities.

The country's agricultural higher education system includes seven educational institutions: Faculty of Agricultural Sciences and Food in Skopje, Faculty of Veterinary Health in Skopje, Faculty of Furniture and Design of materials in Skopje, Faculty of Forestry in Skopje within the University of Ss. "Cyril and Methodius" in Skopje, Faculty of Biotechnical Sciences in Bitola, Faculty of Food Technology in Tetovo and Center for poly-technical Studies within the state University in Tetovo, and Faculty of Agriculture in Stip within the University "Goce Delcev" in Stip.

Table 35: Number of enrolled students in first year of higher educational system

Faculty	2012/13	2011/12	2010/11
Ss. "Cyril and Methodius" in Skopje Agriculture, Forestry, Veterinary, Furniture and Design of Materials	450	424	445
University "Ss. Kliment Ohridski" in Bitola Faculty of Biotechnical Sciences in Bitola	90	88	129
Tetovo State University Faculty of food technology	55	63	82
University "Goce Delcev" in Stip Agriculture	210	325	202
Total	**805**	**900**	**858**

Source: Ministry of Education and Science, 2013

Within the educational institutions efforts are put in order to provide effective and modern curricula, educational and qualification standards to the needs of much larger community of small- and emerging medium-scale farmers and agricultural industry and individuals. In addition, the stand-alone nature of the country's agricultural universities in a way hampers the possibility of interdisciplinary studies, which are important in sectors relevant to EU policies (cross-compliance principles, environmental dimension and rural development). At the same time, there is a need for constantly building linkages between schools and businesses.

There are four research institutes, affiliated with the universities – Agriculture Institute, Livestock Institute (including fisheries) based in Skopje, Tobacco Institute based in Prilep and Institute of Southern crops based in Strumica. The only government support to the research institutes are the salaries of the research staff and free of charge state owned agriculture land for research purposes. The research funding of the institutes comes from own resources thus it is very modest. Agricultural research institutions currently employ some 300

persons fulltime or partly engaged in research, of which about 40% are at graduate or post-graduate levels. Apart from institutes, a smaller portion of research in agriculture is conducted by high educational institutions in the area of agriculture and by the country's Academy of Sciences and Arts. All these institutions suffer from major institutional deficiencies: low capability to respond to upcoming challenges and support policy reforms in EU approximation process, and to prepare and implement EU funding research projects; insufficient facilities, equipment and materials, and unsatisfactory level of young researchers' ratio in the total number of researchers. Research is still oriented towards large-scale agriculture production rather than based on needs by the wider community of small- and medium-scale farmers. The largest weakness of the agriculture research institutions is the lack of capacities for applied science. Although the institutes are entitled to state owned agriculture land, they lack of finances to further develop demonstrative fields and breeding facilities.

High education in agriculture sector is organized in 10 high schools located in the main agriculture regions. Secondary schools are providing vocational education in the field of agriculture and veterinary. The schools are placed in several larger towns in the country, Strumica, Kavadarci, Bitola, Prilep, Kumanovo, Valandovo, Resen, Sveti Nikole, Tetovo and Skopje. This distribution of the schools in some way enables equal opportunities for enrolling of pupils from the whole country.

The high schools are performing 3 year and 4 year programmes. In the most recent years, the agricultural VET schools are intensively involved in the creation of conditions for specific adult education programmes in the area of agriculture. There are already three verified adult education programmes in this area: safety management of the agricultural mechanization, stockbreeders of cows and appropriate mechanization, and the VET school "Kiro Burnaz"-Kumanovo is verified for these programmes. In ongoing process are procedures for approval of other specific adult education programmes in the area of agriculture. These institutions have potential for playing a key role in provision of training to farmer's cause of their close location of the facilities and human capacity sufficiently skilled for technological production practices. However, they lack of appropriate demonstrative farms to carry out the practical trainings and the human potential lacks of knowledge in EU standards and environmental practices. These schools have also potential to provide advisory services to farmers.

Year by year there is decreasing interest in agriculture-related professions driven by the labor market. This situation could worsen given the deteriorating trend in the agricultural sector, the low level of professionalism and commercialization of farm production and limited job opportunities. In addition, within the formal education system in the country, when it comes to post-graduate studies in agriculture, the students receives modules for scientific approach (Master of Science), but there are no specialized studies in certain areas (Specialized Master Diploma). Policy related subjects are lacking in the study programmes. Also the education and research institutions have failed to develop potential to support the EU approximation process in agriculture sector. Their involvement in policy design is limited and demand driven instead of proactive and to perform the role of development driver of the sector.

On the side of the farm holders, more than a half of agriculture holdings managers are with primary or incomplete primary education. The situation is even worse if we consider that from all people engaged in agriculture which have obtained secondary or high education, only 12% are with agricultural, veterinary or other relevant vocation. Absence of organized training system for agriculture producers (owners, workers) is the major weakness in development of the agriculture human potential actually dealing with agriculture production.

In 2010, survey in form of training needs assessment of farmers was conducted by the EU funded - Structural and Legal Reforms Project (SIPP) identifying the following:

- Farmers are willing to participate in trainings in duration of max 3 days, in the period once or twice a year and 'off-season'. The trainings should focus on farm management, technology and production with practical part (with significant practical elements were required by farmers with ration theory vs. practice of more than 40: 50).
- Most of the farmers are willing to attend short courses up to one week.
- Farmers are willing to participate in 1 day informative sessions on topics related to policy and standards requirements;
- Farmers agree that the trainings and info-sessions should be supported with standard training materials such as summary of the training topic, brochures and video materials.
- In average the trainings should be organized for 18 to 25 participants, and for the info-session up to 35.
- Media, like TV, newspapers, radio etc., are the source of information that is used by farmers the most. Internet is not used very often as a source of information. Even though significant number of respondents has an internet access in their homes, they are not used to using the internet as an information source.
- The trainings should be free of charge so farmers did not expressed willingness to pay. Limited number of commercially oriented farmers reported that they will contribute for trainings with duration of more than 7 days and in case study tour is also envisaged. Large number of the interviewed expressed willingness to pay for courses connected with increasing of production. The trainings about the good hygienic practices, agriculture mechanisation and on IPARD related support are with the lower ranking for the farmer's willingness to pay, but still much more higher than the rest of the topics. Training where tangible elements are less present (business, marketing, agricultural legislation, etc.) is less demanded.

3.2.6 Advisory services

In the country, agricultural advisory services are primarily provided by public sector institutions and increasingly by the private sector, including farmers associations. The private sector includes different categories service providers. The most relevant, though still limited at country level, are the individual advisors or consulting firms (agricultural engineers, economists, agronomists, soil specialists, plant protection specialists, veterinaries, etc.) that in some cases also avail of laboratories and professional equipment. Usually the frequency and distribution (number of advisors, range of available specific expertise) of delivered advice by

this category is directly related to the level of economic and demographic development of the specific regions, being more concentrated where agriculture is prosperous and economically important in the region. Their target groups are progressive farmers, willing and able to pay for specialist services, and agro-processors. In these regions, advice is also provided by input suppliers (seeds and seedlings, fertilizers, agrochemicals) and machinery and equipment suppliers, as part of pre- and post- sale company policies.

The range and the quality of services provided by the existing farmer associations and producer associations are variable and determined by their internal human and organizational resources and to the availability of international donor projects and funds. Generally, these still offer a limited range of services, use insufficiently diversified methods, address limited target groups and have a partial effect in satisfying the advisory needs.

The advisory system in the country is organised as pluralistic - public and private. The public advisory system is implemented by the National Extension Agency established in 2001 from the former State Bureau for instigation of agriculture. The transformation was facilitated by World Bank loan financed "Farmers Support" Project complemented by grant from the Dutch Government.

The aim of the transformation was to establish a professional demand driven and users managed Agency, securing its operating costs from supply of quality services to farmers. The managing board consists of representatives from MAFWE, education and research in agriculture and the agriculture producer's organisations. The activities of NEA, after being approved by the managing board, are adopted each year in form of Annual Working Plan by the Government.

NEA is performing its activities via 33 local units and additional 11 mobile units. Around 80 advisors are engaged in NEA. The remaining staff of around 50 is administrative support in the headquarters in Bitola. Among its regular extension activities, the Agency also acts as data collector for FADN system.

The NEA advisory capacity is narrow in scope of advisory services provided to farmers and in terms of advisory methods applied. The activities of NEA can be mostly characterised as extension i.e. acting as info points for information to farmers on the national support policies. The general education level of NEA advisors is relatively good (78% university graduates), but with general lack of skills updating (regular trainings or trainings out of date) their capacity to fulfil their tasks is inadequate to prepare farmers to the emerging technologies and production standards and towards the EU accession requirements.. There is no competence on agri-environmental aspects agriculture production or solutions to problems outside those directly related to primary agriculture production technology. Skills related to economic analysis and farm business management are very limited. NEA advisors lack skills in adult education and group training methods, and participatory techniques as well as one-to-one advice. Contacts with research, which could be a way to renew skills and encourage innovation, are very limited and in ad-hoc basis with narrow focus on production technologies, rather than advisory methods, innovations or economic/market analysis.

Presently, private sector is emerging in the area of extension and advisory services, but it is still in infancy phase. Some private market-oriented consulting companies, mainly individual-owned enterprises, were established with support provided under the IFAD project. The grant support for establishment of those companies was aiming to complement the lack of specialised expertise in the commercial banks for delivering loans to agriculture. After IFAD has seized, these companies had found their role in supporting applicants for IPARD I as well. However, the progress towards developing a vibrant, private commercial agriculture remains modest.

In the past/present experience of IPARD I implementation, the performance of the public and private advisory services has been pointed out as very weak or absent in providing quality support to potential recipients. Weak advisory services were being also identified as one of the main reasons for high rejection rate by the IPARD Agency and one of the factors for de-commitment risks. Absence of proper information and communication, qualified staff and organizational structure of the advisory services as well as lack of on-going training and information exchange are identified as areas to be improved.

Recognising this weaknesses in the advisory system, during 2013 the Government Economic Council has discussed strategic options for further reforms in this area. As a result, a draft Law on public advisory system was prepared by MAFWE and is due for its initial review in the second half of 2014. The draft legislation regulates the areas in which publicly funded advisory packages are to be provided to farmers as well as the role of the public and private institutions to deliver public advisory packages. The role of the agriculture NGO's is also recognised as provider of advisory services.

3.2.5 Access to credit

The access to credit has been one of the main problems limiting the development and modernisation of agricultural holdings. Although the situation has been improving since 2007, access to credit resources for rural and agricultural activities is very limited since the financial institutions are quite reluctant to invest the area.

The major lending risks identified are: ownership problems and seasonality of the production, rural enterprises are generally micro and small-scale, with low managerial and administrative skills. *Also the low interest of the financial institutions to finance agriculture and rural activities is due to a lack of knowledge of the characteristics and performance of the agricultural and rural businesses, lack of proper know-how and skills for appropriate analysis of the agricultural and rural businesses, for risk assessment and cost-effectiveness of the investments, and therefore lack of previous experience in approvals and disbursement of credits in this sector.* Furthermore, the high administrative expenses especially connected to the processing of the small loan applications makes the individual farmers and rural businesses less attractive for the banks and saving houses. The economic crises have further impacted the increased risk adverse behaviour by the banks largely avoiding funding of agriculture and micro and SME investments. Due to the recession, banks have tightened their criteria for lending to businesses, which is likely to have undesirable consequences on companies' investments and economic growth. The agriculture and food industry are among the worst affected sectors, since they are considered as risk sectors by the banks. *This risk*

averse behaviour by the financing sector had a significant influence on the performance of the IPARD I.

On the borrower's side, both farmers and rural entrepreneurs have generally low educational level, limited knowledge of commercial crediting (interests rates, repayment schedule, grace period, collateral etc.) and prefer to borrow informally.

The start of IPARD I implementation in 2009 and the recent growing interest for the IPARD funds has encouraged some of the banks to develop special lending products for small and medium-sized companies, including agricultural producers. To facilitate the access to credit of IPARD potential recipients, the IPARD Agency have negotiated an memorandum of understanding with the association of commercial banks, for mutual recognition of the IPARD application documents and approval procedures as to provide easier access of recipients with the same document package.

The access to credit has been facilitated by the activities of North Macedonia's Development Bank with the aim to support government SME policy and support to agriculture and rural development. In 2010, North Macedonia's Bank for Development Promotion has started administrating an Agricultural Credit Discount Fund (ACDF) - credit line intended for crediting of primary agricultural producers, agro-processing SMEs and agro-export SMEs. This credit line represents significant government instrument aimed to overcome the problems in rural and agricultural financing ACDF loans are disbursed through commercial banks and saving houses. In June, 2012 the Government has adopted urgent package of anti-crisis measures in which, among other measures, increase of the credit portfolio of North Macedonia's Bank for Development Support by additional 10.7 million EUR that was included under the Agriculture Credit and Discount Fund. Furthermore, the conditions for disbursement of funds to project aligned to the IPARD eligible projects were adopted.

Yet access to credit remains a significant problem for small and medium-sized agricultural producers and rural entrepreneurs, which limits their investment and reduces demand for grant support. MAFWE will follow the developments of the credit market, and, where feasible, will propose and implement measures to reduce barriers to credit access. One of the proposals for improving the absorption capacity of the available grant support schemes for investment was to establish a state guarantee instrument for the agriculture and rural businesses and micro-lending schemes.

3.3. Environment and land management

3.3.1 Risks of land abandonment and marginalisation

Intensification of agriculture (higher fertiliser and pesticide use, semi-natural grassland conversion to arable land and new irrigation developments) is posing a severe threat to biological diversity of the country. This process is reported in localized high production potential areas. Biodiversity loss due to land abandonment, in particular in those areas, leads to the deterioration and eventually disappearance of semi-natural habitats and traditional landscapes. Traditional management of grasslands and low input, high crop diversity mixed farming, which was maintained on high nature value habitats, has ceased in many marginal but environmentally valuable areas. Also, the country experiences an intensive urbanization

and expansion of some settlements, at the expense of agricultural land. In accordance with the data of CORINE Land Cover 2000, artificial areas in the country take 1,45% of the total area.

Dry land/grassland ecosystems occupy a large part of the country. They occur in the lowland and highland belt (highland pastures) and often in secondary habitats, primarily because of permanent degradation of forest phytocenoses (mainly Oak), but also due to recolonisation of abandoned farmland by grassland species. The ecosystems themselves are present at altitudes of from 60 m to approximately 1 200 m above the sea level.

3.3.2 Climate change impact on agriculture, needs for adaptation and mitigation measures[30]

The analysis results show that all necessary parameters needed for proper agricultural production head towards the direction of creating an adverse impact on agricultural production. The most important factors that cause constraints in agricultural production are water deficit, aridity, and emergence of a period of drought, i.e. increase of regions with an arid climate. Climate change will have a negative impact in almost all important agricultural regions, but the largest changes are expected in central and south eastern parts of the country. Vulnerable sub-sectors are: crop production, soils, and animal production. The downside risks for the agricultural sector of North Macedonia outweigh any potential benefits.

The following crops were defined as vulnerable crops:

- Vines/grape as the most important crop in Vardar Region;
- Tomatoes as the most important vegetable crop in a predominantly vegetable growing agriculture in the south-eastern part of the country (Gevgelija – Strumica);
- Winter wheat as the most important cereal in Skopje – Kumanovo and Ovche Pole region; Apples in the Ohrid - Prespa Lake region, especially Resen;
- Alfalfa as a crop with a very high water demand and huge importance in the livestock sector that is vulnerable in all agricultural regions of the country, especially for the Bitola region.

Under the assumption that crops would be planted without irrigation, already in 2025 a yield decrease for vulnerable areas and crops as a result of climate change of several tens of % is expected, depending on crop type.

Decrease of winter wheat will result in reduced food security, since it is the essential crop for food supply in the country. Decrease of grape production will affect not only farmers, but also the wine-producing industry that is in rapid development in the country. Decrease of alfalfa production will mean the decrease of livestock production and increased deficit in animal products (milk, meat, etc.) with a further negative impact on food security in the country.

For rain-fed wheat, the major growing areas in the continental and Mediterranean agro-ecological zones are projected to experience a moderate increase in yields of up to 10% for both 2025 and 2050. For rain-fed maize, moderate (0-10%) and severe yield declines (10-25%) are projected for the majority of North Macedonia by 2025 and almost all of North

[30] Third National Plan for Climate Changes"- Ministry of environment and physical planning and World Bank studies (list of references used can be found on http://www.climateadaptation.eu/macedonia/agriculture-and-horticulture/

Macedonia is projected to experience severe maize yield declines of up to 25% by 2050, with some highly vulnerable areas projecting catastrophic yield declines of greater than 25%. As maize is a summer crop, these declining yield projections can also be used, to some extent, as a proxy indicator for other rain-fed summer crops, like vegetables. The negative impacts of climate change on agriculture in the country are increasing.

Climate events in 2007/2008, 2011/2012 and 2013, with long dry periods and heat waves led to significant loss of production. Water shortage in the summer causes a significant lack of moisture for summer crops and annual crops. Less than 10% of agricultural land is irrigated, with the exception of the western parts of the country.

With a considerable proportion of the rural population dependent on agriculture for their livelihood, rural communities are particularly vulnerable to risks posed by changes that may occur as a result of climate change. This risk is further intensified by North Macedonia's relatively low productivity associated with a lack of adaptive capacity to the present climate, also known as "the adaptation deficit". This deficit refers to underperformance caused by a complex set of factors, including distortions and imperfections in agricultural output and input markets; poor quality public services in areas like agricultural education, extension, research and market information systems; delays in farm restructuring; undeveloped agricultural land markets; lack of access to finance; unsustainable management of soils; insufficient irrigation; and high vulnerability to natural hazards like droughts, floods, frosts, and severe storms.

The most significant impacts agriculture has on the environment are associated with soil degradation; water-logging and salinization as a result of unsustainable agricultural practices and land use; poor water management; biodiversity degradation; soil erosion. All of these issues increase the vulnerability of agricultural systems and rural livelihoods to external shocks such as climate change.

The forestry sector is expected to experience a high level of impact from climate change, especially boreal forests, where those impacts could be dramatic in terms of damage. The major sources of exposure (and associated impacts) for forests in the country are increasing temperatures, precipitation decreases, increasing frequency of forest fires, and changes in forest productivity.

Adaptation measures are needed for protection of natural disasters, environmental protection and sustainable resource management, as well as for adapting to climate change. These measures are more designed to reduce vulnerability to current climate change rather than protection from future extreme weather. Application of measures for adaptation to climate change shows increased yield and reduces the negative impacts of climate change. Change of sowing time or irrigation can contribute to significantly improvement of yields.

Also, appropriate measures considered for adaptation to climate change are: breeding cattle that are genetically resistant to heat, specially prepared feed and feeding techniques during periods of increased heat, accommodation conditions with adequate ventilation, cooling and air conditioning in the rooms and monitoring of productivity.

In recognition of this, consideration of climate change mitigation and adaptation has been integrated into the measure design process across the Programme. As with the environmental cross – cutting theme, this Programme encompass a number of actions which are designed to provide climate change benefits, including support for low emission slurry spreading, efficient irrigation systems, minimum tillage, tree planting, the protection of riverbanks from erosion, increase use of renewable energy sources, etc. In addition, Agri-environment-climate and organic farming measure is given a priority in the next round of application for entrustment of budget by the Commission, previously being included to this Programme. As the knowledge transfer measures also play a key role in this area, topics related to risks and mitigation of climate change will be introduced under the "Improvement of training" measure.

3.3.3 Biodiversity especially as linked with agriculture and forestry

National biological resources, represented by indigenous varieties, breeds and species should be preserved for the sake of economic, scientific, cultural, socioeconomic and environmental interests.

The bulk of the crops produced consist of commercial varieties, the major portion of which are imported from abroad, with a minor number of locally-developed varieties, mainly created by the scientific staff of the Institute of Agriculture in Skopje.

The number of varieties/species used in agricultural production within the country is evidence of great biological diversity. According the National List of indigenous agricultural plants and breeds of livestock, there are 410 indigenous plant varieties of different species. Based on this list, the Minister prescribes the method of monitoring and analysing the situation of indigenous species based on their level of endangerment and provides additional measures for preservation, collection and storage of required genetic stocks and their use for agricultural production. According the Council Regulation (EC) No 870/2004, in 2012 MAFWE established a Commission for protection of indigenous species and prepared the Programme for further protection measures.

In 2013, Gene-bank (part of the Agricultural Institute) maintained collection of 2 666 samples of 89 different species. The largest percentage of this collection cover fruit crops (including grapevine), with total number of 1 042 samples. Cereals represent 29% of the seed collection of the Gene-bank. According to the material status, majority are indigenous or local populations / varieties (1 187), most of which, especially in seed collection gathered over the past ten years.

Table 36: Number of specimen in the collection of the Gene-bank

Culture	Number of species	Selection material	Local population	Advanced varieties	Wild	H	Total specimen
Cereals	8	242	351	85		95	773
Leguminous	5	18	78		2	34	132
Industrial	3	21	11				32
Vegetables	28	28	368			5	401
Forage	21		22	9	209	1	241
Grapevine		46	234	158		1	439
Fruits	13	35	123	431		14	603

MAR	11				45		45
Total specimen	**89**	**390**	**1187**	**683**	**256**	**150**	**2666**

Source: MAFWE, 2013

The indigenous breeds and varieties of domesticated animals in the country are fully accommodated to local breeding conditions. During the past 50 years, however, new, more productive breeds have been introduced. Both the original introduced breeds and crosses with local varieties are still present today. Crosses between indigenous breeds/strains and imported breeds are known in recognizable local races:

- *Busha* is a local race of cattle found in highland and mountain areas. During the last 30-40 years, it was crossed with many introduced breeds. According to official statistical data, Busha comprise 30% of the total number of cattle raised.
- *Pramenka* (sheep) is represented by three strains: Karakacanska, Ovchepolka and Sharplaninka. While the Karakachanska strain is considered to be endangered, as classified by the Food and Agriculture Organization (FAO) (2000), the other two strains are widely used in sheep production.
- *Domestic (Balkan) goat.* Although its numbers are on the increase, it is difficult to make a clear distinction concerning this breed. The goats come in different colours (white, grey and multi-coloured), with outstanding long hair and sword-like horns.
- *Local primitive pig* is raised on ranges in the regions of Makedonska Kamenica, Strumica and Sveti Nikole. Although it is a very primitive breed, more field and laboratory research is needed in order to clearly define its status.

Forest ecosystems cover a large portion of the country and are found in several regions: The "Oak region" is distributed within the lowlands and highlands up to 1 100 m and covers 73% of the total forested area; The "Beech region" covers the mountainous areas between 1 100-1 700 m (about 22% of the total forested area). It may be differentiated into a sub-mountain and a mountain belt. The sub-mountain Beech forest region is present on 1 100-1 300 m altitude, where refugial types of Beech forests as well as Pine forest communities (Black pine) can be found. The mountain belt spreads between 1 300 and 1 700 m altitude (the area of the climatogenic assn. *Calamintho grandiflorae-Fagetum*) and is formed by various types of Beech, Beech-Fir forests and, in the secondary habitats, forests of White pine, Aspen and Birch are present. The "pre-mountain (subalpine) region" is located between 1 700 m and approximately 2,100 m of altitude. In these areas, the forests are almost destroyed. Forests of Spruce (*Picea abies*), Mountain pine (*Pinus mugo*) and Molika (*P. peuce*), however, as well as heath of *Bruckenthalia spiculifolia, Vaccinium myrtillus* etc., can be found.

3.3.4 High nature value farming (HNVF)[31]

The country has many high levels of biological diversity related to low intensive traditional agricultural practices Their distribution in the country is largely determined by the agro-ecological zones (Mediterranean, Continental and Alpine).

[31] Source: http://see.efncp.org/countries/macedonia/hnv-farming/ (different source used in this section will be referenced separately)

The small scale mosaic landscapes (HNVF type 2) in North Macedonia are mostly found within the continental zone. It comprises family gardens around settlements, small traditional orchards and standing trees, and household vineyards. Small scale family gardens (around settlements) and small traditional orchards are still managed in a very extensive way; tomatoes and peppers are the main crops. Such systems contrast with the intensive fruit and vegetable production methods which are becoming ever-commoner is some of the flatter valleys of the Southeast region.

Many local varieties of vegetable and fruits are still grown in the family gardens near or in the villages in a very extensive way. Traditional orchards represented mainly by pears, apples and plums, and vineyards are grown mostly for own consumption. It is estimated that the mixed farm land use is around 65 thousand ha (12% of UAA, excluding pastures).

The Alpine zone is best utilized for summer grazing for livestock (mainly sheep) and forestry as well as for extensive crop production in lower elevation areas, including oats, rye and potatoes. Cattle, sheep and goats are grazed on large areas of semi-natural and natural pastures almost all of the year. During the winter, flocks and herds are moved to the plain areas in the central part of North Macedonia. There are, for example suckler cow systems based on crosses with at least 20% of the traditional local breed (Busha).

Potential agricultural systems with high nature value in the country are: combined system of extensive pasturing on semi-natural grasslands and semi intensive agriculture, semi-natural meadows or planted meadows used for hay, winter pastures, summer pasturing on highland pastures, old extensive or semi-intensive orchards, and system of mosaic formations[32].

The good status of the pastures depends on the continuation of the extensive livestock grazing. Currently most of the pastures are under-grazed and abandoned due to the decrease of livestock in the recent years. This decrease led to the expansion of shrubby vegetation (e.g. Juniper and wild blueberry) and loss of the heterogeneity of the grass communities, change in the composition of herbaceous vegetation and degradation of the humic layer.

Sheep farming plays a very important role in the livestock sector. Semi-nomadic, using dual-purpose breeds, sheep are mainly found in the mountain areas on the northern, western and eastern borders. Sheep farms are usually family-owned, though there has recently, there has been a trend to establish more commercially-oriented units. The main products of the traditional sheep system are lambs and processed milk products, such as soft white sheep cheese (sirenje), yellow sheep cheese (kashkaval), sour milk, curds and whey. Fresh and dried salted mutton (pastrma) and wool are in comparison minor by-products. These systems are clearly HNVF (Type 1).

Another practice which depends on semi-natural areas is the collection of wild berries, mushrooms and plants, which in some areas accounts for up to 85% of the income of the rural population. Whether this could be considered as a farming system is doubtful, but it is certainly a very important socio-economic link between people and HNV farmland and forests.

[32] Agriculture with high natural value and agri-environment payments in North Macedonia, V.Stefanova, Skopje 2012

Intensive cereals cover around 39,7% of the arable area and are found mainly on the fertile lowlands. Some of these lowland areas (e.g. Pelagonija Important Bird Area-IBA, which is 89% arable) have significant populations of bird species such as lesser kestrel (Falco naumanni), European roller (Coracias garrulous); lesser-grey shrike (Lanius minor).

3.3.5 Water quality and its link with agriculture

The role of the MoH, through the Institute for Health Protection-Skopje, is to monitor the quality of drinking water as well as water used by agriculture producers for irrigation. The Institute for Health protection has 10 regional Institutes with the responsibility to monitor water quality according to the Preventative Health Programme. There is no formal monitoring system on water quality in vulnerable agricultural areas. Therefore, most of the data available for water quality are referring to the urban water quality and waste water quality.

The quality of the country's water resources ranges from satisfactory to poor. Quality is relatively good in the upper reaches of rivers, deteriorating rapidly in the middle and lower reaches. Untreated municipal and industrial wastewater discharge is the main cause of water pollution, but agricultural activities also contribute, threatening both surface and groundwater sources.

The water pollution risks are high in the intensive agricultural regions with mono-cropping patterns near the water sheds and lakes. Livestock farms are a particular problem for the ground waters. While average use of fertilizers has declined, from 90 kg/ha in 1994 to 45 kg/ha in 2002, some water bodies (including Bregalnica and Vardar rivers) are reported to suffer pollution from excessive nutrient loads, particularly in summer. Modernization and intensification of agriculture will further threaten surface and groundwater sources and reservoirs. Polluted water constrains farmers' crop choices, especially more profitable crops like vegetables and fruit.

Soil erosion also affects water resources, but currently receives limited attention. About 38 percent of the country is prone to high soil erosion due to topographical features and heavy rainfall, but in many cases, soil erosion is caused by unsustainable agricultural practices. Soil erosion has resulted in large amounts of sediment ending up in reservoirs and irrigation and drainage facilities, leading to a reduction of storage/flow capacity and damage of critical infrastructure.

3.3.6 Greenhouse gas emission

Agricultural generated air pollution has not been given appropriate attention as the majority of national initiatives focus on emissions from industrial plants and transport. Methane and ammonia emissions (so-called greenhouse gas emissions - GHG) originating from inadequate storage and application of slurry and manure occur in regions where there are significant numbers of livestock farms. The estimated share of the GHG emissions from the agriculture sector in the national emissions is 14.13%. Air quality is also affected in windy areas, as the upper layer of soil can be eroded causing sometimes pesticide and fertiliser pollution in areas where it accumulates.

It is evident that the main sources of the emissions are the enteric fermentation and agricultural soils, both with about 40-50% of the total CO2-eq emissions.

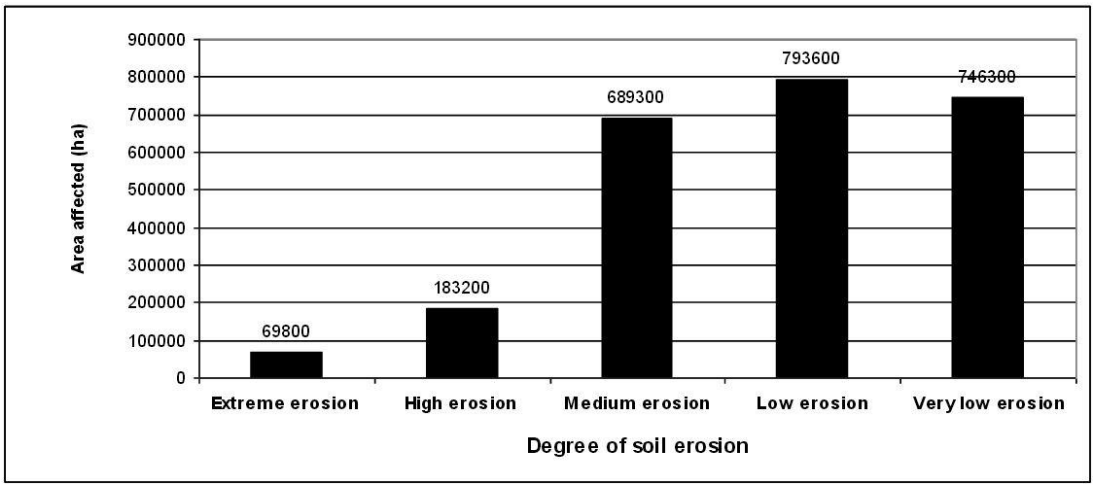
The total CO2-eq emissions in the country for the period 1990-2009 show that the main contributor to the total CO2-eq emissions is the energy sector with about 70% of the total emissions. The second biggest contribution comes from the agriculture sector with about 10-15%, while all other sectors are contributing with less than 10% each. The only exception from this general conclusion is in the year 2000, when due to enormous forest fires the emissions from the Land use change and forestry sector (LUCF) are about 18% of the total national emissions.

3.3.7 Soil quality and erosion

Soil-related environmental problems are (a) soil pollution by fertilizers and pesticides (localized particularly in fruit – apple, and vegetable producing regions), (b) loss of soil organic matter (due to mono-cropping, low organic fertilizer use), (c) soil compaction of the upper soil layers due to the both dryness and intensive rainfalls. Contamination of soil results also from local sources: In rural areas and around villages there are numerous unregulated/unorganized waste disposal sites. Estimated 200 ha are under unorganised waste disposal sites.

Soil erosion is one of the most important environmental problems and it has increased in the last decade. The combination of natural vulnerability (sloping terrain, vulnerable soil structures and occurrence of intensive rains), inappropriate land use (destruction of natural flora, conversion of grasslands for cash crop cultivation, establishment of large fields involving the destruction of former shelterbelts, landscape elements and field margins) and farming practices (overgrazing, use of monocultures, limited application of organic materials, ploughing of steep slopes, lack of soil conservation tillage techniques, insufficient land use for winter cover crops) contribute to the acceleration of erosion processes. Currently an estimated 38% of the country experiences medium to severe erosion processes, with an annual total soil loss of about 17.1 million cubic meters. Soil erosion results in large amounts of sediment ending up in artificial and natural accumulations and water beds, leading to a reduction of storage or flow capacity of water leading to damage of critical hydraulic infrastructure and to floods.

Figure 3: Area affected by degree of soil erosion



Source: University "Goce Delcev"-Stip, Faculty of Agriculture, 2013 (Trajkova F., Mihajlov Lj. and Zlatkovski V.)

Rapid urbanisation process for economic development takes it's tall in terms of conversion of agriculture land into construction land. It is estimated that in the last 7 years around 10 thousand ha annually are lost due to urbanisation process. Low land pastures are affected the most by urbanisation as their near settlement location is attractive and the category of soil quality is low. Portion of the urbanised land was done for agriculture purposes i.e. building farms, collection centres, etc. To prevent further loss of agriculture land, the Law on agriculture land has been amended to allow building of objects for agriculture on agriculture land without urbanising the building plot.

Permanent loss of the humus layer in the soil due to intensive mono cultures without crop rotation practices especially in the agriculture regions with intensive mono cultures like Strumica and Pelagonija is major threat to soil quality leading to low yields and permanent loss of humus cover in some cases. Also recent flooding events in 2011, 2012 and 2013 affected more than 10 000ha of agriculture land area leading to further soil degradation in these regions.

3.3.8 Renewable energy

The country is a signatory to the Energy Community Treaty according which it shall harmonize the national legislation in line with the existing EU legislation on energy, environment, competition and renewable energy sources. North Macedonia ratified the UN Framework Convention on Climate Change in 1997 and ratified the Kyoto Protocol in 2004. Also, North Macedonia is included among countries exempted from Annex I, i.e., countries without quantified obligations anticipated under referred international documents. As such country, it can use the Clean Development Mechanism (CDM) to attract foreign investments for projects aimed to reduce greenhouse gas emissions, including projects in the field of renewable energy sources. The country signed the Statute of IRENA (International Renewable Energy Agency – IRENA) which included it among countries founders of this international organisation.

Hydropower is most exploited renewable source of energy in the country. According to terrain and climate conditions, the country has potential for utilization the running waters of rivers, by building dams and the formation of larger and smaller accumulations. The potential

hydropower plants in North Macedonia can cover 10% to 20% of total demand for electricity.

Biomass in the form of wood or coal is used almost exclusively in the domestic sector. The main sources of biomass are: forest residues (including imperfect commercial wood, dead wood etc.) and wood processing wastes, agricultural residues and food processing wastes, energy crops, animal waste and urban organic waste. Biomass is mainly used by households and fulfils 30 – 33% of total energy needs. Around 430 thousand households (76%) use biomass for heating purposes. Wood and wooden coal account for 80% of total biomass used for energy purposes. Use of vine sprouts, rice chaff and fruit tree branches for energy purposes is also common, but major portion of straw is mainly used for fertilizers, animal feed and production of cellulose. Therefore it is not available for energy purposes. The country has large amount of biomass from agriculture available to be used as an energy source. The quantity is really large and it could bring to the theoretical generation of 1 500 GWh of electricity. The regions providing the major quantity of forest biomass are: South-west and Pelagonija, with a contribution of 31 and 19% of by-products, respectively that is 50% of total available sources of wood. These regions register the major extension of forest but at the same time a low exploitation rate of wood resources within the allowed cutting plans, compared to the other regions. Southwest in 2007 harvested only the 58% of planned cutting, and Pelagonija about 68%.

North Macedonia has great potential for use of biogas from animal manure for energy purposes and production of biofuel from oil bearing industrial and vegetable crops.

The first biodiesel plant was opened in 2007. The refinery is owned by private company Makpetrol and has a capacity of 30 thousand tonnes annually. About production of biodiesel fuel it uses unrefined oil from oil seed rape. At this stage non refined oil is supplied from imports. Two more factories for production of biodiesel fuel in North Macedonia are announced, of which "Blagoj Gjorev" in Veles will perform extraction of oil from sunflower, soybeans and turnips, and plans to have a total raw processing capacity of 20 thousand tonnes per year and produce 13 thousand tonnes of biodiesel fuel. Namely, the total biomass that is produced from agricultural fields, 40% must be returned to the soil, 30% is used for feeding animals or on farms, and the remaining 30% may be used for production of biofuels. Recent technology developments point out to possibility for establishment of small on-farm plants for biofuel production which can be produced by farmers for their own use and thus decreasing the fuel costs to production.

The country has a long-standing experience in terms of use of *geothermal energy* and has infrastructure for use of geothermal energy for heating and medical/health spa. Nevertheless, the potential of geothermal energy is under used. In the total consumption of primary energy, geothermal energy accounts for around 0,4%, while its share in the final energy consumption accounts for 0,5%. Use of this potential for energy purposes pertains to local government competences. Having in mind the relatively low temperature (highest temperature recorded is 78ºC in the Kocani region), it is mainly used to meet heating needs. Its basic (dominant) use is in regard to heating greenhouse complexes.

Although the country has more than 250 sunny days in the year, *the use of solar energy is limited to very few systems for heating water.* According to energy balance, the share of energy produced from solar energy in total energy consumption amounted to 7,4 GWh, or 0.04%. Currently there are about 16 thousand m^2 total installed solar surfaces to heat water. Solar collectors are modestly used in residential sector, business sector, hotels, camps, and homes. *Only few food processing plants have introduced solar system for water heating.*

Wind energy[33] production is limited for regions in which there is evidence of wind with constant direction (to be recorded in three years of measurements of wind speed). Geographical and weather conditions in the country do not allow installation of large wind power plants in power system. However there are certain locations where wind speed and its stability, giving the possibility for installing wind power plants. The Vardar river basin from Kumanovo to Gevgelija is considered to be the most favorable area for wind energy applications. Other areas of possible importance are the Pelagonija region, Kriva Palanka, Ohrid and other mountain areas.

According to the national Strategy of utilization of renewable energy sources till year 2020 and decision made under the Energy Law, the maximum planned installed capacity of wind power plants in the electric power system is from 150 to 180 MW, with annual expected electrical energy production from 300 to 360 GWh, and the overall electricity produced from wind power plants must be purchased by the market operator with a price of 89 EUR/MWh. Two wind parks are built in the country for production of electricity – Veles and Bogdanci. During the last years there are many projects and activities for measuring wind speed at several locations, and there are processes of making feasibility studies.

Indeed for a small country like North Macedonia, that currently produces internally a limited quantity of energy but at the same time has a very low annual consumption (about 8 900 GWh), the role of renewable energy becomes strategic, at local and regional level. The country still remains largely dependent on imported fossil fuels and experience chronic energy deficiency. Immediate area of opportunity is to improve the efficiency of residential, commercial, and public buildings, which account for up to 50 percent of energy consumption. The Government efforts are to exploit renewable energy sources, starting with hydropower (of some 5 500 GWh), but also wind, solar, and biomass. Other goals include increasing the use of natural gas and reducing the use of electricity in heating buildings. Investing in the energy sector is particularly important,as more than half of North Macedonia's firms indicate in surveys that electricity supply and its costs is a problem.

Although great natural and climate opportunities exist, there is lack of knowledge and investments in use of renewable energy sources for agriculture production.

3.3.9 Use of pesticides and fertilisers

Water pollution by nitrates and phosphates, pesticides and organic manures caused by agricultural sources are reported in the country especially in the lake waters. Although untreated municipal and industrial wastewater discharge is the main cause of water pollution,

[33]http://eprints.ugd.edu.mk/10016/1/Pages%20from%20energetika%202014%20zbornik%20vnutro%20OZE%20kor2-3.pdf

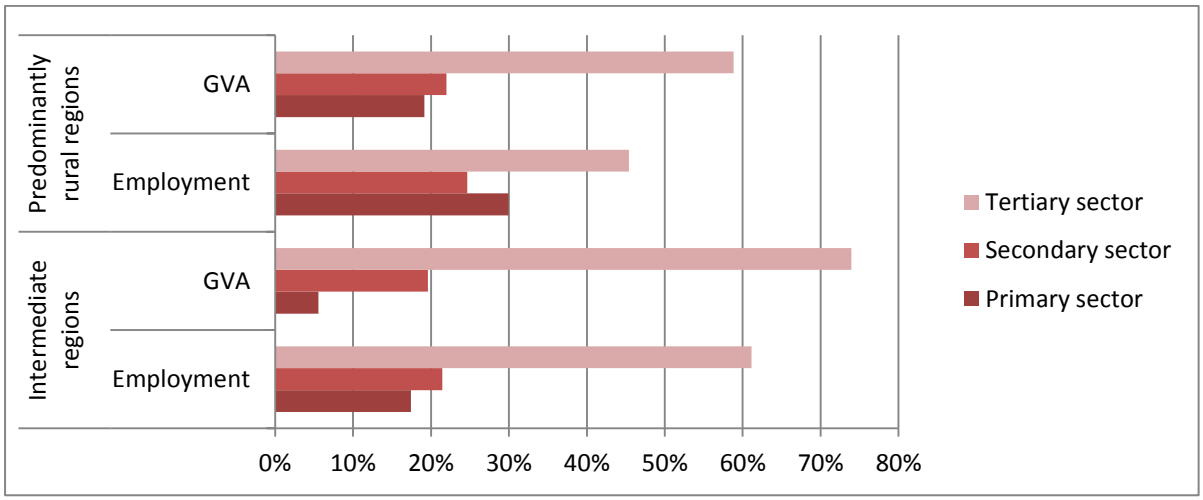
diffuse pollution of ground and surface waters with nitrates and phosphates (due to excessive application of mineral fertilisers and animal manures, especially in highly erosion-prone soils) occurs in areas where there are many intensive farms. According to the latest data there is a low use of mineral fertilisers on average (around 104 kg NPK per ha of arable land or 12kg NPK/ha agriculture land).

3.4. Rural Economy

Available statistics on GDP do not provide adequate details on rural economy. Thus for the purpose of this Programme, calculations for deriving the indicators for rural economy drivers have been made on regional basis according to the OECD definition.

In 2012, intermediate regions contributed 55% of the national GDP and the average GDP per capita in these regions was around 20% higher than the national per capita GDP (4 421 EUR versus 3 680 EUR national GDP per capita). In terms of the contribution to the national economy, the Skopje Region had the biggest share (42.4%) in the national gross domestic product.

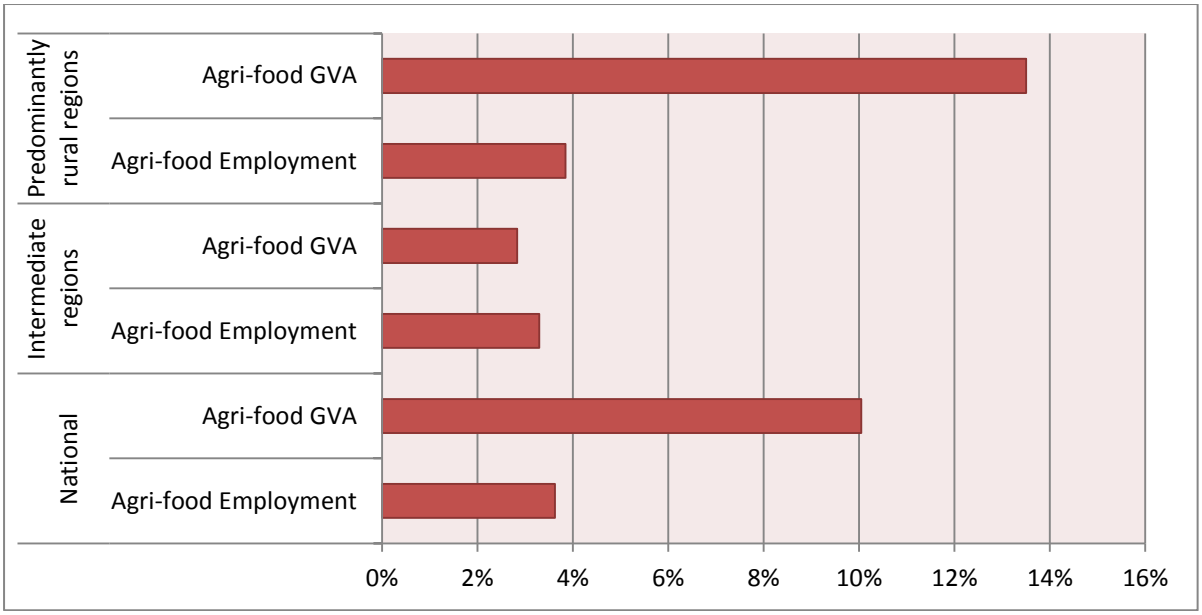
Figure 4: GVA and Employment in Rural Areas by Sector (%) (2012)



Source: SSO, 2013 (MAFWE calculations 2014)

Rural areas are highly dependent on agriculture. In 2012, in the predominantly rural regions, the share of agriculture was more than 50% than the national share of agriculture in GDP (13,5% vs. 9%) while the share of agriculture in intermediate regions was three times lower (2,8% vs. 9%). Still, the non-agricultural sectors (secondary and tertiary) generated more than 80% of GVA in rural areas (Figure 4).

Figure 5: Agri-food GVA and Employment in Rural Areas (%) (2012)



Source: SSO, 2013 (MAFWE calculations 2014)

In the predominantly rural regions, 3,8% of the total employment was in the agriculture and food processing sectors. This indicator is even higher bearing in mind that the majority of rural population is engaged in the agricultural sector (mainly subsistence/family farming) either as a main sources of income or as additional activity. (Table 37)

Table 37: Agricultural Holdings and Labour Force by Type of Region

Type of region	Agricultural holdings		UAA	Average size of the farm	Agricultural Labour Force (persons)		Agricultural Labour Force (AWU)	
	'000	%		UAA ha	'000	%	'000	%
Predominantly rural region	130.633	76,4	214.742	1,64	218.671	49,5	171.624	70,4
Intermediate regions	40.252	23,6	101.121	2,51	114.211	25,9	72.067	29,6
Total	**170.885**	**100,0**	**315.863**	**1,85**	**441.742**	**100,0**	**243.689**	**100,0**

Source: SSO, 2013 (MAFWE calculations 2014).

Almost all agricultural holdings and the agricultural labour force are located in the rural regions as 76,4% of agriculture holdings are located in the predominantly rural regions. There are significant differences between predominantly rural and intermediate regions in terms of average size of agricultural holdings and labour force. (Table 37).

Country studies related poverty assessment conclude that employment in agriculture sector only serves as social mitigation - mitigate poverty and unemployment, especially in the circumstances of high unemployment rate outside the agriculture sector. The comparison between exclusively agricultural households, mixed households (engaged in agriculture on

private properties, and where at least one member of the family is employed outside agriculture) and households without agricultural properties shows that mixed households produce highest incomes, then the agricultural households. The non-agricultural rural households are the poorest ones.

Studies have also shown a trend towards diversification of non-agricultural employment resulting from the economic need (to a lesser extent, attitudes towards agriculture) and confirm the positive correlation between income and number of non-agricultural activities that households undertake. There is no formal evidence of farms diversifying into non-agricultural activities in rural areas. However, it is estimated that around 30% of the farmers or member of the farm household are employed either as self-employed, employment in manufacturing or in the public sector. The employment or self-employment outside agriculture is in trade, construction or services. Majority of rural women are employed in the textile sector.

A critical weakness in the rural economy is the job creation, high costs of starting up new businesses and of employing new workers. This reason is also found as crucial affecting the national labor market from functioning effectively to reduce unemployment from its historically high levels. High long-term unemployment found in rural areas is related to the poor qualification structure of the unemployed.

The rural economy is largely dependent on the economic performance of the SMEs. The majority of the companies in rural areas operate in the construction or service sector. The service sector is concentrated in wholesale or retail trade and catering. The catering services in rural areas represented 15,4% of the total catering services. Around 4% of the total number of registered enterprises in the country is in the area of agriculture, hunting, forestry and fishery (3 072) – of which 24% are based in the rural municipalities.

3.4.1 Rural Tourism potential

There is a good potential for development of *tourism* in rural municipalities but it is still underdeveloped. Specialised surveys show that almost half of the national territory has a large resource potential for developing attractive tourist products. The majority of municipalities have sufficient natural and built resources to develop recreation tourism. However, tourism had a tangible contribution to incomes and employment only in Lake Municipalities (Ohrid, Resen and Dojran) and the city of Skopje.

Official statistics do not provide data focused specifically on rural tourism in all its forms. During the period 2008-2012, the leading tourist destinations were the lake areas, the most important one being the lake of Ohrid, followed by Skopje (22%), mountain areas (10%) and Spa's (4%), vacation and recreation and cultural tourism. Estimated 4% of the total accommodation capacities are located in the rural areas.

Currently rural tourism generates a very small share of the national tourism revenues. It is concentrated in a limited number of regions (mainly in the National Parks, East region and natural lakes). During the last few years a few villages located close to the lake resorts also offer rural tourism accommodation.

As reported, due to the government campaigns in promoting the rural tourism potential, *the domestic tourism has increased by more than 100% - mainly one day or weekend tours*. The number of travel agencies that offer rural tourism is small but their experience shows that the demand for rural tourism is growing. Most of the rural sites are visited by domestic tourists during their holidays or during weekends /national holidays. There are rural tourist products offered to foreign markets as well, but mainly as complementary product to commercial holidays in Ohrid.

Accommodation is a key element of the tourism supply that strongly impacts on the level of tourism development and its impacts on a particular area. The concentration of provision of tourist accommodation is in 7 municipalities (Skopje, Ohrid, Struga, Resen, Berovo, Mavrovo, Gevgelija). Because of this concentration at present tourism development in many areas of the country is hampered by the lack of accommodation, while in others the key gap is the quality/standard of accommodation and the respective accompanying services provided.

Among the greatest obstacles for tourism development in rural areas is insufficient development of tourism attractions and facilities as well as difficult access to tourism amenities, national parks and tourist sites primarily due to the poor condition of the road infrastructure.

The highest number of unemployed people with professional qualifications required for work in the tourism is in the Southwest region (1 205) and in the Skopje region (1 307). *There is a significant problem of lack of trained human resources, and of strategic planning and marketing of rural tourism resources and products.* From the available data on the unemployed people in the rural areas, the National Strategy for Rural Tourism 2012 - 2017 estimates that additional training for specific subsectors and services related to rural tourism could greatly add to the development of this sector. The strategy recommends that the trainings target the active population between 15 to 39 years (in all regions) with some qualifications to work in the tourism.

Almost all municipalities have stated rural tourism as one of the objectives in their local development strategies, mainly emphasising its natural and cultural potential as rational. Nearly two-thirds of rural municipalities identified in their strategies specific infrastructure projects for rural tourism development. Thus, there are projects already identified for the development of tourism infrastructure, restoration of historical and cultural monuments, and other tourism related projects. About one-third of these projects are located in smaller rural municipalities, and in settlements with population below 150 inhabitants.

3.4.2 Promotion and development of SME in the rural areas

In the majority of rural regions, however, manufacturing is represented mainly by small companies, serving local/regional markets. Almost all of the food processing industry (except for meat processing and slaughterhouses) is located in rural areas. *In all regions the development of industry is constrained by the quality of road infrastructure and business related infrastructure and increasingly by the shortages of qualified labour.*

Table 38: Rural Business Entities

Type of Region	Total Number	Number of business entities by number of persons employed					
		0	1 - 9	10 - 19	20 - 49	50 - 249	250 +
Predominantly rural regions	36.163	1.484	31.764	1.338	864	652	61
Intermediate regions	35.127	2.931	28.835	1.651	923	639	148
Total	**71.290**	**4.415**	**60.599**	**2.989**	**1.787**	**1.291**	**209**

Source: SSO (2012), published 2013 (MAFWE calculations, 2014).

There is an *underdeveloped SME* sector in rural areas. The business demography indicators (number of business entities per 1 000 inhabitants) indicates that SME density in predominantly rural regions is less than the national average (32 per 1 000 inhabitants) while the SME density is relatively high in the intermediate regions (45 per 1 000 inhabitants), reaching the EU 27 average of 45 per 1 000 inhabitants. (Table 38).

As per LAU 1 level, the average number of businesses per thousand inhabitants in rural municipalities (municipalities with headquarter in village) is 18 compared to average of 36 in urban municipalities (with a headquarter in towns).

Agri-food SMEs in the rural areas work predominantly for the local (municipal/regional) market, except the fruit and vegetable processing and trade enterprises and wine processors which export their products. Specialty/niche food products sector is currently a small one in terms of number of enterprises as it is largely performed at agriculture household level. In the fruit and vegetables sector, the FVA has registered 104 companies out of which nearly half (43 companies) are located in villages with a total of 1 165 permanent employees. Of these, only 22 companies processed vegetables, 4 deal only with fruit, while 17 companies have a combined processing (fruits and vegetables). Most of the enterprises for processing of fruits and vegetables are classified as micro (16) and small enterprises (21), and 20% of them (14 enterprises) are specialising in producing special niche products like “ajver”, “pindzur” and “lutenica”. Concerning wine processors, out of total 80 registered wineries in 2013, more than half have processing capacities located in rural areas.

The access of rural SMEs to business consultancy services is weak. The Ministry of Economy via the Agency for promotion of SME supported the creation of a network of advisors and promoted voucher system of use of consultancy services. To support the self-employment, the Agency for employment runs a soft loan schemes for business establishment and self-employment. The main interest in using this scheme is agriculture, trading and services, and the lowest interest is in crafts.

The efforts to promote entrepreneurship and crafts in rural areas are constrained by the poor educational status of the labour force and lack of professional experience.

The entrepreneurship promotion schemes operated in rural areas to date, revealed that there is a lack of mature business ideas and entrepreneurial skills and knowledge. *Business start-ups are constrained by low incomes/ low purchasing power of rural residents and the saturation of sectors that require low start-up capital (small retail shops, restaurants, communal services). Currently the lack of start-up capital is a significant barrier for the development of viable businesses.*

3.4.3 Crafts

The crafts sector is relatively small, diversified and spread all over the country. This sector has been identified with a great potential for development on a national level, important in creating income and jobs, especially in the rural areas that are more isolated and not so compelling for the other types of businesses[34]. Still this sector has been stagnating in the last years and there is a tendency of extinction of some of the traditional craft making.

In terms of employment in this sector, the analysis from the Strategy of Crafts Chamber 2012-2020 shows that majority or 61% from the craftsmen are employing one person only and 35% employ from one to five persons.

In accordance with the legal framework the following activities are defined as craft activities: Manufacturing and small scale production; Services; Artistic craft; Home base handcraft.

Regarding the type of activity, the biggest share in the total craft activities goes to crafts for which no special education is required and crafts that require premises (15% respectively) followed by food and beverages production with 13%, electrics and machinery (12%), construction (10%), personal services (9%), textile and leather (7%) and minerals (5%). The remaining activities ranging between 1%-3% share are wood manufacturing, paper manufacturing, plastic and rubber, health and personal care and handmade (artisanal) crafts.

According to the Craft Chamber, the major areas of home manufacture in the craft sector are as follows:

- Weaving (Eastern Part of the country, in villages around Delcevo, Berovo, Pehcevo, Kocani, Vinica, Western part of the country, in villages around Tetovo);
- Embroidery, knitting and sewing (Central area of the country, villages around Krusevo, Bitola, Resen);
- Pottery, (villages around Kicevo, Veles, Strumica);
- Woodwork, woodcarving and wood processing (Eastern Part of the country, in villages around Delcevo, Berovo, Pehcevo, Western part of the country, in villages around Tetovo and Gostivar);
- Blacksmiths (South of the country, villages around Strumica);
- Felt production (Eastern Part of the country, in villages around Delcevo, Berovo, Pehcevo, Kocani, Vinica, Probistip).

According to the Strategy of Crafts Chamber 2012-2020, majority of the constraints for development of the crafts sector are grouped related to taxation, small market and increasing competition from imports and non-registered craftsmen and crafts trade workers, outdated equipment, unfavourable finances and insufficient access to credits, insufficient training and lack of continuous professional improvement and lack of promotion of crafts for employment.

3.4.4 Provision of services in rural areas

The population in rural areas is significantly deprived in terms of population in urban areas in many respects. For those who live in rural areas, the problem of access to banking services face 36 %, access to postal services 24% and access to cultural facilities 20%. Basic

[34] National Strategy for Crafts Development 2012-2020, Ministry of Economy

transportation services are not available or are difficult to access for 22% of the populations in rural areas[35]. The need to improve the road network in rural areas is highlighted as a high priority, both in lowland villages (51%) and in the mountain villages (54%).

Accessibility to primary schools is somewhat satisfactory for children from rural areas, in terms of secondary education; distance negatively affects access to education. The telephone network (fixed line and GSM) is covering the entire territory of the state, while the Internet is increasingly used. The spread of the Internet has incredible growth in recent years from 1,5% in 2000 to 58,3% of households in 2012[36]. National and local television, including cable and satellite, and radio are available throughout the country.

The quality of physical and social infrastructure in rural areas has deteriorated significantly due to under-investment in infrastructure development and maintenance. This results in deterioration in the quality of life and threatens the ability of rural areas to maintain their population and attract investments.

The quality of the infrastructure differs by type and size of settlements. In the country there is a dense network of small rural towns or larger villages (above 3 000 inhabitants) surrounded by rural villages. Not in all municipalities, the rural settlements are grouped around the municipal center. In rural municipalities with larger territories or prevalently mountainous, villages can be of distance above 20 km from the municipal center. The state institutions are located in the municipal center, providing part of the basic services for the rural population – secondary and/or vocational schools, health care, bank offices, etc.

A special problem is the high share of the rural population living in small settlements. Thus, 81% of the rural population lives in settlements bellow 10 000 inhabitants. However, the problem increases as there are 1 573 settlements (89% of total number of settlements in the country) with a population below 1 500 people and in these settlements reside 35% of the total rural population and 19% of the total population. Within this category, about 13% of the rural population lives in very small settlements with below 500 residents.

Table 39: Distribution of Rural Population by Size of the Settlement

Population of the settlement (range)	Number of settlements	Share of settlements %	Number of population	Share of population in total rural % (total national %)
up to 500 residents	1 283	73%	148 649	13% (7%)
500 – 1499	290	16%	248 286	22% (12%)
1 500 – 4 999	149	8%	379 730	33% (19%)
5 000 – 9 999	23	1%	153 470	13% (8%)
10 000 – 29 999	12	1%	211 564	19% (10%)
Total rural population	**1.757**	/	**1.141.699**	**100%(56%)**

Source: SSO, Population Census 2002 (MAFWE calculations 2014). *city of Skopje excluded

[35] European Foundation for the Improvement of Living and Working Conditions, "Quality of life in the enlargement countries: Third European survey on quality of life - North Macedonia 2013"
[36] SSO, "Use of information and communication technologies in households and by individuals, 2012"

Municipalities have significant problems to maintain the quality and access to basic services in small settlements. Given the small size of the population the access to basic services of the population in small settlements is highly dependent on the quality and accessibility of the road infrastructure. It is worthwhile to mention that 158 settlements are without permanent population but owners of the houses are visiting seasonally – usually during summer and those areas are of particular importance for rural tourism.

People living in rural areas are less satisfied with the quality of life than those living in urban areas, which have been a magnet for the migration of young people from the countryside, leaving behind a more vulnerable and poorer population in the villages. Therefore there is a need for rural development policies to increase investment in infrastructure to make the villages once again attractive places for young people and entrepreneurs to live and work. Programmes to promote lifelong learning in rural areas, to establish industrial zones for small manufacturing and service industries, to develop rural cooperatives and social enterprises, and to promote networking of associations and community organisations to build rural social capital are needed to achieve these aims.

3.4.5 Infrastructure provision

Social Infrastructure

There is lack of planned investments in infrastructure in the area of social protection in all municipalities. Municipalities generally invest in capital investments in facilities for preschool children, elementary and secondary schools. All rural municipalities have elementary schools, but lack of pre-school facilities i.e. day care for children and kindergartens. The provision of high schools is in the municipal headquarters and the pupils from villages depend on regular transport or lodging in the public internats if available.

There are almost no investments for construction of retirement homes and centers for early child development[37].

Concerning the health infrastructure, MoH does additional efforts to develop system for the primary health care network and bringing health care system to the population in order to accomplish policy for accessibility of health care. For this purpose 16 new health care facilities are built in rural areas and it is expected between 35-40 thousand people to receive services in primary health care. However, access to medication supply and pharmaceutical stores is limited in rural areas and is considered as problem by the rural dwellers.

Technical Infrastructure

The total length of road network in the country is 13 393 km of which 1 116 km are motorways, 3 806 km are regional, and 9 471 km are local roads. Rail transport is poorly developed and includes a network of 699 km of open line tracks, 227 km of tracks in stations and depots and 160 km of industrial tracks[38]. Notwithstanding the ongoing government and municipal investments in road infrastructure (modernisation and expansion), more remains to

[37] Ministry of Labour and Social Affairs, "Analysis of the situation in the social care and social inclusion at local level 2010"
[38] National Infrastructure Programme 2011-2013 (OG 23/2011)

be done, as the condition of the road network is still worse than that of neighbouring countries and EU averages[39].

Table 40: Local roads by type of region

Type of region	Local roads	Asphalt and paved	Macadam	Earth roads	Pathways
Predominantly rural regions	6.876	3.316	519	2.063	978
Intermediate regions	2.595	1.543	197	600	255
Total	**9.471**	**4.859**	**716**	**2.663**	**1.233**

Source: Public enterprise for roads, 2013 (MAFWE calculations 2014).

There is an emerging need to improve physical infrastructure and quality of basic services in the rural areas in order to improve their competitiveness and ability to retain younger and better educated population.

Most of the smaller settlements (e.g. villages in rural areas) do not have any sewage system and septic tanks or uncontrolled discharge of wastewater is used. The share of rural population with public sewage is small and is estimated at 17,7% of total population. The total population in rural areas with no installation for waste water disposal is 8,9% (4% of total population)[40].

The power supply is available to 99,75% of the population in rural areas and is made possible by a well developed transmission and distribution network with sufficient capacity electrical energy sources (1 430 MW) which provide a regular supply. *Electricity network in dwellings in rural areas is not modernized to withstand regular uninterrupted supply of energy to domestic devices.*

Around 60% - 70% of the population is benefiting from the public system for collecting waste performed by public enterprises, but only 10% of the populations in rural areas receive regular collection services for solid waste. General practice is collection of non-separated communal and non-hazardous industrial waste as well as non-hazardous and hazardous non-separated waste fractions[41].

3.4.6 Cultural heritage and built environment in villages

The cultural heritage is located in the rural areas and has the biggest development potential considering the diversity and quality of cultural and historical treasures and archaeological sites in the country and the increasing interest in cultural tourism on the market. There are 15 123 objects registered as immovable cultural heritage (2 567 monuments from the Neolithic to Ottoman historical period archaeological sites 5 160, 4 681 memorial monuments, 1 286 objects of urban, rural and commercial architecture, 29 segments of urban and rural complexes, churches and 1 156 monasteries, 61 medieval buildings, forts, bridges, towers, 112 mosques, 71 other objects originating from 15 to 19 century) and 500 000 museum relics.

[39] World Bank "Country Program Snapshot, April 2014"
[40] SSO, "Census of Population, Households and Dwellings 2002"
[41] Ministry of Environment and Physical Planning, "National Plan for Waste Management (2009 - 2015) of North Macedonia

Institutional responsibility for cultural heritage is under the Department for Protection of Cultural Heritage under the Ministry of Culture.

Currently, there are several rural settlements protected as monuments of culture and natural rarities: Village of Galichnik (from 1975), Rural area Kitchinica (from 2004), Rural area Gari (from 2003), Historical area Smilevo (from 2003), Rural Area Zeleznec (from 2004), Urban area of Village Konjsko (from 1979) and Village Gorno Vranovci (from 1981).

According to the National Strategy for cultural development 2013-2017, strategic aim is to decentralise the cultural events from urban to rural areas, thus promoting the cultural heritage, tradition and local values and its link to rural tourism. This also requires development of the road infrastructure as most of the cultural heritage is located in outmost rural areas and the nearby settlements are with less than 150 inhabitants and affected by outward migration.

3.5. Preparation and implementation of local development strategies – LEADER

Experience in local development strategies

Almost every municipality in the country has adopted its own strategy document by which is determined and managed local development such as the Strategic Plan for Sustainable Development, Strategic development plan or Strategies for local economic development (SLED). The largest number of municipalities have already prepared and adopted SLED. Additionally, municipalities (within its legal obligations) have formed Department / Unit for Local Economic Development (LED). Trainings were provided to the core staff on local development planning and project preparations. Among other, these organizational units are responsible for the preparation and implementation of development strategies.

Usually SLED are made with involvement of representatives from various sectors and representatives of local stakeholders through participative planning methods. Preparation processes of local development strategies was partly supported by various donor projects, UNDP being the most active. Needs have been identified based on assessment of the local situation, infrastructure, economic development, from the perspective of the environment or quality of life and measures were defined through a strategic plan - including vision, strategy and development goals, as well as a brief overview of the programs and projects to be implemented through the budget and other funds of the municipality. Local strategies, including SLED were and remain basic municipal strategic documents for defining and management of local development.

LEADER like initiatives

The country has not implemented LEADER measure under the pre-accession programme (IPARD I) and has no experience in implementation of LEADER type measures. In order to promote LEADER approach and to build capacity for the implementation of LEADER measures, MAFWE initiated or supported several projects that employ LEADER methodology.

Since 2005 the establishment of LEADER type local action groups has been also supported by projects funded by bilateral aid.

Support for preparation of LDS was provided to municipal administration. Several donor organizations such as USAID and UNDP supported municipalities in developing and implementing their SLED, as to support the country's decentralisation process.

By introducing "bottom-up" approaches for development and participation of local inhabitants and locally established private businesses, they contribute to the strengthening of local capacities and approaches for development planning. The focus of these efforts was not purely aimed at rural development but rural development actions were introduced depending on the rurality of the territories concerned.

USAID supported total of 32 urban and rural communities. In 20 rural municipalities they supported preparation of SLED containing five strategic components (infrastructure, local economy, agriculture, tourism and human resources) and introduction of so-called Municipal Planning Board (MPB) with 20 to 100 members from various sectors (PPP). With USAID project 400 participants were trained in strategic planning, networking and tools for project implementation.

Through the Programme for Regional Economic Development (GIZ RED) in four (East, South East, South West and Polog) of eight regions Programs for Regional Development were made through a participatory approach involving all stakeholders. Also 70 pilot projects were supported (in nature very similar projects within the LEADER approach), which resulted in the creation of new jobs, better tourist offer and cleaner environment.

North Macedonia's program to support the Agricultural advisory services (MAASP, Phase II, funded by SIDA - Swedish International Development Agency) is the first programme in North Macedonia practically supporting the implementation of initiatives such as LEADER in the previous five pilot municipalities (established in 2007). First, members were identified of local action group similar to LEADER called Local group for rural development (LGRD). The LGRD were organized on the principles of public-private partnership (PPP) including a local organizer engaged by MAASP. All LGRD members were trained about LEADER approach and issues related to rural development, strategic planning using participatory methodologies and bottom-up approaches and were introduced to the program concept. Since 2009, under this project 5 LEADER type local action groups were established but on municipal level, covering less than 2% of the rural population. Additional 11 more municipalities were selected bordering the first 5 pilot municipalities, thus forming together five micro regions. In according to the developed strategies, LGRD were supported to implement small projects with funds of about EUR 1 000 to EUR 3 000. Supported actions were concerning mostly seminars and local events (e.g. slow food fair, honey fair, handicrafts fair etc.).

The basics for implementing LEADER measure are set down in the Law on Agriculture and Rural Development in compliance to the EU regulation. In accordance to the national legislation, MAFWE is responsible for LAG's registration. Thus, during 2012, a unit responsible for LEADER coordination was created under Department for IPARD

management (MA) and a LEADER country strategic approach was prepared. By-laws for recognition of LAG's and preparation of LDS were adopted in the beginning of 2013. *At present, there is no LAG formally registered.*

National Rural Network

There is no formal establishment of National Rural Network in the country. However, MAFWE has supported establishment of civil association - Network for Rural Development of North Macedonia (RDN was established on March 20, 2010) as part of the activities under the SIDA funded North Macedonia's program for support of Agricultural advisory services MAASP. Establishing a network for rural development in North Macedonia is a clear and constructive idea, based on the LEADER principles and on the solid basis of people and knowledge, which are created by implementing activities using the LEADER methodology. RDN in their programme continues to support five more municipalities in the process of developing sub strategies for rural development and continues its mission of capacity building skills and knowledge of the actors from rural areas to enable them to implement their goals, and development programs. At the international level RDN is a member of the European LEADER Association for Rural development (ELARD) located in Brussels. (see section 9. of this Programme)

3.6. Context related baseline indicators

Socio-economic indicators				
1. POPULATION				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Total	inhabitants	2.065.769	2013	SSO, Population statistics (2014)
Predominantly rural	inhabitants	1.219.217	2013	
	% of total	59,02	2013	
Intermediate	inhabitants	846.552	2013	
	% of total	40,98	2013	
2. AGE STRUCTURE				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Total <15	persons	348.416	2013	SSO, Population statistics (2014)
	% of total	16,87		
Total 15-64	persons	1.461.625	2013	
	% of total	70,75		
Total 64<	persons	255.728	2013	
	% of total	12,38		
Predominantly rural <15	persons	200.822	2013	
	% of total	9,72		
Predominantly rural 15-64	persons	878.915	2013	
	% of total	42,55		
Predominantly rural 64<	persons	139.665	2013	
	% of total	6,76		
Intermediate <15	persons	147.594	2013	
	% of total	7,14		
Intermediate 15-64	persons	582.710	2013	
	% of total	28,21		
Intermediate 64<	persons	116.063	2013	
	% of total	5,62		
3. TERRITORY				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Total	km2	25.713	2013	SSO, Regional Statistics, (2014)

Predominantly rural	km2	17.418[42]		
	% of total	67,74		
Intermediate	km2	6.688[43]		
	% of total	26,01		

4. POPULATION DENSITY

Indicator	Measurement	Indicator Value	Year of reference	Data sources
Total	inhabitants/km2	80	2013	SSO, Regional Statistics, (2014)
Predominantly rural	inhabitants/km2	70	2013	
Intermediate	inhabitants/km2	127	2013	

5. EMPLOYMENT RATE

Indicator	Measurement	Indicator Value	Year of reference	Data sources
Employed persons	persons	678.838	2013	SSO, Labour Force Survey (2014)
Employed persons – male	persons	407.531	2013	
Employed persons - female	persons	271.307	2013	
Employed persons aged 15 - 64	persons	673.021	2013	
Share of total population aged 15 - 64	% of total population aged 15 - 64	46,02	2013	
Employed persons aged 20 - 64	persons	666.326	2013	
Share of total population aged 20 - 64	% of total population aged 20 - 64	50,37	2013	
Employment rate	Employed persons as a percentage of the population of working age (15-64 years)	40,60	2013	SSO, Regional Statistics, (2014)
Employment rate in predominantly rural regions	Employed persons in predominantly rural regions as a percentage of the population of working age (15- 64 years)	40,83	2013	SSO, Regional Statistics, (2014)
Employment rate in intermediate regions	Employed persons in intermediate regions as a percentage of the population of working age (15- 64 years)	44,60	2013	SSO, Regional Statistics, (2014)

6. UNEMPLOYMENT RATE

Indicator	Measurement	Indicator Value	Year of reference	Data sources
Unemployed persons	persons	273.860	2013	SSO, Labour force survey 30.06.2013

[42] Only land territory taken into account.
[43] Only land territory taken into account.

Unemployed persons - male	persons	168.315	2013	
Unemployed persons - female	persons	105.545	2013	
Unemployed persons aged 15 - 24	persons	49.980	2013	
Share of total active population aged 15 - 24	% of total active population aged 15 - 24	51,84	2013	
Unemployed persons aged 24 - 74	persons	223.421	2013	
Share of total active population aged 24 - 74	% of total active population aged 24 - 74	26,10	2013	
Unemployment rate	Unemployed persons as a percentage of the labour force	29,00	2013	SSO, Regional Statistics, (2014)
Unemployment rate in predominantly rural regions	Unemployed persons rate in predominantly rural regions as a percentage of the labour force	30,55	2013	
Unemployment rate in intermediate regions	Unemployed persons in intermediate regions as a percentage of the labour force	25,75	2013	

7. GDP PER CAPITA

Indicator	Measurement	Indicator Value	Year of reference	Data sources
National	EUR/inhabitants	3.680	2012	SSO National Accounts (2014)
Predominantly rural	EUR/inhabitants	2.947	2012	
Intermediate	EUR/inhabitants	4.421	2012	

8. STRUCTURE OF THE ECONOMY

Indicator	Measurement	Indicator Value	Year of reference	Data sources
Total GVA	EUR mill.	6.428	2012	SSO National Accounts (2014)
Primary sector	EUR mill	754	2012	
	% of total GVA	11,7	2012	
Secondary sector	EUR mill	1.332	2012	
	% of total GVA	20,7	2012	
Tertiary sector	EUR mill	4.342	2012	
	% of total GVA	67,5	2012	

9. STRUCTURE OF THE EMPLOYMENT

Indicator	Measurement	Indicator Value	Year of reference	Data sources
Total	1 000 persons	718,2	2012	SSO National Accounts (2014)
Primary sector	1 000 persons	178,1	2012	
	% in total employment	24,8	2012	

Secondary sector	1 000 persons	167,7	2012	
	% in total employment	23,3	2012	
Tertiary sector	1 000 persons	372,4	2012	
	% in total employment	51,8	2012	

10. LABOUR PRODUCTIVITY BY ECONOMIC SECTOR				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Total	GVA (EUR)/persons employed	8.950	2012	SSO National Accounts (2014)
Primary sector	GVA (EUR)/persons employed	4.232	2012	
Secondary sector	GVA (EUR)/persons employed	7.943	2012	
Tertiary sector	GVA (EUR)/persons employed	11.660	2012	

Sectorial indicators

11. EMPLOYMENT BY ECONOMIC ACTIVITY				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Agriculture	1 000 persons	70,5	2013	SSO, Labour Force Survey (2014)
	% of total	10,4	2013	
Forestry	1 000 persons	2,3	2013	
	% of total	0,3	2013	
Food industry	1 000 persons	17,5	2013	
	% of total	2,6	2013	
Tourism	1 000 persons	24	2013	
	% of total	3,5	2013	

12. LABOUR PRODUCTIVITY IN AGRICULTURE				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Total GVA per full-time employed person in agriculture	EUR/per AWU	5.903	2012	SSO, EAA (2014)

13. STRUCTURE OF AGRICULTURE PRODUCTION				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Total value of agriculture production	GAO (EUR million)	1.264,6	2012	SSO, EAA (2014)
- cereals	% in total GAO	8,2	2012	
- vegetables	% in total GAO	35,6	2012	

- perennials	% in total GAO	13,4	2012	
- industrial crops	% in total GAO	6,6	2012	
- fodder crops	% in total GAO	5,2	2012	
- livestock	% in total GAO	23,2	2012	

14. LABOUR PRODUCTIVITY IN FOOD PROCESSING

Indicator	Measurement	Indicator Value	Year of reference	Data sources
Total GVA per person employed	GVA(EUR)/per person	13.700	2012	SSO (2014), MAFWE calculations

15. AGRICULTURE HOLDINGS

Indicator	Measurement	Indicator Value	Year of reference	Data sources
Total	1 000 agriculture holdings	171	2013	SSO, Farm Structure Survey (2014)
Average farm size	ha UAA/holding	1,85	2013	
Farm size 0 ha	1 000 agriculture holdings	1,89	2013	
	% of total	1,11	2013	
Farm size < 2 ha	1 000 agriculture holdings	131,55	2013	
	% of total	76,98	2013	
Farm size 2 ha - 4,9ha	1 000 agriculture holdings	27,61	2013	
	% of total	16,16	2013	
Farm size 5 ha - 9,9ha	1 000 agriculture holdings	7,20	2013	
	% of total	4,21	2013	
Farm size 10 ha - 19,9ha	1 000 agriculture holdings	1,96	2013	
	% of total	1,15	2013	
Farm size 20 ha - 29,9ha	1 000 agriculture holdings	0,38	2013	
	% of total	0,22	2013	
Farm size 30 ha - 49,9ha	1 000 agriculture holdings	0,11	2013	
	% of total	0,07	2013	
Farm size 50 ha - 99,9ha	1 000 agriculture holdings	0,09	2013	
	% of total	0,05	2013	
Farm size above 100 ha	1 000 agriculture holdings	0,09	2013	
	% of total	0,06	2013	

16. AGRICULTURE AREA

Indicator	Measurement	Indicator Value	Year of reference	Data sources
Total UAA	1 000 ha	1.261	2013	SSO, Agriculture statistics (2014)
Arable land	1 000 ha	413	2013	

	% of total UAA	32,7	2013	
Permanent grassland and meadow	1 000 ha	810	2013	
	% of total UAA	64,2	2013	
Permanent crops	1 000 ha	37	2013	
	% of total UAA	2,9	2013	

17. AGRICULTURE AREA UNDER ORGANIC FARMING

Indicator	Measurement	Indicator Value	Year of reference	Data sources
Total	In ha	3.168	2013	MAFWE (2014)
	% of total UAA	0,25	2013	SSO, Sustainable development

18. IRRIGATED LAND

Indicator	Measurement	Indicator Value	Year of reference	Data sources
Total area actually irrigated (AAI)	1 000 ha	79,6	2007	FAO Aquastat
	% of total UAA	6,3	2007	MAFWE calculation

19. ANIMAL HUSBANDRY

Indicator	Measurement	Indicator Value	Year of reference	Data sources
Total	Livestock units (LU)	365.868	2013	SSO, Farm Structure Survey (2014)
Average farm size	LU/per agriculture holding	2,14	2013	
Cattle	number	238.333	2013	SSO, Agriculture statistics (2014)
Sheep	number	731.828	2013	
Goats	number	75.028	2013	
Pigs	number	167.492	2013	
Poultry	number	2.201.550	2013	
Beehives	number	68.294	2013	

20. FARM LABOUR FORCE

Indicator	Measurement	Indicator Value	Year of reference	Data sources
Total labour force:	1 000 persons	124	2013	SSO, Labour Force Survey (2014)
male	*1 000 persons*	*70*	2013	
female	*1 000 persons*	*54*	2013	
Family labour force	1 000 persons	54,7	2013	
Self-employed	1 000 persons	57,6	2013	

Employed	1 000 persons	10,8	2013	
Total AWU	1 000 AWU	118	2012	SSO, EAA (2014)
Non-salaried labour input	*1 000 AWU*	*62*	2012	
Salaried labour input	*1 000 AWU*	*56*	2012	

21. AGE STRUCTURE OF FARM MANAGERS

Indicator	Measurement	Indicator Value	Year of reference	Data sources
Total farm managers by age	persons	n/a	n/a	n/a
35 years or less	persons	n/a	n/a	n/a
	% of total	n/a	n/a	n/a
35 – 55 years	persons	n/a	n/a	n/a
	% of total	n/a	n/a	n/a
more than 55 years	persons	n/a	n/a	n/a
	% of total	n/a	n/a	n/a

22. AGRICULTURAL TRAINING OF FARM MANAGERS

Indicator	Measurement	Indicator Value	Year of reference	Data sources
Farm managers with basic training	persons	n/a	n/a	n/a
35 years or less	persons	n/a	n/a	n/a
	% of total	n/a	n/a	n/a
35 – 55 years	persons	n/a	n/a	n/a
	% of total	n/a	n/a	n/a
more than 55 years	persons	n/a	n/a	n/a
	% of total	n/a	n/a	n/a
Farm managers with practical experience only	persons	n/a	n/a	n/a
35 years or less	*persons*	*n/a*	*n/a*	*n/a*
	% of total	*n/a*	*n/a*	*n/a*
35 – 55 years	*persons*	*n/a*	*n/a*	*n/a*
	% of total	*n/a*	*n/a*	*n/a*
more than 55 years	*persons*	*n/a*	*n/a*	*n/a*
	% of total	*n/a*	*n/a*	*n/a*
Farm managers with full agriculture training	persons	n/a	n/a	n/a
35 years or less	*persons*	*n/a*	*n/a*	*n/a*
	% of total	*n/a*	*n/a*	*n/a*

35 – 55 years	*persons*	*n/a*	*n/a*	*n/a*
	% of total	*n/a*	*n/a*	*n/a*
more than 55 years	*persons*	*n/a*	*n/a*	*n/a*
	% of total	*n/a*	*n/a*	*n/a*

23. GROSS FIXED CAPITAL FORMATION IN AGRICULTURE				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Investments in assets (crop and animal production, and related service activities)	EUR million	8,9	2012	SSO, Investments in assets (2014)
	% of GVA in agriculture	1,3	2012	SSO, Investments in assets (2014)

24. FOREST AND OTHER WOODED LAND (FOWL)				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Total	1000 ha	987,5	2013	SSO, Statistical Yearbook (2014)
	% of total land area	38%	2013	SSO, Statistical Yearbook (2014)

25. TOURISM INFRASTRUCTURE INCLUDING AGRITOURISM INFRASTRUCTURE				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Total	number of bed places	45.138	2008	SSO, Catering service Census

Environment indicators

26. LAND COVER				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Agricultural area	% of total area	36,3	2006	CORINE Land Cover (CLC)
Forest area and semi-natural areas	% of total area	59,8	2006	CORINE Land Cover (CLC)
Wetlands	% of total area	0,1	2006	CORINE Land Cover (CLC)
Artificial area	% of total area	1,6	2006	CORINE Land Cover (CLC)
Other area (includes lakes and inland waters)	% of total area	2.2	2006	CORINE Land Cover (CLC)

27. FARM LAND BIRDS INDEX				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Total Farm Birds Index (FBI)	index 2000 = 100	n/a	n/a	n/a

28. CONVERSION STATUS OF AGRICULTURAL HABITATS (GRASSLAND)				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
favourable	1 000 ha	n/a	n/a	n/a
	% of total area	n/a	n/a	n/a
unfavourable - bad	1 000 ha	n/a	n/a	n/a
	% of total area	n/a	n/a	n/a
unfavourable - inadequate	1 000 ha	n/a	n/a	n/a
	% of total area	n/a	n/a	n/a

29. PROTECTED FORESTS				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Total Protected FOWL	1 000 ha	75,3	2013	MAFWE, Forestry Department
	% of total FOWL	7,6	2013	MAFWE, Forestry Department

30. WATER QUALITY				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Gross Nutrient Balance	kg N/ha/year (nitrogen)	n/a	n/a	n/a
	kg P/ha/year (phosphorus)	n/a	n/a	n/a
Nitrates in freshwater – Surface waters:				
High quality	*% of monitoring sites*	*n/a*	*n/a*	*n/a*
Moderate quality	*% of monitoring sites*	*n/a*	*n/a*	*n/a*
Low quality	*% of monitoring sites*	*n/a*	*n/a*	*n/a*
Nitrates in freshwater – Ground waters:				
High quality	*% of monitoring sites*	*n/a*	*n/a*	*n/a*
Moderate quality	*% of monitoring sites*	*n/a*	*n/a*	*n/a*
Low quality	*% of monitoring sites*	*n/a*	*n/a*	*n/a*

31. SOIL ORGANIC MATTER IN ARABLE LAND				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Total estimated Soil Organic Carbon (SOC) stock in top 30 cm of the top soil	Mega tonnes	n/a	n/a	n/a
Mean SOC concentration	g/kg	n/a	n/a	n/a

32. SOIL EROSION BY WATER				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Rate of soil loss by water erosion	tonnes/ha/year	n/a	n/a	n/a
Total agricultural areas at risk of soil erosion by water:	in ha	n/a	n/a	n/a
	% of total agricultural area	n/a	n/a	n/a
arable and permanent crop area	*in ha*	*n/a*	*n/a*	*n/a*
	% of total agricultural area	*n/a*	*n/a*	*n/a*
permanent meadows and pasture	*in ha*	*n/a*	*n/a*	*n/a*
	% of total agricultural area	*n/a*	*n/a*	*n/a*

33. PRODUCTION OF RENEWABLE ENERGY FROM AGRICULTURE AND FORESTRY				
Indicator	**Measurement**	**Indicator Value**	**Year of reference**	**Data sources**
Total production of renewable energy	kToe	253,5	2012	SSO, Energy statistics (2013)
	% of total energy production	16,7	2012	SSO, Energy statistics (2013)
from Agriculture	*kToe*	*n/a*	*n/a*	*n/a*
	% of total	*n/a*	*n/a*	*n/a*
from Forestry	*kToe*	*n/a*	*n/a*	*n/a*
	% of total	*n/a*	*n/a*	*n/a*

4. STRENGHTS, WEAKNESSES, OPPORTUNITIES AND THREATS

The table below summarises the key problems and challenges identified in the description of the current situation. The problems and challenges are structured according to the logic of the description of the current situation.

4.1. Agriculture, forestry and food industry	
Strengths	• Stable share of agriculture, forestry and food processing sector accounts for an important part in the national GDP; Growth of dairy and fruit and vegetable production value; • Good access and distribution links to the European markets, crossroads of transport routes and main European transport corridors; • Good climatic conditions for agriculture and variety of regions with diverse opportunities for agriculture production; • Ownership of agricultural land and assets attributed mainly to private farmers; • Favourable natural conditions and experience for development of the crop and livestock sectors; • Location of the processing capacities near the urban centres benefits labour mobility (availability of transport and services network); • Prominent role of the small and medium food processing enterprises as more flexible and competitive economic agents; • Long tradition in the production of various primary products and processed foods and high demand for agriculture and food products and on the traditional regional markets; • Positive efforts for establishing horizontal links among processors and primary producers (contract farming); • High natural potential for timber production; • Well-established and active associations of agriculture producers; food processors, private forest owners, and Chambers of Commerce • Strong Government commitment for agriculture development with complete set of governing rules, registers and increasing budgetary support for sector development;

Weaknesses	• Unfavourable farming structure with mixed agriculture production on small and disbursed land plots; • Low efficiency and productivity of agriculture and food sector; • Low use of agricultural machinery and highly depreciated mechanisation; • Weak farm management practices in terms of utilization of fertilizers and crop protection and use of quality certified seeds/planting material; • High labour intensiveness (dependence on family labour); • Absence of post harvesting capacities and marketing skills at farm level; • Low liquidity and lack of capital for small holder farmers to undertake new modernisation investments; • Seasonal supply of raw materials contributing to over-capacities in the food processing establishments • Large number of agriculture livestock farms and food processing capacities non-compliant with the EU relevant standards; • Over regulated forestry sector and underdeveloped management of state forests • Lack of machinery for forest management; • Weak forest management practices in terms of forest protection and utilisation. • Underdeveloped system for adult vocational training in agriculture, food industry and forestry and insufficient outreach of the extension services and advisory services; • Lack of appropriate demonstrative farms to carry out the practical trainings and the human potential in the education sector lacks of knowledge in EU standards and environmental practices. • Underdeveloped input and output markets and market infrastructure
Opportunities	• Increasing business interest in agriculture and food processing • Growing demand for investments in agriculture machinery and equipment, perennials establishment and improvement of varieties • Potential for structural improvement, such as land consolidation, producer groups, cooperatives; • Introduction of new products and technologies in agriculture, food processing industry and forestry; • Promoting changes of production and product ranges to match increasing market and quality requirements; • Growing SME's potential for their development and diversification of activities in agriculture; • Strengthening of the role of extension and advisory services and research; • Increasing urge for introduction of advanced quality standards HACCP, ISO, among the food processing enterprises; • Existing VET schools in agriculture have potential for playing a key role in provision of training to farmers cause of their close location of the facilities and human capacity sufficiently skilled for technological production practises and can provide advisory services.

Threats	• High land fragmentation of agriculture and forest land plots; • Ageing labour force in agriculture; and unskilled labour; • Lack of seasonal labour in harvesting period and in food – processing seasonal peaks • Modest efforts of commercial banks for agriculture finance; High collaterals • Great degree of small-scale farms, many of them producing mainly for self-subsistence and economically not viable; • Lack of interests for establishment of cooperatives by the small-holder farmers; • Poor market position of small producers depending on vendors to market their products, long market chains and lack of marketing services including information; • Decrease of labour availability, and increase in the labour, input and land costs; • Increased competition on the domestic market; • Limited providers of new agriculture and food processing machinery; • Lack of innovations and technology transfers due to high costs of research and small market opportunities.

4.2. Environment

Strengths	• Significant level of natural resources and biodiversity; • Untapped reserves of bio-energy and renewal energy sources. • High agro-ecological potential; • Relatively low use of pesticides and fertilizers in agriculture; • High diversity of landscape structure; • Existence of traditional extensive nature friendly practices; • Well-established and active environmental associations and organic farming; • Good management of natural parks;
Weaknesses	• Inappropriate water and soil protection and management practises; • Insufficient use and protection of natural resources; • Irrational use of water for irrigation; Lack of monitoring system for water quality in agriculture; • Poor communal waste management and inadequate waste management at farm level; • Lack of private afforestation interest at farm level; Lack of investments in private forests; • Weak awareness for conservation of natural resources and environmental protection; • Low use of renewable resources for energy and water-heating at farm and processing level and by rural dwellers; • Poor practises for management and protection of forests; • Insufficient level of knowledge on sustainable land and forest management; • Absent or underdeveloped road network for access to agriculture land and forests; • Large focus of government policies on economic development; Unclear division of authorities for agri-environment; • Lack of agri-environment statistics; • Lack of training sources for agri-environment adaptation practises; • Lack of finances for implementation of costly environment protection projects;

Opportunities	• Increasing awareness on environmental protection and conservation of natural resources; • Encouraging potential for cultivation of oil-bearing crops for biofuel production; • High potential for growing energy crops and biomass availability; • High interest for use of energy saving technologies and renewable energy; • Great existing potential and future growing interest for organic farming and nature value farming; • Existence of initial skilled human potential for provision of extension and advisory services to farmers for agri-environmental practises and organic production; • Existing market for provision of inputs for organic production (seeds, organic fertilisers etc.); • Introduction of environment conditions to agriculture support.
Threats	• Agriculture and forest area highly affected to climate change, related to natural disasters (fires, floods, drought); • High risk for damaging agriculture and forest plants by pest and diseases; • Disappearing knowledge of traditional, organic production methods; • Increased pollution due to intensification of agriculture, industrial activities, transport and tourism; • Increased urbanisation dynamic leads to permanent loss of natural resources

4.3. Rural Economy and Quality of Life

Strengths	• Sufficient and growing domestic tourism for rural attractions (landscapes, traditional villages, hunting, fishing, SPA resorts, etc.); • Existence of traditional skills, crafts and food production; • Geographic diversity and rich historical traditions in culture, customs, traditional events; • Successful experiences in village re-vitalization, restoration of historical monuments and wine tourism; • Large number of preserved vital rural communes with rich historical and cultural traditions; • Presence of major road infrastructure with feeder roads to relatively smaller settlements in rural areas.
Weaknesses	• Low share of rural economy in national GDP; • High unemployment rate due to the lower educational level, • Low provision of life - learning trainings and qualification trainings; • Low engagement into non-agriculture economic activities and other alternative businesses and over dependency on agricultural activities in rural areas. • Depreciated or poor rural technical infrastructure (water supply, sewerage, waste disposal, rural roads, internet, etc.); • Low level and poorly developed services in rural areas; • Underdeveloped and small-size of rural markets; • Passive or absence of relevant rural organisations to represent the interests of rural communities and promote training; • Low number of SME in rural areas; • Still not sufficiently developed rural communities, lack of LEADER initiatives; • Lack of financial resources to run local organizations; • Weak capacity of local authorities in local planning, and management and implementation of projects; • Lack of infrastructure and services in rural tourism potential areas; Underpopulated areas with rural tourism potential;

Opportunities	• Growing demand for rural tourism; • Rich cultural heritage within rural areas and diverse natural potential; • Existing tradition in production of local specialty food products and rural specific products; • High potential for development of alternative agriculture activities (horticulture, game breeding etc.); • Openness of the municipalities to cooperate with the rural actors; • Potential for foreign investments; Location of technological investment zones in rural areas; • Rural infrastructural projects are priority of the municipal authorities; • Government support for business, entrepreneurship ,infrastructural and human resource development in rural areas; • Low regulatory burdens and fiscal benefits for SME development and crafts.
Threats	• Ageing of rural population and emigration of youth from rural areas (out-migration of young, women and economically active population); • Shortage of 'start-up' capital (low support for enterprises, shortage of information, incubators, low availability of credit); • Increasing disparities between rural and urban areas in education and access to basic services.

5. MAIN RESULTS OF PREVIOUS INTERVENTION

5.1. National support policy for agriculture and rural development.

Since 2007, agriculture and rural development are recognized as one of the most important economic priorities National strategy for agriculture and rural development 2007-2013. According to the strategy complementary and comprehensive policies for promoting development support were implemented in order to increase its competitiveness and to improve the living conditions in rural areas. The supporting policies were set so to facilitate the creation of favorable business climate for investing in the agricultural sector in order to improve the competitiveness of North Macedonia's agricultural production. The policies provided equal access for the potential users without preference categories and winners.

According to the National strategy, the general development vision is converted into the following long-term sector's strategic goals as a basis for agricultural and rural development and formulating of the future agricultural policy:

"*To strengthen the agriculture and make it competitive on the integrated regional markets of the European Union and Southeastern Europe, with measures for increasing the efficiency of the agricultural production, procession and placing on the market, and to build appropriate effective public and private institutions; to improve farm incomes; to secure consumers' access to safe and healthy food; to optimize the benefits of limited soil, forest and water resources, on a way appropriate to the environment ; and to build vital rural associations through sustainable rural development.*"

The budget to implement the strategy was set with annual increase to 130 million EUR in 2012. In the period from 2007 until 2011, total of 320 million EUR from the national budget were implemented for financial support of the agriculture. Proportionally most of the funds to support agriculture and rural development, approximately 90%, are allocated to direct payments policies, while the rest is used for the newly introduced measures for rural development for co-financing of the investments for increasing of the volume of production and modernization of agricultural holdings and processing facilities.

Besides the financial support, the agricultural holdings were supported by granting of state-owned agricultural land, profit tax exemption or reduction and preferential social payments, VAT decrease, legalization of buildings and perennials as well as providing free advisory services and rural credits with favorable conditions through Agricultural Credit Discount Fund.

Particularly significant for supporting the farmers in the last period are the government's efforts to help the formation of cooperatives, to strengthen contractual production and to launch important agricultural land consolidation policies. In the last two years, much attention is paid to improving of the marketing infrastructure with providing conditions for investment in new purchase and logistic centers, which should help the sale of the agricultural products, particularly those from small producers.

However, the biggest pillar in terms of financial resources dedicated was the financial support in agriculture (direct support policy). In 2012 around 110 thousand agriculture holdings are registered beneficiaries for direct support. The number of beneficiaries of the support measures which is 64% of the total number of around 170 thousand agricultural holdings indicates a targeted policy directed towards the economies with development potential.

In the last period, thanks to the received support, the agriculture gradually converted from buffer of the negative social and economic effects of the transition period and the decline of industrial production, into constant and predominant economic activity of providing regular income for most of the economic entities involved.

The agricultural sector which has grown about 2% annually, maintains a relatively stable share of the overall economy, with the added value of GDP of around 10%.

The support has largely contributed to competitiveness and attractiveness for entry of new business entities in agriculture meaning 'fresh capital' for investments and skilled human resources. In 2010, for the first time, the export of agricultural products was higher than 400 million EUR (424 million). In 2011 the export reached a historical highest level of 468 million EUR. The agricultural products, especially the competitive products like the tobacco, fruits, vegetables, wine, lamb, account for 15-19% in the total export of the country.

However the net trade balance worth between 100-150 million EUR per year remains negative as a result of the import of the products of livestock origin with high price, especially meat, continental crops like sunflower oil, sugar and cereals, which is about 60% of the total import, for whose production the country has insufficient comparative advantages, and also, as a result of the import of products that are not produced in the country (40%).

In the last period of time the strengthened support policies were directed towards mitigating of the negative effects of severe market fluctuations and external shocks caused by the global trends of the global economic crisis and the reducing of the demand (especially in viticulture and winemaking), increasing of the input prices (especially in livestock and cereal sector), the emergence and collapse of one of the largest purchasers of milk in the country, appearance of pests in the horticulture production ,and the changes in the price of the wheat. In the ambient of sharp competition due to reduced purchasing power and amplified world interventionism, the measures of financial support have managed to maintain or contributed to increase of the level of market participation on the external markets. Without the regular and intervention measures of financial support for agriculture, the current situation in the agriculture would have been much worse and they would affect mostly the most vulnerable group, the still untransformed small holder farmers who are still dominant category.

General trends in the agricultural sector in the last six years has proven that the combination of financial support and regulatory release of the sector has managed to mitigate the negative tendencies, and gradually move towards positive growth trends that are more pronounced in sub-sectors with comparative advantages (fruit and vegetable, wine). The financial support of the agriculture in the last several years had a positive impact in increasing the volume of production in competitive, export-oriented agricultural products, with different intensity

within sub-sectors, as well as retaining the existing volume of production in sub-sectors that are less competitive to the foreign products.

Comparing to 2008, there is an obvious trend of increasing of the production areas and the production i.e. the productivity of horticultural products that have a most significant share in the value of the agricultural production by about 30%, Namely the production volume ranged to 900 000 tonnes in 2011, compared to average production of about 700 000 tonnes before the period of the introduction of the support. In the last 5 years' period as a result of increased investments, the areas and produced quantities of fruit that are about 200 000 tonnes per year have increased too, compared to the average 150 000 tonnes before 2007. With the support for establishment of new plantations and investments in the marketing, the registered structural weaknesses in the sector are being resolved gradually. For the first time in a while after a continuous decline, and as a result of the introduced subsidies, the increase of areas under vineyards for 455 ha was recorded in 2008. The trend for stabilization of the decline continued in the next period with gradually increase of the areas of over 20 000 ha. With the intervention measures to support growers and wineries, the sub-sector managed to overcome the great crisis of reduced demand with less negative effects, and had smaller decline which showed signs of growth and recovery in 2011. It has already scored maximum exchange effect of 44 million EUR from export of wine. Besides the crisis in the most difficult years 2009 and 2012, the export of wine is higher compared to the period before 2007.

As a result of market openness and the uncompetitive of the sub-sector of cereals, and because of small parcels and low yields, the general trends of production in the sub-sector are characterized by large annual fluctuations in production depending on the price and weather conditions. The decrease of the area planted with cereals, which is constant in the last 20 years, was reduced in the period 2008-2011, and the production was stabilized on approximately 550 000-600 000 tonnes per year.

In the last several years with the measures for regulation of the wheat market and the positive developments on the world markets, prices over 12 denars per kilo wheat were obtained, enabling increased production in the next period.

In the last five years the number of sheep, goats, pigs and cattle has increased, but there is a decreasing trend in the number of poultry. The annual production of cow milk of approximately 350 million liters in the 2007-2011 period is far above the average of about 200 million liters in the period 2002-2006. The ongoing positive trends in many livestock sub-sectors are still insufficient to meet the consumption of fresh products and the needs of the growing processing meat industry with domestic production of meat, and the deficits are complemented by imports. The domestic production of milk, meat and eggs remains largely dependent on imported raw materials and accessories for production of animal feeds which negatively affects the cost structure of the holdings.

The development of the organic production is directly related to the introduction of an organized legislative and support policy including marketing measures. This policy package has resulted in drastic increase of the production areas and number of cattle with organic production, and also, the increase of the total number of organic producers.

5.2. Overview of EU assistance

5.2.1 Overview of IPA-TAIB and TAIEX assistance

Appropriate set of technical assistance activities under IPA and TAIEX are being realized, or are secured in the pipeline, covering broad range of integration activities.

Under the TAIEX Instrument, from TAIEX Training Map of 2012, 34 applications were submitted and approved, 15 activities were realized (related to fisheries, livestock, milk quality and its safety control, preparation of annual implementation report, monitoring and evaluation of the IPA project, development and improvement of rural infrastructure measures).

Approved applications are concerning CMO's (wheat and rice), cattle breeding, milk quality, accreditation of Agriculture Market Information System (AMIS), IPARD Agency capacity strengthening and establishing new measures and their implementation, establishment of new measures for rural infrastructure projects, implementation of LEADER approach, control and quality of FADN.

Status of projects being realized or to be financed through the IPA Component I – TAIB is presented below:

No.	Project title	Type	IPA Programme	Status	Total value in mill. €
1.	IACS/LPIS	Service	2008	realized	0,64
2.	CMO	Service		realized	0,54
3.	Agri Environment	Service		realized	0,70
4.	Computers	Supply		realized	0,12
5.	Computer equipment	Supply		realized	0,08
6.	Vehicles	Supply		realized	0,10
7.	Organic & Quality	Twinning	2009	in realization	0,65
8.	IACS/LPIS	Service		in realization	0,73
9.	Cross Compliance	Twinning		selected Twinning partner in the stage of preparation of the work plan	0,95
10.	Laboratory equipment	Supply		tendering	0,45
11.	AIS – ISSAM	Service	2011	Approved by the EC	0,70
12.	Paying Agency	Twinning			1,65
13.	AMIS equipment	Supply			0,15
14.	PA equipment	Supply			0,43
15.	Support for the preparation and implementation of IPA 5th Component (IPARD) beyond 2013	Service	2012	Approved by the EC	1,21
16.	Technical support for classification of agricultural areas with natural handicaps	Twinning	2012	Approved by the EC	0,84
17.	Introduction of the Land consolidation activities	Service	2012	Approved by the EC	1,28
18.	Finalization of the FADN	Twinning	2013	Approved by the EC	0,80
19	Reform of the tobacco sector in accordance with the EU's CMO	Service	2013	Approved by the EC	0,95
20.	Laboratory equipment; IT equipment; Vehicles	Supply	2013	Approved by the EC	1,53

Source: Department for EU Integration, MAFWE 2013

5.2.2 Overview of IPARD I implementation

In the previous programming period (2007-2013) the country benefited as a pre-accession country from support under IPARD.

The assistance was distributed on the basis of National Agriculture and Rural Development Plan 2007–2013 (IPARD Programme) under Regulation 718/2007 in 2007, and it was adopted by the Commission on 19th December 2007 in accordance to the Commission Decision C(2008)677 from 25.02.2008.

The IPARD Programme was prepared in line with the three main government programme documents (Accession Partnership, National Programme for the Adoption of the Acquis Communautaire and the National Development Plan).

The strategy, objectives and measures were oriented towards the achievement of sustainable development of the agricultural sector and rural areas. The main focus of the IPARD Programme results from the principles of IPA for the candidate countries in the pre-accession period, defined in the Council Regulation (EC) 1085/2006. The Multi-Annual Indicative Planning Document (MIPD), from the very beginning of the program, identifies the priorities that need to be implemented due to making the strategy of the program operational.

The ultimate goal of the pre-accession assistance under *component V* is to *prepare the agricultural sector for the EU accession and therefore the upgrading of the farms and the food establishments to meet the EU environmental, hygiene, food safety and animal welfare standards is of high importance*. Therefore main general objective of the IPARD Programme is *to improve the competitiveness of agricultural holdings and food industry bringing them into compliance with Community standards, while ensuring sustainable environmental and socio-economic development of rural areas through increased economic activities and employment opportunities*.

The IPARD Programme 2007-2013 constitutes a strategy which aims at tackling specific shortcomings in the agriculture development and rural areas, of the agricultural and rural sector in the country with consecutive concerted solutions to priority problems.

The corresponding priority development areas of the IPARD Programme are as follows:

a. **Priority axis 1: Improving market efficiency and implementation of the Community standards.** In the support of the structural adjustments in the agricultural sector emphasis is made on the increased production competitiveness and higher product quality. IPARD Programme measures aim towards the improvement of the technological and market infrastructure and the increase in the added value of the agricultural products as well as the achievement of the EU standards for quality, food safety, animal protection and protection of the environment.

Measures implemented under this priority axis are as follows:

- Measure 101 “Investments in agricultural holdings to restructure and to upgrade to Community standards”, and
- Measure 103 “Investments in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to Community standards”

b. **Priority axis 3: Development of the Rural Economy**

The priority axis 3 puts its main focus on the investing in development and diversification of economic activities in rural areas, assisting the rural population in building on and off-farm

economic activities, creating additional income sources and job opportunities. This axis implements the following measure:

- Measure 302 "Diversification and development of rural economic activities"

The IPARD Programme 2007-2013 started to be implemented after the conferral of management of aid was granted by the Commission to the IPARD structure via Commission Decision No. C2009/987/EU on the 18.12.2009 for three measures M 101, M 103 and M 302.

So far, nine public calls have been announced. The results from the implementation of the IPARD Programme as of 30.06.2014 are as follows:

Measure	IPARD 2007 - 2013							
	Submitted	Rejected	Approved	Paid	TPE submitted	TPE approved[44]	TPE paid	EU part (75%) paid
M101	990	193	292	96	13.829.125	3.936.604	812.612	609.459
M103	150	81	44	24	22.012.653	5.099.123	2.813.016	2.109.762
M302	233	140	13	0	16.407.409	864.740	0	0
Total	1395	414	329	120	52.249.187	9.900.467	3.625.629	2.719.221

Source: Monitoring tables, Managing Authority, 2014

Throughout the IPARD Programme implementation, the rejection rate was around 65% reflecting very low absorption rate (around 5% of the available funds are paid to beneficiaries).

Table 41: Interest for usage of funds from the IPARD Programme by public calls

Public Call	Submitted (a)	Rejected	Approved (b)	Paid (c)	% of approval (b/a)[45]	% of paid (c/b)
01/2009	133	106	27	19	20,3	70,4
01/2010	112	76	36	23	32,1	63,9
01/2011	74	34	40	12	54,0	30,0
02/2011	60	37	23	12	38,3	52,2
03/2011	92	65	27	20	29,3	74,1
01/2012	67	53	14	12	20,9	85,7
02/2012	61	50	11	9	18,0	81.8
01/2013	401	230	171	13	42.6	7,6
01/2014*	395	/	/	/	/	/
Total	**1395**	**651**	**349**	**120**	**34,9**	**34,3**

Source: IPARD Managing Authority, 2013 (*ninth call (01/2014) is still being processed)

Overall, the high rate of rejection (at application and contract level) and corresponding low rate of absorbing the available funds under IPARD I is largely due to the problems of the applicants to collect and submit the required documents and the low degree of quality of the submitted projects. Rarely the reason for rejecting was identified non-eligibility of the applicants in terms of definition of beneficiaries (falling under the definition of SME). The reasons for cancellation of contracts from the side of the IPARD Agency were due to

[44] Due to termination of contracts, TPE approved is 4.478.922 € (M101 = 1.376.778 €, M103 = 3.102.144 €, M302 = 0)
[45] Terminated contracts are not taken into account.

identified "conflict of interest" between suppliers and from the side of the beneficiaries the most frequent reason was lack of funds to start or finalise the investment.

The IPARD I Programme has been subject to on-going evaluation performed by team of independent evaluators, and the final results are expected in December, 2014.

5.3. Overview of bilateral and multilateral assistance

The country has benefited from a number donor–funded aid programs. However, after the IPA start (from 2007) the number of bilateral and multilateral donors have decreased and their budgets for agriculture and rural development have seized.

During the period 2007-2013, the project *"Strengthening and accession to the EU North Macedonia's agriculture"* funded through World Bank loan in amount of 15 million EUR has been implemented. The project comprised of four components: 1) Strengthening of administrative and management capacities of MAFWE in accordance with the requirements for entry into the EU and establishing integrated administrative and control system IACS; 2) Maintenance of MAFWE and IPARD Agency to better use EU funds for rural development, 3) Building effective capacities of the veterinary service, and 4) Completion of reforms in water management. The long-term goals of North Macedonia that are supported by this project are the establishment of a specific agricultural sector in the MAFWE, with a role to support the accession process to the EU. The accession process and eventual membership in the EU will bring significant development benefits for the overall economy, which will therefore become more competitive, especially in the agricultural sector, in the form of significant pre-accession assistance and direct payments to farmers under the Common Agricultural Policy in EU. The costs spend over the years are presented in the table below.

Overview of the budget components of the Project for Strengthening and accession of North Macedonia's Agriculture into EU (in euros)

	Total funds/ Budget	**Realized in 2009**	**Realized in 2010**	**Realized in 2011**	**Realized in 2012**
Component 1	8.958.949	1.237.461	2.209.438	1.317.918	3.419.203
Component 2	2.937.193	28.646	665.558	428.269	840.175
Component 3	2.852.881	927.307	899.674	337.728	531.969
Component 4	3.282.090	745.017	64.520	270.902	54.997
Total	18.031.113	2.938.431	3.839.189	2.354.818	4.846.344

Source: MAFWE Department for International Cooperation, 2013

Other active donors and projects implemented in the period 2007-2013 are listed below:

Donor: UNICEF (United Nations Children's Fund)

Project: Monitoring and control of quality and safety of wheat flour. The main goal of the project is to develop the capacity of the personnel responsible for the food safety.

Start date-End date: 22.04.2013-15.12.2013. Project Cost: 20.000 EUR.

Donor: Turkish Cooperation and Coordination Agency – TIKA, Turkey

Project: Development of production and quality of rice. The main goal of the project is improvement of the quality and increase of the productivity of rice in the country, specifically in the region of Kochani.

Start date-End date: 01.03.2013- 31.12.2014. Project Cost: 134.500 EUR.

Project: Project for development of bee-keeping. Establishment and development of bee-keeping potential in the Radovish region.

Start date-End date: 01.04.2007- 01.04.2010. Project Cost: 637.000 USD

Donor: USAID

Project: Adaptation to climate change in agriculture. The objective of the project is to promote adaptive agricultural practices and raise farmer, but also general public awareness.

Start date-End date: 08.03.2012- 08.03.2015. Project Cost: 1.385.000 USD.

Donor: SIDA, Sweden

Project: Promoting farmers interests in North Macedonia 2011-2012. The overall project objective is to support sustainable Federation of Farmers in North Macedonia (FFRM) able to offer valuable services.

Start date-End date: 01.02.2011- 31.08.2012. Project Cost: 686.000 EUR.

Project: Promotion of sustainable agricultural practices, energy efficiency and usage of renewable energies in rural areas of North Macedonia – Agroenergy.

Start date-End date: 01.10.2010- 31.12.2012. Project Cost: 1.136.000 EUR

Project: Continuation and Enhancement of the Agricultural Credit Discount Fund. Sustainable agricultural financial services established which are commercially viable and yet appropriate and affordable by the target groups.

Start date-End date: 01.07.2008- 30.06.2010. Project Cost: 167.000 EUR

Project: North Macedonia's Agricultural Advisory Support Programme- MAASP 2. Support MAFWE to consolidate its policies, approaches and methods for working with other stakeholders in a pluralistic agricultural advisory system.

Start date-End date: 01.01.2008- 31.12.2010. Project Cost: 2.727.000 EUR

Project: SFARM 3 Support to Farmer's Association in North Macedonia. Assist FFRM to develop into an organizationally and financially sustainable organization as formulated in FFRM's strategies.

Start date-End date: 01.07.2007- 30.06.2010. Project Cost: 3.250.000 EUR

Project: Building the capacity for formulation of North Macedonia's policy and economic analysis related to the agriculture sector.

Start date-End date: 01.06.2004- 30.06.2015. Project Cost: 1.849.000 EUR

Donor: Norway

Project: Transfer of anaerobic digester technology for energy efficient agriculture. Enhancing economic sustainability of the penitentiary institution "KPD Idrizovo" and solving of the animal waste problem.

Start date-End date: 01.12.2010- 31.12.2012. Project Cost: 300.000 EUR.

Project: Vocational Education - step forward to a better economy. The project objective is to establish a vocational education programme for part-time students, farmers and other inhabitants in the Kumanovo region.

Start date-End date: 01.10.2009- 15.12.2013. Project Cost: 490.000 EUR

Project: Development and Promotion of Legal Framework on Producers Groups (PPG). Providing technical assistance for development and promotion of legal framework on producer groups and producer organizations.

Start date-End date: 01.01.2009- 30.04.2009. Project Cost: 120.000 EUR

Project: Development and Promotion of Legal Framework on Producers Groups (PPG). The overall project goal is to be supported development and promotion of legal framework on producers groups.

Start date-End date: 01.01.2008- 31.12.2008. Project Cost: 120.000 EUR

Donor: FAO (Food and Agricultural Organization)

Project: Support for the management of state owned agricultural land. The purpose of the project is better management of state owned agricultural land.

Start date-End date: 17.11.2010- 31.01.2013. Project Cost: 292.000 USD

Donor: Netherlands

Project: Promoting High Value Nature Farming and Agri-Environment Payments through Civil Society Organisations in North Macedonia (MATRA programme).

Start date-End date: 01.10.2009- 31.03.2012. Project Cost: 132.000 EUR

Donor: IFAD (International Fund for Agricultural Development)

Project: Facility for Farmer's Access to Markets in the Balkan Area Program 2. Providing the target population access to sustainable, effective, and efficient advisory services in a private sector framework.

Start date-End date: 21.09.2007- 30.06.2008. Project Cost: 300.000 USD

Project: Establishing Client-financed Agricultural Advisory services in North Macedonia. The overall project goal is broader range of high quality advisory services that advisors can offer to clients.

Start date-End date: 26.04.2007- 30.06.2008. Project Cost: 200.000 USD

Donor: GIZ and KfW- Germany

Project: Introduction of the EU Directives into North Macedonia's agricultural policy and support to the co-operation in the agro and food economy with the countries in the region.

Start date-End date: 01.08.2005- 31.12.2009. Project Cost: 1.250.000 EUR

Project: Accompanying measures - Development of irrigation in south region of river Vardar.

Start date-End date: 02.01.2003- 02.01.2008. Project Cost: 1.489.000 EUR

Project: Irrigation Programme Southern Vardar Valley. The project will provide rehabilitation and modernization of the irrigation infrastructure in 4 modern and efficient irrigation schemes (Negorci, Paljurci, Udovo and Miravci).

Start date-End date: 02.01.2003- 31.12.2010. Project Cost: 6.650.000 EUR

5.4. Lessons learnt from past EU, bilateral and multilateral assistance

Results from implementing past EU assistance as well as assistance provided by bilateral and multilateral donors have been mixed during the period, with some centres of excellence and some with weaker impacts. The main lessons learned from the programs related to legal, administrative and institutional reform are that:

- Absorption capacity of the MAFWE has been low in the past, although it is steadily growing especially since the country achieved Candidate status. The administrative weakness lies essentially in the lack of sufficient numbers of qualified human resources to deal with the new tasks required by the legislative alignment process and poor capacity to invest in technical resources (premises and equipment).
- A number of EU harmonised primary and secondary legislation has been adopted, but substantial work still lies ahead to achieve full alignment in the different fields (veterinary, phytosanitary, food safety, environmental, and other) and improve enforcement capability to EU requirements.
- There is a need for continued and improved involvement of the research and extension system to assist farmers in administrative, technical and marketing fields.

The main lessons learned from programs focussing on pilot operations in different agricultural sub-sectors, and including transfer of knowledge, technology, hardware and software are that:

- Projects have been generally successful when private entrepreneurs and farmer and industrial associations were involved, and when pilot operations were understood as potential higher income generators or could secure/maintain domestic and export markets. Projects have shown however that associations are still weak and require to be strengthened.
- The Rural credit programs have been very successful, showing that there is a need to favour the expansion of the rural credit, and to combine advisory services (business plan preparation, etc.) to applicants and to the lending institutions (banks) in loan processing.

5.5. Lessons learnt from IPARD I implementation

In the entire period of implementation of the Programme numerous bottlenecks were encountered resulting in a limited level of execution of funds available under the IPARD I.

As part of its responsibilities, the Managing Authority prepared analysis of the reasons for non-realization of IPARD I, in which it presented the further open risks and gave suggestions for overcoming them and improving the utilization of the allocated funds. At the same time, this analysis aimed to inform the Government and the Office of NIPAC, for the situation with implementation of the IPARD, the reasons for the appearance of risks in implementation and directions to overcome them.

The analysis indicates two types of factors that cause loss of funds for implementation of the IPARD Programme as follows:

INTERNAL FACTORS (in the system of the IPARD)

1. IPA Regulation provisions and subsequent agreements that affect on the degree of utilization (e.g. very demanding EU standards, slow accreditation process, lack of clear definitions regarding certain principles of sound financial management).

2. Insufficient administrative capacity of the IPARD structure to handle with realization of funds and in same time to provide an adequate level of control in specified deadlines and in particular the introduction (accreditation) of new measures.

3. Capacity of the IPARD structure to inform and communicate the Programme (lack of professional assistance (advisory services) to support applicants in preparing projects, lack of capacity for communication and publicity in the IPARD Agency and Managing Authority and lack of funds to promote the possibilities are reducing the interest for the Programme).

EXTERNAL FACTORS (IPARD System surroundings)

1. Level of implementation of national legislation especially the one adjusted with EU legislation, particularly in the fields of environment and health and animal welfare:

2. Low quality level of registers and lack of electronic access

3. Weak administrative capacity of the institutions related to the implementation of national legislation harmonized with EU in IPARD related field

4. Absence of involvement of other institutions that can contribute to the delivery of appropriate information and support to potential beneficiaries as the Employment Agency, the Agency for Promotion of Entrepreneurship, Agency for Foreign Investments Promotion and Agency of Tourism;

5. Low interest and engagement in civil associations and chambers to information and support to potential beneficiaries but also for communication and coordination with IPARD structure;

According to the analysis made and future risks, the MA prepared *draft activities to increase the absorption of IPARD funds in short term (2014-2015) and long term (2015 or the new programming period 2014-2020) period*. Then activities are grouped by the problem areas identified as causes for past low level of absorption.

Groups of identified problem areas are:

- *programming* (including capacities for management with the Programme)
- *implementing* (including capacities for implementation of the Programme) and *activities for communication and publicity* (including involvement of other institutions)
- *regulatory* (national legislation, Sectoral Agreement, registers and data bases)

The IPARD Programme 2007-2013 implementation is currently subject to independent on-going evaluation by EU funded pool of three international experts and the final report is expected in December, 2014.

Based on preliminary findings of the on-going evaluators in general the low absorption was caused by several factors such as administration system in terms of implementation procedures and in terms of implementation arrangements (eligibility criteria etc.) and procedures.

The MA has identified the problems at early stage and made significant arrangements to modifications (programme modification for eligibility criteria) in 2012. These arrangements should be also taken into account when designing the eligibility criteria for the IPARD II measures. A lot has been done as well to improve the information on the Programme, support to preparation of projects, and post-contracting support.

However, positive results can be achieved if efforts are implemented by all actors involved in the implementation phases, including selection of projects at the IPARD Agency. Higher degree of pro-active cooperation would improve the overall performance of the Programme.

Based on the on-going preliminary findings in particular it is identified that:

a) More potential applicants could be reached during the information phase;

b) More specific information could be delivered;

c) Better support to applicants could be provided.

The preliminary summary of the on-going evaluation concluded that the implementation of the IPARD I Programme in North Macedonia was contributing to a high degree of institutional capacity building. There has been an enormous improvement in the level of professional skills and expertise during the time since the Managing Authority and IPARD Agency was first being established in 2007. Still, a conjuncture of external and internal factors has prevented the Programme achieving the levels of effectiveness that have been achieved in some other IPARD countries e.g. Turkey.

Two key elements are constraining the success of the IPARD I programme and need to be addressed in the planning of the IPARD II:

1. The selection process is identified as the most crucial element of the Programme and its success. Many potential final beneficiaries (and also successful ones) consider the selection process is too strict, and the outcome is uncertain until the final reimbursement is awarded.

2. In addition synergic actions among stakeholders can be improved a lot. There is direct and indirect evidence that sometimes the involved institutions maintain a “bureaucratic approach”, instead, adopting the approval and reimbursement of the projects as a primary goal which could lead to a higher level of submitted applications and thus of contracted projects. There is no trace of routine self-assessment and evaluation of internal weaknesses of the involved institutions that is the first step towards a more efficient use of resources.

6. DESCRIPTION OF THE STRATEGY

6.1. Description of the Programme rural development strategy

6.1.1 National Strategy Objectives for Agriculture and Rural Development

The National Strategy for Agriculture and Rural Development for the period 2014-2020 (NSARD 2014-2020) reflects the continuity of country's priorities for development of the agriculture and the rural areas, and to provide support to the agricultural sector to achieve sufficient level of competitiveness to cope with challenges of the open and changeable market and, also to boost the development of rural areas.

The NSARD defines the following overall objectives for the period 2014-2020:

"Increasing of the international competitiveness of North Macedonia's agricultural production and agro-food industry, and securing sustainable development of rural areas".

Specifically, the increase of competitiveness will be achieved through the realization of the following priority areas:

1) improving of technological[46] and market infrastructure in order to increase the range of products with added value, productivity, quality and safety and achieving of the EU standards.

2) strengthening the horizontal and vertical integration of the economic subjects in agro-food sector and development of market contractual relations in the agricultural value-chains that should enable better exchange of market information and planning of the production and purchase, as well as improving the marketing of agricultural products and promotion on foreign markets.

3) providing access to production factors, agricultural land and its consolidation, access to capital and quality production inputs , and improvement of human potential in the sector, and

4) improving of rural infrastructure for sustainability of rural communities and economical activities in rural areas.

Despite the focus of the strategy on the needs for structural adjustments of the agriculture, the need to mitigate the climate changes are taken into account as cross-cutting aspect in the NSARD 2014-2020 as it is estimated that these factors will be present in the future seven-year period with a negative impact on the stability of the income of the farmers and the development of the sector. Special attention is also paid to the sustainable management of natural resources, environmental protection and biodiversity conservation.

Furthermore, the NSARD 2014-2020 outlines set of specific objectives and details the set of instruments to achieve the specific objectives as summarized below:

- **Restructuring and modernization of the agro-food sector**, thus promoting support in investments in perennials, support for procurement of animals of recognized and adapted breeds, increasing of the offer of certified seed and seedlings of domestic production, and

[46] By providing funds for investments for modernization of production, increasing of the economy, the volume of production, productivity and quality of products according to the required standards

initiation of domestic production of seedlings in horticulture; increased investment for modernization of primary agricultural operations and post0harvesting, modernization of production technologies in the processing sector: processing of fruit, vegetables, cereals and fodder production. *Availability of capital*, in terms of provision of favorable loans for investments and operating capital in agriculture and food processing via continuation of favorable rural credits and introduction of financial instruments adjusted to the support under IPARD is crucial for achieving sector modernizing investments. *Consolidation of agriculture land parcels and increase of utilised agricultural land per agriculture holding* is emphasized as crucial to be addressed in the forthcoming period as to overcome structural weaknesses in the sector impeding further development.

- **Integration and regulation of market chains** through supporting establishment and successful operation of agricultural cooperatives, additional support to producer groups and capable of implementing joint economic activities (both production and marketing) and provision of advisory and training support. Promotion and strengthening of the regulation for contract farming to strengthen the vertical integration is identified as crucial in the forthcoming period.

- **Improvement and protection of quality** through support for branding of trademarks of primary products and processed products manufactured from raw material of domestic origin and their promotion on the domestic market, support of national associations of producers for introducing of quality mark for indication of designation of origin, geographical indication, traditional specialty of agricultural products including the implementation of campaign on the benefits of protection of quality and further support of the organic agricultural production, and

- **Enhanced marketing and promotion of agriculture and processed products** on local and external markets, via national promotion of North Macedonia's export-oriented production –North Macedonia's wine, fresh and processed horticultural products on new alternative under-represented markets based on harmonized marketing platform in partnership with national associations of producers; implementation of domestic marketing campaigns for national associations of producers for products with mark of quality for marking the designation of origin, geographical indication, traditional specialty. Support is envisaged for marketing infrastructure focusing on marketing logistic centres.

- **Food safety guarantee.** The food safety in the next seven year period (2014-2020) in particular will be achieved through interventions for healthcare of the animals, traceability and surveillance in placing the food on the market and appropriate reaction in times of crisis and emergency events which put at risk the health of the humans, animals and the environment.

- **Improving of the living conditions and economical activities in rural areas.** The development of rural areas through functioning of sustainable rural communities is one of the key priorities of the national policy for the development of agriculture and rural areas. The achievement of these goals depends on provision of improved living conditions and achieving economic activities in rural areas will be done through implementation of many related complementary activities and policies. Therefore, the focus of the interventions of the

policies will be placed on the rehabilitation and construction of rural economic and transport infrastructure and investments in additional non-agricultural activities, improving the age structure of the population involved in economic activities and providing general social security of the rural population.

Additionally, special treatment will be given to rural areas in mountainous areas and regions with unfavourable conditions for agriculture production (LFA) or performing economic activities, as well as the fully depopulated areas in order to re-launch the economic activities in these areas and valorise the natural resources.

In order to strengthen the participatory approach, the identification of the needs of local communities, the designation of proper measures into strategies for local development of the rural areas and their implementation, will be realized through the establishment of local action groups (LAG) from members of the local government, business and the NGO sector.

- Innovations and knowledge transfer through support for creation and implementation of innovations in agricultural production with accent on applied research in adaption of agriculture to climate changes, technology transfer and innovative solutions from foreign countries and their adaptation and new technologies in stockbreeding. Support is planned to be provided to agriculture holdings serving as demonstrative farms for applying adapted innovations and technologies and advance production practises. The focus in the forthcoming period shall be on the building of strong, functional and sustainable national advisory system and development of a system for informal education, training, retraining, prequalification and continuous lifelong learning for farmers, processors and other participants (craftsmen, managers of micro, small and medium enterprises, cooperatives) in the educational institutions.

- Sustainable management of natural resources and mitigating the impact of climate change on agriculture through support of agriculture holdings to adapt its production methods towards sustainable and conservation agriculture, introducing mandatory standards for good agriculture practise. In the upcoming period implementation of the Nitrate Directive will become mandatory to the agriculture producers. Organic production will be promoted with incentives and through increased marketing to boost the consumption. The focus in the forthcoming period shall be on the establishment of agri-environmental measures to be supported under IPARD. The sustainable exploitation of forestry resources and conditions for the development of rural communities and preservation and improvement of the standing forest will be achieved by continuous investment to increase the area under forests by afforestation of barren lands with quality plant materials, thereby giving priority to indigenous species, and also protection and improvement of the quality of the already existing standing forests. From the aspect of reducing the effects of climate changes to the standing forests, a particular attention will be paid to setting up a fire prevention and management system. When it comes to fishing, policies will be designed to ensure increased aquaculture production in the country, in particular of indigenous species, as an alternative to the reduced open-water fishing. These activities should in perspective create possibilities for the reduction of import-dependence for fish and fish products. This objective should be achieved by applying the environmental approach in aquaculture and introducing the

principle of sustainable use of water and preservation of its quality. One of the objectives is to enrich and increase the fish stocks in the fishing areas, fishing zones and fishing waters, to improve the protection of the indigenous population and to reduce the foreign, invasive species, and also to reduce and prevent the illegal fishing and fish poaching. Efficient waste management, and energy production and use from renewable resources and improvement of energy efficiency should improve both the incomes generated by agricultural holdings and the environmental protection. The country is an area particularly sensitive to climate changes. These changes exert particularly negative influence on the agriculture as the most vulnerable economic activity to these changes, but also the most important economic activity of the rural population. Therefore, undertaking an adequate institutional response to the challenges arising from climate changes and mitigation of their negative impact to agricultural production, development of rural areas and the biodiversity will become one of the special objectives of the policies in the upcoming period. Managing the consequences from these changes is also a horizontal principle in designing the other instruments and measures.

6.1.2 IPA II Objectives for Agriculture and Rural Development Policy Area

The new IPA regulation[47] outlines a broader set of objectives, compared to the focus areas of the EU rural development policy and compared to the previous IPA 2007-2013. According to Article 1 of Regulation (EU) No 231/2014 "The Instrument for Pre-accession assistance for the period 2014-2020 (IPA II) shall support the beneficiaries in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required by those beneficiaries 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". IPA II assistance should address several policy areas, among which agriculture and rural development.

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 have to 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

[47] Regulation (EU) No 231/2014 of the European parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II)

The objectives of IPA II assistance under rural development programmes in policy area 'agriculture and rural development' are further defined in Article 18(5) of the Framework Agreement as follows:

(a) In view of Union priorities for rural development, by means of developing human and physical capital, to increase the food-safety of the IPA II beneficiary and the ability of the agri-food sector to cope with competitive pressure as well as to progressively align the sector with Union standards, in particular those concerning hygiene and environment, while pursuing balanced territorial development of rural areas.

(b) Channelling investment support through management and control systems which are compliant with good governance standards of a modern public administration and where the relevant country structures apply standards equivalent to those in similar organisations in the European Union Member States.

IPA rural development programmes continue to maintain close links to the EU rural development policy by financing selected types of actions as provided for under Regulation (EU) No 1305/2013 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.

For the purpose of this Programme, it is considered that the priorities set at EU level and IPA II objectives are consistent with the NSARD 2014-2020.

Even though the Programme will potentially be serving more than one objective under IPA II and its consistency with the NSARD 2014-2020, the objectives can be grouped into the following priority areas:

1. Enhancing farm viability and competitiveness of all types of agriculture and primary food-processing, while progressively aligning with the Union standards
2. Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry
3. Promoting balanced territorial development in rural areas
4. Transfer of knowledge and strengthening public administration capacity in implementation of rural development programmes.

6.2. Identification of the needs and summary of overall strategy

While there are evident positive trends in agriculture, forestry, food processing and rural areas achieved in the past period, still the development of agriculture and rural development are impeded by structural difficulties and inefficiencies as identified in the SWOT, which need further intervention in the forthcoming period.

The SWOT analysis singled out a number of needs which have to be addressed by the Programme:

1. Agriculture, forestry and food industry
Need 1.1: To improve farm labour productivity and efficiency of the agriculture production, as well as the post-harvesting and marketing of agriculture products, aiming at increased competitiveness via investments; **Need 1.2:** To improve the utilization of processing capacities in terms of efficiency and production technology improvements as well as marketing activities at the same time promoting innovations, and aiming at full alignment to the EU food safety standards; **Need 1.3:** To support the creation of the economic cooperation between agriculture producers and promote marketing linkages; shortening the market chain with promotion of contract farming and solid direct relations with processors, traders and exporters; **Need 1.4:** To establish strong linkages between education and research and extension for effective knowledge transfer; to improve co-ordination and integration of advisory services and strengthen their human capacity; **Need 1.5:** To improve the skills and qualifications of agriculture producers and workers and their farm management capabilities as to enable them to adapt the agriculture production toward market demands and climate changes; **Need 1.6:** To introduce sustainable and economically viable forest management practices for protection and utilization of forests and biomass thereof; **Need 1.7:** To strengthen the investment abilities of small holder farmers to undertake reconstruction, modernisation and new investment and better provision of finances for capital investments.

2. Environment

Need 2.1: To involve agriculture producers to introduce and practise water and soil protection management practises and organic farming aiming to halt the decline in biodiversity, address the negative impacts of land abandonment and decreased activities in HNV areas;

Need 2.2: To strengthen the advisory service to support farmers and forest owners/managers in implementing agri-environmental practises and forest management and ensure provision of training to farmers and forest owners/managers on agri-environmental practises;

Need 2.3: To increase the use of energy crops and to promote use of renewable energy at farm level and at processing level as well as to increase the overall energy use from renewable resources at national level;

Need 2.4: To improve the communal waste management and access to communal services of the rural population;

Need 2.5: To improve forest management practises to prevent forest fire risks and degradation of forests and utilisation of forest bio-mass as renewable.

3. Rural Economy and Quality of Life

Need 3.1: To support development of existing and new rural businesses for economic development and employment; to develop rural tourism potential;

Need 3.2: To develop physical infrastructure, upgrade village spaces and increased provision of services and rural accommodation, for tourism and business development in rural areas and improved living conditions in rural areas;

Need 3.3: To train municipal authorities in local development planning and project implementation to actively implement rural public infrastructure projects;

Need 3.4: To mobilise local organisations which represent the needs and interests of rural dwellers and rural businesses to actively participate in local development planning.

The overall strategy of the Programme is derived by linking the objectives of IPA II assistance under rural development programmes in policy area 'agriculture and rural development', the needs for intervention identified through the SWOT exercise and the corresponding measures, as provided in the table below:

Objective 1. Enhancing farm viability and competitiveness of all types of agriculture and primary food-processing, while progressively aligning with the Union standards	
Measure "Investment in physical assets of agricultural holdings"	Need 1.1, 1.5, 2.1, 2.3
Measure "Support for the setting-up of producer groups"*	Need 1.3
Measure "Investments in physical assets concerning processing and marketing of agriculture and fishery products"	Need 1.2, 1.3, 2.3
Objective 2. Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry	
Measure "Agri-environment-climate and organic farming measure"*	Need 2.1
Measure "Establishment and protection of forests"*	Need 1.6, 2.5
Objective 3. Promoting balanced territorial development in rural areas	
Measure "Improvement and development of rural infrastructure"	Need 2.3, 2.4, 2.5, 3.2
Measure "Farm diversification and business development"	Need 3.1, 3.2, 2.4
Measure "Implementation of Local Development Strategies - LEADER Approach"*	Need 3.3, 3.4
Objective 4 Transfer of knowledge and innovation in agriculture, forestry and rural areas and strengthening public administration capacity in implementation of rural development programmes.	
Measure "Improvement of training"*	Need 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 2.1, 2.2
Measure "Advisory services"*	Need 1.1, 1.3, 1.4, 1.5, 1.6, 1.7, 2.1, 2.2, 3.1

* Measures to be introduced in the programme subject to time schedule presented in section 8.3 of this programme

The measure "Technical Assistance" is a horizontal measure which supports the successful implementation of the whole programme, therefore this measure could not be directly linked to a special need and it is not listed in the above table. (see measure fiche "Technical Assistance" in section 8.3. of this Programme)

The IPARD measures listed are non-inclusive to address all the needs for intervention and the potential for agriculture and rural development. Thus complementary actions will be implemented either via national support and policy, or supported by IPA technical assistance or other multilateral or bilateral donors.

Tabular presentation is provided bellow to indicate the potential use of other complementary sources for addressing the identified needs:

Need	IPARD Measure	IPA (Yes/No)	Other donor assistance, IFI's (Yes/No)	National (Yes/No)
1. Agriculture, forestry and food industry				
Need 1.1: To improve farm labour productivity and efficiency of the agriculture production, as well as the post-harvesting and marketing of agriculture products, aiming at increased competitiveness via investments	Measure "Investment in physical assets of agricultural holdings" Measure "Improvement of training" Measure "Advisory services"	**YES (land consolidation, irrigation rehabilitation)**	**YES (land consolidation, irrigation rehabilitation)**	**YES** (Grant support scheme for young farmers entering agriculture activity, favourable lending scheme to provide pre-financing of investments)
Need 1.2: To improve the utilization of processing capacities in terms of efficiency and production technology improvements as well as marketing activities at the same time promoting innovations, and aiming at full alignment to the EU food safety standards.	Measure "Investments in physical assets concerning processing and marketing of agriculture and fishery products Measure "Improvement of training"	**NO**	**NO**	**YES** (Favourable lending scheme to provide pre-financing of investments)
Need 1.3: To support the creation of the economic cooperation between agriculture producers and promote marketing linkages; shortening the market chain with promotion of contract farming and solid direct relations with processors, traders and exporters	Measure "Support for the setting-up of producer groups" Measure "Investments in physical assets concerning processing and marketing of agriculture and fishery products Measure "Improvement of training" Measure "Advisory services"	**YES** (Technical Assistance on capacity building, studies and analysis)	**YES** (UNDP, FAO etc.)	**YES** (Support policy for establishment and functioning of agriculture cooperatives)

Need 1.4: To establish strong linkages between education and research and extension for effective knowledge transfer; to improve co-ordination and integration of advisory services and strengthen their human capacity;	Measure "Improvement of training" Measure "Advisory services"	**YES** (Institution and capacity building, infrastructure, equipment, etc.)	**NO**	**YES** (Support policy for establishment and functioning of advisory services and training providers, research in agriculture and forestry etc.)
Need 1.5: To improve the skills and qualifications of agriculture producers and workers and their farm management capabilities as to enable them to adapt the agriculture production toward market demands and climate changes;	Measure "Investment in physical assets of agricultural holdings" Measure "Improvement of training" Measure "Advisory services"	**YES** (Institution and capacity building, infrastructure, equipment, etc. for establishment of vocational training in agriculture, forestry, rural etc.	**NO**	**YES** (Support policy for establishment and functioning of advisory services and training providers, for provision of seminars and trainings)
Need 1.6: To introduce sustainable and economically viable forest management practices for protection and utilization of forests and biomass thereof	Measure "Establishment and protection of forests" Measure "Improvement of training" Measure "Advisory services"	**NO**	**YES** (potential donor, IFI's support)	**NO**
Need 1.7: To strengthen the investment abilities of small holder farmers to undertake reconstruction, modernisation and new investment and better provision of finances for capital investments	Measure "Improvement of training" Measure "Advisory services"	**YES** (Technical Assistance on establishment of rural credit facility)	**YES** (Potential donor, IFI's support for provision of loans, refinancing schemes, guarantees, etc.)	**YES** (Support policy for provision of favourable loans for agriculture investments and operating capital)

2. Environment				
Need 2.1: To involve agriculture producers to introduce and practise water and soil protection management practises and organic farming aiming to halt the decline in biodiversity, address the negative impacts of land abandonment and decreased activities in HNV areas.	Measure "Investment in physical assets of agricultural holdings" Measure "Agri-environmental measures and organic farming" Measure "Improvement of training" Measure "Advisory services"	**YES** (Technical Assistance on organic production standards, capacity building of associations for agri-environment and HNVF etc.,)	**YES** (UNDP, USAID, GEF etc.)	**YES** (Support is provided for organic production, nomadic sheep breeding, public investments in pastures, promotion of organic products etc.)
Need 2.2: To strengthen the advisory service to support farmers and forest owners/managers in implementing agri-environmental practises and forest management and ensure provision of training to farmers and forest owners/managers on agri-environmental practises.	Measure "Improvement of training" Measure "Advisory services"	**YES** (Technical Assistance on capacity building and strengthening of advisory services)	**NO**	**YES** (Support policy for establishment and functioning of advisory services and training providers)
Need 2.3: To increase the use of energy crops and to promote use of renewable energy at farm level and at processing level as well as to increase the overall energy use from renewable resources at national level ;	Measure "Investment in physical assets of agricultural holdings" Measure "Investments in physical assets concerning processing and marketing of agriculture and fishery products" Measure "Improvement and development of rural infrastructure"	**NO**	**NO**	**YES** (Direct support – area payments for energy crops)
Need 2.4: To improve the communal waste management and access to communal services of the rural population	Measure "Farm diversification and business development" Measure "Improvement and development of rural infrastructure"	**YES** (IPA Environment sector for settlements > 10 000 inhabitants)	**YES** (WB)	**NO**

Need 2.5: To improve forest management practises to prevent forest fire risks and degradation of forests and utilisation of forest bio-mass as renewable	Measure "Establishment and protection of forests" Measure "Farm diversification and business development" Measure "Improvement and development of rural infrastructure"	**NO**	**NO**	**YES** (National Programme for afforestation, public campaign Tree-day – Plant your Future)
3. Rural Economy and Quality of Life				
Need 3.1: To support development of existing and new rural businesses for economic development and employment; to develop rural tourism potential	Measure "Farm diversification and business development" Measure "Advisory services"	**NO**	**NO**	**NO**
Need 3.2: To develop physical infrastructure, upgrade village spaces and increased provision of services and rural accommodation, for tourism and business development in rural areas and improved living conditions in rural areas	Measure "Farm diversification and business development" Measure "Improvement and development of rural infrastructure"	**NO**	**NO**	**NO**
Need 3.3: To train municipal authorities in local development planning and project implementation to actively implement rural public infrastructure projects	Measure "Improvement and development of rural infrastructure"	**YES** (Technical Assistance for capacity building of IPARD Agency for accreditation of rural infrastructure, etc.)	**NO**	**NO**
Need 3.4: To mobilise local organisations which represent the needs and interests of rural dwellers and rural businesses to actively participate in local development planning	Measure "Implementation of Local Development Strategies - Leader Approach"	**YES** (Technical Assistance for setting up National Rural Development Network, LEADER preparations)	**YES** (UNDP, USAID, etc.)	**YES** (support NRDN actions related to other national policies and measures)

6.2.1. Enhancing farm viability and competitiveness of agriculture and food processing

Actions to be implemented *to enhance the viability and competitiveness of all types of agricultural and primary food-processing, while progressively aligning with the Union standards*' aim at improving the level of modernisation and technology and innovation within primary, processing and forestry sectors in order to ensure that farms are adapting their practises to Union animal welfare and environmental requirements and food processors gradually align to Union food safety standards. These actions shall indirectly address the problems of farmer ageing and unfavourable farming structure.

The need to improve the agricultural technology, level of modernisation, infrastructure within the farm is to mitigate the labour intensiveness and achieve higher productivity and efficiency of agriculture production. The future of primary agriculture, today being labour intensive with lack of application of modern practises and technologies, belongs to using modern machinery, technology and varietal adaptation going hand in hand with changing market needs. Investments aiming to increase the bio fuel production, use of biomass, alternative and renewable sources of energy will be strongly encouraged due to the need to adapt to climate changes and decrease input costs. As regards to reduction of ammonia emissions, the investments into farms related to meeting environmental requirements are foreseen. The investments in physical assets complement other measures for agri-environment and organic farming. It is also expected that due to support available for alternative agriculture activities and primary processing at farm level, some of the semi-subsistence farmers will upgrade their farm income via diversifying and adding value to primary products.

Furthermore, alongside with measures promoting modernisation of farms, support will be provided to encourage cooperation of farmers through support of formation and operations of producer groups and indirectly by promoting cooperation projects by farmers and collaboration with processors and registered purchases. These actions will be complemented by national support scheme to set-up of agriculture marketing cooperatives, which involves package of increased direct support to cooperative members and higher aid intensities for investment projects. Furthermore, national support will be provided for participation of farmers in food quality schemes that will result into improved quality, diversity of agricultural products as well as added value.

The actions under this priority area indirectly address the problems of farmer ageing and unfavourable farm structure through promoting investment projects by young farmers and increased aid rates and promoting projects submitted by semi-subsistence farms.

Improvement of farming structure is of vital importance aiming to increase the productivity as well as production quality, to minimise production costs and to ensure sufficient returns on the investments. The actions under this Programme will be complemented with national support for implementation of young farmer support and early retirement scheme. Furthermore, implementation of land consolidation projects (including forests), support for improving the agricultural and forestry infrastructure (irrigation, drainage systems, agriculture and forest roads) will significantly contribute to the improvement of farm and forest structure as well as farming and forest development conditions which are prerequisite

conditions for the development of competitive primary agriculture and forestry. However, as regards improvement of land consolidation projects and investments in irrigation/drainage systems it is important to stress that this type of activity will be carried out under the national budget and with IPA technical assistance support as elaborated under CSP.

As regards processing industry, it is planned to give priority for modernisation of processing enterprises, as the level of modernisation in these processing units is still low. However, in order to promote innovations, support will be provided for implementation of innovative practices or new products. Implementation of food safety standards will be given priority for investments.

In addition, support is required to strengthen the marketing of agricultural products both within internal and international markets.

In relation to forestry development, there is a need to invest in forest management practises in terms of forest utilisation and protection in more economic and environmentally sustainable manner. Thus, to modernise the forest harvesting techniques by supporting the forest holders in acquiring up to date machinery in order to perform the forest harvesting and protection (cleaning, pruning etc.). These actions will be complemented by investments in forest infrastructure under objective 3 (see sub-section 6.2.3) and by implementing measures contributing to the increase and protection of forest under objective 4 (see sub-section 6.2.4).

To strengthen the innovation and research capacity, national support will be provided for implementing research projects and for cooperation between research institutions and for know-how transfer. Network between knowledge and the industry needs to be restructured and strengthened as to benefit the actions under this priority area. Thus the actions under this priority area are sustained by measures under objective 4 (see sub-section 6.2.4).

6.2.2 Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry

The activities to be financed for ‘r*estoring, preserving and enhancing ecosystems dependent on agriculture and forestry*’ will be focused on promoting use of environmentally friendly farming practices, protection and enhancement of biodiversity, landscape, water and soil both within high nature value and traditional agrarian areas, also mitigation of climate change.

Due to the fact that soil erosion and acidity also possess serious problems both to the environment as well as farming conditions, it is foreseen to implement adequate agro-environmental schemes eliminating these problems to the extent possible. Moreover, the limitation on fertilising in the implementation areas of measures will also reduce water pollution with nutrients occurring as a result of intensive farming. Support within measures aimed at prevention of soil erosion will be by promoting afforestation measures as well. Afforestation in areas sensitive to erosion, degraded forests and forests affected by forest fires will be given priority. In addition, promotion of organic agricultural production will have a positive impact to the environment (soil, water, biodiversity, air) and will also result into higher value agricultural production, and in return higher incomes for farmers, and it is of utmost importance today, when the demand for this produce both within local and international market is growing.

In addition, as regards climate change, support for modernisation of agriculture holdings (such as investment in efficient irrigation systems, promotion of bio fuel, production and use of alternative and renewable energy sources, implementation of manure handling practises etc.) and also the support under the measures designed for the encouragement of rural infrastructure investment in waste management and sewerage systems in rural areas will address the cross-cutting objective for climate change adaptation and mitigation.

6.2.3 Promoting balanced territorial development in rural areas

The priority area for "*Promoting balanced territorial development in rural areas"* will be reached through implementation of actions with the aim of increasing the employment possibilities and at the same time creating alternative income sources for rural population. In addition, attractiveness of rural areas is impossible without having improved the living conditions (physical rural infrastructure), security of life and private property. Furthermore, the abilities of rural population to get involved in alternative business and to make their rural environment more attractive to live should be strengthened and therefore investments into human potential are of outmost importance.

Entrepreneurship in rural areas is hindered by the high level of risk related to operation on small markets, lack of capital and insufficient access to business development and advice services. Business companies in rural areas face additional territorial disadvantages related to the lower purchasing power of the local population and stagnating local rural economies.

The support for investments in new business start-ups and for development of established micro and small enterprises is an important tool for improving the competitiveness and job creation potential of rural economy. It will benefit rural areas by creating more and better quality jobs and will help to diversify the rural economy which is still highly dependent on agriculture. Actions for farm diversification and business development are formulated to address the need to minimise the dependence of rural population on income from agriculture, to create alternative jobs and to increase the level of income in rural areas. Overdependence of rural population today on agriculture is evident and therefore taking into consideration the most comparative advantages that rural areas possess today, the priorities will be given for the development of micro and small businesses for manufacturing and services, promoting rural tourism, development of crafts, which not only will create additional employment possibilities, but also at the same time will promote the national rural identity and culture and use of local available resources and natural potential.

The competitiveness of rural areas is constrained by inadequate quality and access to basic infrastructure and services for the economy and rural population. Thus actions for establishment and restoring road infrastructure, water supply and sewerage systems in rural areas will be given priority for investments. Other actions consider investments in heating plants, improvement of electricity supply in rural areas as well as provision of infrastructure for access to agriculture and forest area.

The rural communities and dwellers express needs for renewal of the abandoned cultural and historical objects, children, youth and elderly centres, libraries, establishment of green areas within rural areas, local market infrastructure, pavements, village streets etc. in order to make the rural areas attractive for those already living there and aiming at attracting newcomers to

start developing their business in rural areas. The needs for development of transport infrastructure (motorway, regional roads, and railway), health services, education facilities and renewal and maintenance of cultural heritage will be supported under IPA policy areas for regional development (transport sector).

The actions under "Implementation of local development strategies – LEADER" approach aim at promoting local initiatives and partnership through involvement of local communities as well as representatives of business and local government. There is an obvious need to encourage and develop capacities of rural population to act together in order to develop and implement the integrated local development strategies through combination of the resources, knowledge and skills of representatives of public sector, economy and social sector, which form the basis of local action groups. The support granted through the "Implementation of local development strategies - LEADER approach" will be focused upon three main activities namely for capacity building of selected LAGs, for running the selected LAGs and implementation of small projects from "Start-up kit tool", implementing of local projects under a LDS, cooperation projects for inter territorial or transnational projects and acquiring skills and animating the territory. The funding under "Implementation of local development strategies - LEADER approach" measure might be extended to include additional finances for implementing larger projects according to LDS under other funds (national or IPA), when more experiences and lessons learned have been collected.

6.2.4 Transfer of knowledge and innovation in agriculture, forestry and rural areas

None of the above - mentioned objectives, could be achieved without substantial investments into human capital. Therefore, actions foreseen for "*Transfer of knowledge and innovation in agriculture, forestry and rural areas and strengthening public administration capacity in implementation of rural development programmes"* aim at strengthen human capital within rural areas and thereby addressing the problem of narrow scope and insufficient training, lack of information. Even though farmers and rural dwellers have a good access to the consultations of general nature in the area of traditional production methods, farm economy and accountancy, legal advice, there is a lack of specialised consultations and training in the field of improving production technology, productivity, agri-environmental farming and implementation of environmental and other requirements, community development and partnership, in the field of marketing and diversification of economic activities. Therefore, it is important in the future to ensure the provision of such type consultations to rural people.

Furthermore, there is a strong need for vocational training to be strengthened in order to raise the qualification of those engaged in agriculture and to ensure that farmers on the continuous basis are provided with the possibility to renew his/her knowledge as well to obtain new knowledge which is a prerequisite in order to adapt to ever changing economic and social environment. Thus, through implementation of the measures under this priority, it is expected that entrepreneurial skills of those engaged in agriculture, forestry as well as rural development will increase and will not only increase the competitiveness of agri-food and forestry sectors but will also result into creation of alternative income sources in rural areas.

It is an important priority for the national strategy (NSARD 2014-2020) to ensure that resources are available for supporting the development of innovation and knowledge transfer, dissemination and, most importantly, practical implementation within agri-food and forestry sectors by ensuring the continuous dialogue between scientific society and agricultural and rural development actors.

6.2.5 Horizontal and cross-cutting priorities

In line with the objectives of this Programme, set of horizontal and cross-cutting priorities will be taken into consideration during programme implementation.

Thus, the horizontal and cross-cutting priorities in providing support are (random listing):

- projects promoted by women and young entrepreneurs (between 18 and 40 years of age)
- active agriculture holdings (earning more than 50% of their income from agriculture);
- commercial orientation of the agriculture production and strengthening of market chain;
- activities benefiting the environment and mitigating climate change effects;
- improving marketing and production of high value added products;
- implementation of innovations and new products;
- development of entrepreneurship and job creation;
- joined, cooperative initiatives (including producer groups);
- diversification of activities in the less economically developed areas (rural areas, mountainous areas and near bordering areas);
- rural tourism promotion in areas regarded as cultural heritage, near archaeological sites or natural parks or nature monuments;
- preservation and promotion of traditions and heritage;
- actions strengthening human capital in rural areas;
- actions promoting local initiatives;
- actions strengthening the business development skills and abilities.

The horizontal and cross-cutting priorities will be applied regardless of these programme objectives. In practical terms it means that in the Programme these will be reflected in the ranking to be applied during the actual project selection processes per measures where applicable or will be implemented through higher aid intensities.

6.3. Consistency between proposed IPARD intervention and Country Strategy Paper (CSP)

According to CSP, for the upcoming programming period of 2014-2020, the main objective in the agricultural sector will remain **to strengthen, on a sustainable basis, the competitiveness of the agricultural holdings and the agro-food industry**. IPARD will continue to provide support for the restructuring and modernization of farms and of the agri-food sector. Specific attention will be given to small-scale agriculture holdings, responsible for the bulk of the national production, in order to be more market oriented, and to sub-sectors for which the country has a comparative advantage.

In complementarity with IPARD, support will be provided to key transversal issues, such as land consolidation, farmer groups, extension services, access to finance, small-scale, low-cost and environment friendly irrigation systems, in order to stimulate private investments and increase the competitiveness of the sector.

In order to address environment challenges related to agriculture, along to the progressive introduction of cross compliance into direct payments, the "agri-environment and organic farming" IPARD measure will be introduced.

The introduction of the "Technical Assistance" IPARD measure will allow for strengthening the capacities necessary for successful implementation of the programme and for developing further the monitoring and evaluation of the programme.

Rural infrastructure will also be supported with IPARD funds with the objectives to create an enabling environment for rural economic growth and to raise the quality of life in rural communities; this will include physical assets (e.g. village/agriculture roads, water management, waste management, energy supply, etc.). Also the diversification of economic activities, including rural tourism, will continue to be promoted through a specific IPARD measure.

The involvement of the civil society in the local planning and development process will be promoted through the setting up Local Action Groups.

In the cross-cutting issues area, IPA II will support alignment with EU standards and *acquis* concerning the common agricultural policy and related policy areas, such as public health (food safety and quality and veterinary issues), biosecurity and animal welfare.

In the framework of the preparation of the management of EU agricultural and rural development funds, support will be further provided for achieving full-functionality and interoperability of the Integrated Administration and Control System (IACS), including Animal Identification and Registration database of the national Food and Veterinary Agency (FVA), Agriculture Information System, FADN system, Agriculture Market Information System, Farm Registry and Land Parcel Identification System (LPIS). Capacity building for adoption of acquis-aligned policies in direct payments with introduction of cross-compliance requirements, and establishment of elements of Common Market Organization (CMO) will be sustained as well. The enhancement of the operating and the management system related to the implementation of IPARD II will also be given a specific attention.

In order to improve the protection of human health from unsafe and genetically modified food, to promote the consumer protection from fraudulent, deceptive practices or misleading and to protect the animal health and welfare, further assistance will be provided in the implementation of the EU acquis in the area of food safety, veterinary and phyto-sanitary issues.

Finally, capacity buildings activities will address two important issues for agriculture and rural development. First, support will be provided to enhance the quality of farm advisory services in the country. Secondly, national and local administrations will be supported to implement effectively the National Land Consolidation Strategy.

Results to be achieved include: i) improved international competitiveness of the domestic agricultural production and agro-food industry and, ii) the sustainable development of rural areas has been strengthened. Free movement of safe food and protection of human, animal and plant health has been completed.

Major risks are identified to be mitigated with corresponding measures:

Risks	**Mitigation measures**
Low absorption capacity related to IPARD	Further institutional support to the operating and management structure related to IPARD. Strengthening of the monitoring and evaluation of the programme.
Restrictive bank policies to hamper the incentive to invest in the agriculture and rural areas	Specific measures to improve access to finance in rural areas.
Insufficient human capacity of the local self-government in implementation of rural infrastructure (and other relevant) measures	Technical assistance provided to local administration. Involvement of the rural civil society in the planning and implementation of local projects.
Insufficient capacity of the beneficiary institutions to ensure effective and efficient implementation of EU support	Use sufficient technical assistance, and in some cases, NGOs, UN agencies for the implementation of EU support

6.4. Intervention logic of the Programme, measures and quantified targets

Measures	Measure targets	Programme targets
Measure "Investment in physical assets of agricultural holdings"	• Number of projects supported (3 100) • Number of agriculture holdings performing modernisation projects (3 100) • Number of economic entities progressively upgrading towards EU standards (1 200) • Number of agriculture holdings progressively upgrading towards full compliance to the EU standards for animal welfare (30) • Number of holdings investing in renewable energy production (25) • Number of holdings investing in livestock management in view of reducing the N20 and methane emissions (manure storage) (50) • Total investment in physical capital by agriculture holdings supported (48 mill EUR);	• Number of projects having received IPA support in agri-food sector and rural development (3 680) • Total investment generated via IPA in agri-food sector and rural development (121 mill. EUR) • Number of economic entities performing modernisation projects in agri-food sector (3 320) • Number of economic entities progressively upgrading towards EU standards (1 400) • Number of jobs created (gross) (3 000) • Number of agricultural holdings/enterprises developing additional or diversified sources of income in rural areas (70 agricultural holdings/enterprises)
Measure "Support for the setting-up of producer groups"*	• Number of new producer groups supported - N/A • Number of farm holdings participating in producer groups supported- N/A	
Measure "Investments in physical assets concerning processing and marketing of agriculture and fishery products"	• Number of projects supported (220) • Number of enterprises performing modernisation projects (220) • Number of economic entities progressively upgrading towards EU standards (200) • Number of enterprises investing in renewable energy	

	production (20) • Number of jobs created (gross) (1 300); • Total investment in physical capital by enterprises supported (52 mill EUR)	
Measure "Agri-environment-climate and organic farming measure"*	• Number of contracts- N/A • Agricultural land (ha) under environmental contracts; • Number of type of operation supported- N/A • Total area per type of type of operation ((a) management of inputs, (b) cultivation practices, (c) management of landscape, habitats, grassland, (d) farm management, integrated approaches – each category has some subcategories of practices), (e) organic farming) - N/A • Number of supported species of endangered breeds- N/A • Number of holdings supported under organic farming type of operation- N/A	
Measure "Establishment and protection of forests"*	• Afforested land (ha)- N/A • Area of agroforestry systems established (ha)- N/A • Area of forests having benefited from support to improve the resilience and environmental value of forest ecosystems (ha)- N/A	
Measure "Improvement and development of rural infrastructure"	• Number of supported projects (60) • Number of beneficiaries investing in renewable energy production (5) • Number of jobs created in predominantly rural areas (gross) (100)	

	• Total investment in physical capital in rural infrastructure (12 mill EUR)	
Measure "Farm diversification and business development"	• Number of projects supported (300) • Number of agricultural holdings/enterprises developing additional or diversified sources of income in rural areas (70) • Number of beneficiaries investing in renewable energy (25) • Number of jobs created (gross) (1 000); • Total investment in physical capital by beneficiaries supported (9 mill. EUR)	
Measure "Implementation of Local Development Strategies – LEADER Approach"*	• Number of LAGs operating in rural areas - N/A • Population covered by LAGs - N/A • Number of jobs created (gross) - N/A • Number of projects recommended - N/A • Number of small projects - N/A	
Measure "Improvement of training"*	• Number of participants of training activities - N/A • Number of training days provided - N/A	
Measure "Technical assistance"	• Number of activity supported (120); • Number of promotion materials for general information of all interested parties (leaflets, brochures etc.) (200.000); • Number of publicity campaigns (20); • Number of expert assignments supported (25); • Number of workshops, conferences, seminars (25);	

	• Number of meetings of the Monitoring Committee (14); • Number of studies on elaboration and implementation of Programme measures (4); • Number of Programme evaluation reports (7); • Number of rural networking actions supported (10); • Number of potential LAGs supported (5)	
Measure "Advisory services"*	• Number of recipients of advisory services (individual advice/group advice) - N/A • Number of advisors trained - N/A • Number of training days given to advisors - N/A	

* For measures which are not part of this Programme, targets on measure indicators shall be stated when the measure is programmed (see section 8 of this Programme)

7. PROGRAMME FINANCIAL PLAN

7.1. Maximum EU Contribution for IPARD funds 2014-2020, in EUR[48]

Year	2014	2015	2016	2017	2018	2019	2020	TOTAL
IPA Agriculture and Rural Development	5.000.000	5.000.000	5.000.000	6.000.000	10.000.000	14.000.000	15.000.000	**60.000.000**

7.2 Budget of EU Contribution by measure 2014-2020, in EUR (for monitoring purposes only)

MEASURES	EU Contribution								
	2014	2015	2016	2017	2018	2019	2020	2014-2020	
Investments in physical assets of agricultural holdings	2.150.000	2.150.000	2.200.000	2.580.000	3.700.000	4.340.000	4.200.000	**21.320.000**	**36%**
Support for the setting up of producer groups	0	0	0	0	0	0	0	**0**	**0%**
Investments in physical assets concerning processing and marketing of agricultural and fishery products	2.250.000	2.250.000	1.850.000	1.980.000	2.900.000	4.480.000	3.750.000	19.460.000	**32%**
Agri-environment- climate and organic farming measure	0	0	0	0	0	0	0	**0**	**0%**
Implementation of local development strategies - LEADER approach	0	0	0	0	0	0	0	**0**	**0%**
Investments in rural public infrastructure	0	0	0	0	0	0	0	**0**	**0%**
Farm diversification and business development	600.000	600.000	950.000	1.380.000	3.300.000	4.900.000	6.900.000	18.630.000	**31%**
Improvement of training	0	0	0	0	0	0	0	**0**	**0%**
Technical assistance	0	0	0	60.000	100.000	280.000	150.000	**590.000**	**1%**
Advisory services	0	0	0	0	0	0	0	**0**	**0%**
Establishment and protection of forests	0	0	0	0	0	0	0	**0**	**0%**
TOTAL	**5.000.000**	**5.000.000**	**5.000.000**	**6.000.000**	**10.000.000**	**14.000.000**	**15.000.000**	**60.000.000**	**100%**

[48] The annual contributions are indicative as the actual amounts will be decided annually in the framework of EU budget

7.3 Percentage allocation of EU contribution by measure 2014-2020

MEASURES	EU Contribution						
	2014	2015	2016	2017	2018	2019	2020
	%	%	%	%	%	%	%
Investments in physical assets of agricultural holdings	43%	43%	44%	43%	37%	31%	28%
Support for the setting up of producer groups	0%	0%	0%	0%	0%	0%	0%
Investments in physical assets concerning processing and marketing of agricultural and fishery products	45%	45%	37%	33%	29%	32%	25%
Agri-environment- climate and organic farming measure	0%	0%	0%	0%	0%	0%	0%
Implementation of local development strategies - LEADER approach	0%	0%	0%	0%	0%	0%	0%
Investments in rural public infrastructure	0%	0%	0%	0%	0%	0%	0%
Farm diversification and business development	12%	12%	19%	23%	33%	35%	46%
Improvement of training	0%	0%	0%	0%	0%	0%	0%
Technical assistance	0%	0%	0%	1%	1%	2%	1%
Advisory services	0%	0%	0%	0%	0%	0%	0%
Establishment and protection of forests	0%	0%	0%	0%	0%	0%	0%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

7.4. Financial Plan per measure 2014-2020, in EUR

MEASURES	Total public aid	EU Contribution	EU contribution rate	National contribution	National contribution rate
(1)	(2)	(3)	(4=3/2), %	(5)	(6=5/2)%
Investments in physical assets of agricultural holdings	28.426.666,67	**21.320.000,00**	75%	**7.106.666,67**	25%
Support for the setting up of producer groups	0	**0**	-	**0**	-
Investments in physical assets concerning processing and marketing of agricultural and fishery products	25.946.666,67	**19.460.000,00**	75%	**6.486.666,67**	25%
Agri-environment-climate and organic farming measure	0	**0**	-	**0**	-
Implementation of local development strategies - leader approach	0	**0**	-	**0**	-
Investments in rural public infrastructure	0	**0**	-	**0**	-
Farm diversification and business development	24.840.000,00	**18.630.000,00**	75%	**6.210.000,00**	25%
Improvement of training	0	**0**	-	**0**	-
Technical assistance	694.117,65	**590.000,00**	85%	**104.117,65**	15%
Advisory services	0	**0**	-	**0**	-
Establishment and protection of forests	0	**0**	-	**0**	-
TOTAL	**79.907.450,98**	**60.000.000,00**	-	**19.907.450,98**	-

7.5. Indicative budget breakdown by measure 2014-2020, in EUR

MEASURES	Total public aid	Private contribution	Total expenditures
(1)	(2)	(3)	(4=2+3)
Investments in physical assets of agricultural holdings	28.426.666,67	18.951.111,11	47.377.777,78
Support for the setting up of producer groups	0	0	0
Investments in physical assets concerning processing and marketing of agricultural and fishery products	25.946.666,67	25.946.666,67	51.893.333,33
Agri-environment- climate and organic farming measure	0		0
Implementation of local development strategies - LEADER approach	0	0	0
Investments in rural public infrastructure	0	0	0
Farm diversification and business development	24.840.000,00	13.375.384,62	38.215.384,62
Improvement of training	0	0	0
Technical assistance	694.117,65		694.117,65
Advisory services	0	0	0
Establishment and protection of forests	0		0
TOTAL	**79.907.450,98**	**58.273.162,39**	**138.180.613,37**

8. DESCRIPTION OF THE SELECTED MEASURES

The objectives of the Programme will be addressed by 11 Measures. The implementation of the programme will start with 5 Measures. These measures will be implemented in the entire programming period 2014-2020, with the exception of Measure "Investment in rural public infrastructure" and "Technical assistance" measure, which will be implemented after accreditation.

Table 42: Time schedule for Measures programming and implementation

Area /Measure		Programming period	Indicative start of implementation
1.1	Investment in physical assets of agricultural holdings	2014-2020	2015/2016
1.2	Support for the setting-up of producer groups	2016-2020	2017/2018
1.3	Investments in physical assets concerning processing and marketing of agriculture and fishery products	2014-2020	2015/2016
2.1	Agri-environment-climate and organic farming measure	2015-2020	2016/2017
2.2	Establishment and protection of forests	2016-2020	2017/2018
3.1	Investments in rural public infrastructure	2014-2020	2016/2017
3.2	Farm diversification and business development	2014-2020	2015/2016
3.3	Implementation of Local Development Strategies - LEADER Approach	2016-2020	2017/2018
4.1	Improvement of training	2015-2020	2016/2017
4.2	Technical assistance	2014-2020	2015/2016
4.3	Advisory services	2015-2020	2016/2017

Six Measures will be introduced at a later stage, after modifications of the Programme to incorporate the relevant measure details. According to the indicative time-schedule, two rounds of modification to incorporate new measures will take place in 2015 (3 new measures) and 2016 (3 new measures).

The reasons to postpone the start of the implementation of the measures are because of needs for additional preparation and capacity building for the preparations and start of implementation of the measure as elaborated bellow.

The Measure "Agri-environment-climate and organic farming measure", will be introduced in the first round of programme modification in 2015. The measure actions for agri-environment are already prepared and are being subject to development of methodology for calculations of the amounts to be disbursed to farmers and following calculations. The measures are expected to start with implementation in 2016/2017, as in the meantime LPIS system for agriculture land needs to be updated according to new digital photo images (planned for 2015/2016), and capacity building of the beneficiaries to take place for better uptake of the funds.

Measures "Improvement of training" and "Advisory services" will be introduced in the programme in 2015 (2016), after establishment and entry into force of clear rules for

designation of training providers, approving of training modules and curricula's thereof, defining the system of advisory services (delineating the role of public from private), establish system for training of advisory services etc. The capacity building process and measure preparation activities (as well as the preparation of the implementing procedures of Managing Authority and IPARD Agency) will start in 2015 subject to IPA funding. It is expected that the project will result in strengthening the national advisory system, prepare advisory packages, finalise the measure fiche and implementing rules. The measures are expected to start with implementation in 2017. Until that time the skills acquisition operations for potential local action groups will be supported under the technical assistance measure.

Capacity building for the IPARD Agency to prepare for implementation of new IPARD II measures will be subject to IPA funded project which will start in 2015.

Measure "Support for the setting up of producer groups" will be introduced in the programme in 2016, after establishment and entry into force of clear rules for agriculture cooperatives, in terms of improving the existing legal burdens for establishment and functioning of agriculture cooperatives. In the meantime, support will be provided for establishment and covering operating costs for functioning of agriculture cooperatives and financial support (increased direct payments) for cooperative members to promote joint production and marketing activities. In terms of preparations for the measure strategy and eligibility rules, Managing Authority will acquire funds under the technical assistance measure from this Programme.

Measure "Implementation of Local Development Strategies - LEADER Approach" will be introduced in the programme in 2016, as the capacity building process and measure preparation activities (as well as the preparation of the implementing procedures of Managing Authority and IPARD Agency) will start in 2015 subject to IPA funding. It is expected that the project will result in strengthening the MAFWE capacities for LEADER measure, prepare rules and guidelines for LDS, finalise the measure fiche and implementing rules and promote the LEADER opportunities under IPARD to animate the potential members of local action groups. The measure is expected to start with implementation in 2018. Until that time the skills acquisition operations for potential local action groups will be supported under the technical assistance measure.

Overall, for the improvement of the existing measures included in the Programme, and for the preparation and implementation of the new measures, "Technical assistance" measure funds will be mobilised and IPA assistance for capacity building will be acquired.

8.1. Requirements concerning all or several measures

8.1.1 Applicants eligible for support

The eligible applicants are detailed in the measure fiches.

There are 12 groups of eligible applicants under the Programme:

1. Agriculture holdings registered in the Farm Registry established within MAFWE in accordance with the Law on Agriculture and Rural Development;

2. Forestry owners, public forest enterprise, national parks, and education and research institutions dealing in forestry.

3. Recognized producer groups registered at MAFWE according to the Law on Agriculture and Rural Development.

4. Food operators (processing and/or marketing of agricultural products) registered under Law on Trade companies or Law on cooperatives and Law on food safety.

5. Non-agricultural enterprises in rural areas registered under Law on Trade companies, Law on cooperatives or Law on Crafts.

6. Natural persons and legal entities in rural areas registered under Law on catering or Law on auto-camps.

7. Municipalities or authorities/enterprises established by municipalities.

8. Non-Profit Legal entities registered under the Law on Civil Associations or Law on Trade companies.

9. Local Action Groups registered at MAFWE according to the Law on Agriculture and Rural Development.

10. National Extension Agency established by Law for founding Agency for instigation of agriculture.

11. Scientific and educational institutions and training providers established and/or recognised according to the national legislation.

12. Public enterprises established by the Law on public enterprises, or separate legislation for proclaiming national parks, public authorities established by municipalities in accordance to the Law on municipal cooperation.

8.1.2 Requirements for applying for support

The following general requirements shall be applicable, unless otherwise provided in the description of the measure.

All applicants when applying for support must submit measure specific application form issued by the IPARD Agency and set of required documents. The application must concern eligible activities and expenditures related to the measure for which is submitted.

Single applicant may submit concurrent proposals under different measures of this Programme. However, the applicant may only submit one application at a time under the same measure. If the application under one measure is approved, the applicant will have to complete that project before being able to submit another application under the same measure.

The applicants who are pursuing business objectives under investment measures “Investment in physical assets of agricultural holdings”, “Investments in physical assets concerning processing and marketing of agriculture and fishery products” and “Farm diversification and business development” will have to submit a technical project proposal or a business plan.

The following conditions will also apply for investment measures:

(a) All investment projects under Measures "Farm diversification and business development" must submit written document proving the compliance of the investment project with the Local Development Strategy of the concerned Municipality where the investment is located;

(b) In case of construction/reconstruction activities, applicants have to submit copies of basic design drawings and certified bill of quantities by authorised architects/civil engineers, indicating the estimated cost of the envisaged works. The construction/reconstruction activities must be in compliance with the specified building standards of the Municipality in accordance to the urban and spatial plans and/or to other standards acceptable to the Municipality at the time when the decision to grant support is taken but not later than 1 year counting from the date when the application is submitted;

(c) The applicant must prove that he/she is the owner of the land/building/s relating to the investment or they have the right to use it for a minimum of 7 years counting from the date when the application is submitted. In case of investments, which imply construction/reconstruction activities, irrigation improvement or reconstruction of perennials, the applicant has to prove ownership of the land/building/s relating to the investment concerned or the right to use it for a minimum of 10 years counting from the date when the application is submitted (unless otherwise stated in the measure fiche).

(d) The applicant must not have outstanding liabilities against the state in terms of fiscal obligations to the health, social and pension insurance funds and tax authorities. Applicants renting state-owned agriculture land must not have outstanding liabilities against MAFWE.

(e) In case of investments for production of energy from renewable resources the applicant must have established activities supported by one of the measures in this programme (for which the electricity will be used), while for investments for production and sell of energy from renewable resources under the measure Farm Diversification and Business Development only projects with a capacity of production exceeding the annual self-consumption of the beneficiary shall be eligible i.e. the recipient is producing electricity for sale into the grid.

8.1.3 Payment of Instalments and Advances for Investment Support

The eligible investment activities have to take place after the signature of the contract with the IPARD Agency. The payment of the public aid will be made on the base of payment claim and justifying documents, which prove the accomplishing of the activities and their eligibility. The form of payment claim is established by the IPARD Agency as specific to the contract provisions and activities concerned. The contract specific payment claim shall be annexed to the contract.

Concerning purchase of machinery and equipment, the payment will be made as a single payment at the end of the investment. For private investments, which involve construction/reconstruction activities, the payment can be made in maximum two instalments according to recipient' choice, stipulated in the contract. In this case the first instalment shall be paid after the finalisation of the construction or reconstruction works and the second instalment after the installation of the equipment, i.e. at the end of the investments.

In case of public investments under measure "Investments in rural public infrastructure" implemented by public recipient (municipalities and public enterprises), the number of instalments may be extended to the number of construction phases, according to public recipients' choice, stipulated in the contract.

Pre-financing (i.e. advance payments) of private recipients under this Programme may be provided from the national contribution to the budget of this Programme but is in no case considered as costs incurred to be reimbursed by the Commission. Thus the rules, conditions and the amounts of advance payments shall be established on the basis of the national legislation.

Pre-financing (i.e. advance payments) of public recipients may be provided from the budget of this Programme, according to rules and conditions of advance payments being established on the basis of the Sectoral Agreement.

8.1.4 Financing conditions

The investment for which the recipient has received support must not undergo a substantial modification within five years from the date when the final payment is received. Substantial modifications to an investment are those which result in:

- a cessation or relocation of a productive activity co-financed outside the programme area.
- a change in ownership of an item of infrastructure which gives to a firm or public body an undue advantage; or
- a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

In case of exceptional situations that might affect the investments or force major, the beneficiary must inform the IPARD Agency within deadlines according to the Sectoral Agreement or the Contract for co-financing.

The recipients are obliged to keep all accounting records at least 5 years after the investments take place as well as to collaborate and provide any requested information to the officials of MAFWE, IPARD Agency or European Commission authorised to control and audit the implementation of the project as well as NAO/NF and Auditing Authority and to other organisations and institutions upon request from the IPARD Agency.

The recipients-agriculture holdings must provide information and data for the FADN, without any compensation, when the information is asked from them by the institution responsible for FADN data collection or the Liaison office at MAFWE.

The financing conditions will be stipulated and further elaborated in the contract for project co-financing between the beneficiary and the IPARD Agency.

8.1.5 Eligible costs for investment support

In the case of investments, eligible expenditure is limited to:

(a) the construction, or improvement of immovable property.

(b) the purchase of new machinery and equipment, including computer software up to the market value of the asset.

(c) the purchase of perennials.

(d) financing the lease purchase of new machinery and equipment (including computer software) up to the market value of the asset, subject to the condition that the beneficiary will become the owner of the asset no later than the date of submission of the final payment claim to the IPARD Agency relating to the investment concerned.

(e) general costs linked to expenditure referred to in points (a), (b) and (c) such as fees of architects and engineers and consultation fees, feasibility studies, the acquisition of patent rights and licences. The general costs may not exceed 12% of the total eligible expenditures of the investments. Specific lower ceilings on individual items can be established according to the type of the investment;

General costs related to the preparation of technical project proposal or a business plan (including services for collection of related documents and management of the investment project) are supported as part of the general costs referred to under (e).

(f) cost for specific information and publicity activities at project level which are of the responsibility of the final recipients in accordance with the Sectoral Agreement.

Costs (expenditures) incurred after the contract for project co-financing between the beneficiary and the IPARD Agency is concluded, are considered eligible for co-financing.

General costs may occur before the contract for project co-financing between the beneficiary and the IPARD Agency is concluded or the decision on approving the project for implementation is issued but not earlier than 01.01.2014. The general costs can only be considered eligible for co-financing if the applicant has requested support for general costs in the application providing detailed documentation justifying the reality and validity of the costs and if the project to which they relate is actually selected and contracted by the IPARD Agency.

Costs for specific information and publicity activities at project level which are of the responsibility of the final recipients will be considered eligible for co-financing if the activities are in compliance with the Publicity and visibility rules applicable for the Programme.

The beneficiary has to provide detailed documentation justifying the reality and validity of the costs with the claim for payment/s submitted to the IPARD Agency. The IPARD Agency is responsible to check the reality and validity of the costs and publish in the recipients' guidelines the set of requirements and documents needed for justification of costs by the applicant/beneficiary.

The following expenditure shall not be eligible under the Programme:

(a) taxes, including value added taxes; except non-recoverable VAT when it is genuinely and definitively borne by recipients other than non-taxable persons referred to in the VAT legislation.

(b) customs and import duties, or any other charges;

(c) purchase, rent or leasing of land and existing buildings, irrespective of whether the lease results in ownership being transferred to the lessee;

(d) fines, financial penalties and expenses of litigation; interest on debt

(e) operating costs;

(f) second hand machinery and equipment;

(g) bank charges, costs of guarantees and similar charges;

(h) conversion costs, charges and exchange losses associated with the IPARD euro account, as well as other purely financial expenses;

(i) contributions in kind;

(j) the purchase of agricultural production rights, animals, annual plants and their planting;

(k) any maintenance, depreciation and rental costs;

(l) any cost incurred by public administration in managing and implementing assistance, namely those of the Management and Operating Structure and, in particular, overheads, rentals and salaries of staff employed on activities of management, implementation, monitoring and control.

By way of derogation from points (c) and (e) the items mentioned in those points may be eligible under measures "Implementation of Local Development Strategies - LEADER Approach", "Improvements of training" and "Support for the setting-up of producer groups".

By way of derogation from point (I), the items mentioned in this point may be eligible within the limits of remuneration levels on the labour market and after prior approval of the Commission is obtained under the "Technical Assistance" measure.

8.1.6 Standard Costs and Assumptions of Income Foregone

Under the "Agri-environment-climate and organic farming measure" public aid is given in a form of support compensating additional costs and income foregone resulting from commitments made to implement the supported operations. The additional costs and income foregone as well as the rates of support to be applied under the measure shall be calculated by the Faculty for Agriculture Science and Food. The Faculty is an independent institution from the MAFWE.

In the case of measure "Establishment and protection of forests", the calculation of standard costs shall be calculated by Forestry Faculty. The Faculty is an independent institution from the MAFWE.

In case of standard costs applied for investment measures and for general costs, the IPARD Agency is responsible to establish the standard costs for investment/cost items on the basis of market research and actual costs and to regularly check the reality and validity.

The calculation methodology for establishment of payments compensating for additional costs incurred or income foregone shall be provided as part of the description of the measures

except for the investment measures for which the methodology and calculations shall take part of the implementing rules of the IPARD Agency and be subject to approval by the Commission.

8.1.7 Rules of origin

In accordance with Article 10 of Regulation (EU) No. 236/2014 of the European Parliament and of the Council laying down common rules and procedures for the implementation of the Union's instruments for financing external action":

1. Tenderers, applicants and candidates from the following countries shall be eligible for funding under IPA II:

(a) Member States, recipients listed in Annex I to Regulation (EU) No. 231/2014, contracting parties to the Agreement on the European Economic Area and partner countries covered by the ENI, and

(b) countries for which reciprocal access to external assistance is established by the Commission under the conditions laid down in point (e) of Article 9(1).

2. Tenderers, applicants and candidates from non-eligible countries or goods from a non-eligible origin may be accepted as eligible by the Commission in cases involving an urgency or the unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of a project, programme or action impossible or exceedingly difficult.

All supplies purchased under this Programme funds shall originate from an eligible country. However, they may originate from any country when the amount of the supplies to be purchased is below the threshold for the use of the competitive negotiated procedure (currently 100 000 €). For the purposes of this Programme funds, the term 'origin' is defined in Articles 23 and 24 of the Council Regulation (EEC) No 2913/92[49] and other Community legislation governing non-preferential origin.

8.2. Administrative procedure

The implementation of the measures under this Programme starts with published Calls for proposals from the IPARD Agency. The calls will be published in the Official Gazette, at least two national newspapers in North Macedonia's language and one in Albanian language and its publishing and deadlines (if applicable) will be announced through national media and in local media.

Measure specific application packages (including application forms, list of documents required, and templates of technical project proposal/business plans including guidance for filling the forms and other guidelines for recipients) will be published electronically on the web-site of the IPARD Agency and printed in paper form.

[49] Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code

The application packages shall be made available for the potential applicants at the IPARD Agency, NEA regional and local offices, MAFWE Regional offices, Managing Authority and at the agriculture associations, economic chambers etc.

Applicants may send applications to the IPARD Agency by registered post or deliver them to the IPARD Agency's reception office.

The IPARD Agency processes the received applications for approval in accordance to the internal procedures of the IPARD Agency whilst respecting the rules for protection of personal information provisions in accordance with the provisions of the FwA (Article 26).[50]

8.2.1 Administrative checks

After the application is opened, the fulfilment of the basic eligibility requirements (such as type of beneficiary and type of eligible investments) will be checked first. Completeness checks weather the application contains all the necessary supporting documents being required as mandatory shall be performed for eligible applicants. In parallel with the completeness check, compliance checks on fulfilment of the eligibility criteria (such as respect of national minimum standards, and other general and specific requirements under this measure) are performed.

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

Complete applications shall be subject to further assessment of the eligibility of expenditures and assessment of the economic and financial viability. Eligibility of expenditures will be checked against the list of eligible expenditures approved by the Commission. The value of the eligible expenditures shall be further verified if it corresponds to the market value of the concerned items proven via three independent offers from suppliers (for goods with value above 10 000 EUR), against reference values set by the IPARD Agency or against standard costs. The total amount of eligible costs shall be assessed against applicable minimum and maximum thresholds set for projects under this measure. If the total amount of eligible costs is below the minimum the project will be rejected.

Assessment of the economic-financial viability will be done for projects fulfilling the eligible requirements and having complete documentation. The assessment shall be performed according to the methodology of the IPARD Agency for calculating the values of indicators for economic and financial viability criteria.

8.2.3 On the spot controls

Viable eligible projects will be subject to on-the spot controls to verify the factual situation against the proposal for investments, if the investment has already started and expenditures occurred, if the information in the submitted documents corresponds to the real situation and other measurements.

[50] Any personal data shall be processed in accordance with the requirements of Regulation (EC) No 45/2001

8.2.4 Scoring and ranking of projects

Scoring shall be performed to dedicate points to eligible projects prior final approval decision is adopted before contracting. Ranking of projects according to total points received on the eligible project shall be performed in cases when the requested amount for financing support in the received applications is beyond the available financial budget committed to this Measure.

8.2.5 Approval of projects and contracting

The approval procedure shall not exceed 6 months from the date of submission of application. If the project or the application is assessed over by special services, the examination of the project or application is postponed until special services provide their conclusions or position.

The applicant is notified for his/her proposal being approved via decision for approval of the application issued by the IPARD Agency. Together with the decision, the applicant is invited to sign contract for project co-financing within 30 days upon reception of the decision and/or the invitation. The invitation for signing the contract is accompanied with at least 4 copies of the contract. The applicant may not respond to the invitation to sign the contract or reject without being obliged to state the reasons for such decision.

In case of public investments made by municipalities and/or public bodies, together with the decision for approval of the application, the applicant is invited to sign pre-contract or memorandum of understanding or other form of agreement in which the rules of procurement and project implementation are specified and agreed as minimum. Once the procurement procedure is successfully finalised (subject to assessment of the IPARD Agency), financing decision will be issued as well as invitation for signing financing contract within 30 days upon reception of the decision and/or the invitation.

8.2.6 Rejection of projects

Applicants shall be rejected if:

- they fail to meet the eligibility criteria;
- the expenditures cannot be verified as eligible;
- the project is not viable.

In addition to the above, the applicants which applied for public investment shall be also rejected if they fail to perform the procurement process according to the applicable rules for procurement.

The applicant is notified for his/her project being rejected via decision for rejection of the application issued by the IPARD Agency. The decision for rejection contains detail elaboration of each of the reasons that contributed to such decision.

It is possible to lodge an appeal against a decision for rejection issued from the IPARD Agency. The appeal procedure shall be elaborated in the Guidelines for recipients.

8.2.7 Project implementation

The project implementation starts after the contract for co-financing is signed and can have duration of maximum 2 years or longer depending on the specifics of the investment. The IPARD Agency services or the institutions to which the IPARD Agency can delegate the responsibility, will conduct monitoring and supervision of the execution of projects. Monitoring of project implementation may also be done via reporting obligations of the beneficiary on the progress of the project's implementation or via reports from technical supervision during construction.

The project implementation which concerns public investments starts after the procurement procedure is finalised and financing contract is signed and can have duration of maximum 2 years or longer depending on the specifics of the investment.

8.2.8 Approval of payment

Payment to the final beneficiary shall be done on the basis of payment claim/s based on declarations of expenditure incurred by the final beneficiary and evidenced by original receipted invoices. The contract specific payment claim shall be annexed to the contract.

Payment claim and the accompanying document shall be subject to completeness and compliance checks. Eligibility of the expenditures incurred shall be checked against documents, the provisions in the contract and via on-the spot controls prior the payment is approved.

After approval, the payment shall be made in national currency to the account of the final recipient (s) or to their assignee(s). (see more in section 8.1 chapter “Payment of Instalments and Advances for Investment Support”).

No payment shall be made in favour of a claimant or to their assignee(s) for which it is established that they artificially created the conditions required for obtaining such payments with a view to obtaining an advantage contrary to the objectives of the support.

8.2.9 Ex-post controls

Where required by contractual obligations between the IPARD Agency and the recipient or by provisions of the SA, checks on recipients after payment of public aid shall be carried out to establish whether the terms and eligibility conditions of the support continue to be respected. The ex-post checks shall be carried out within 5 years of the date of final payment to the recipient is made (see more in Section 8.1 chapter “Financing conditions”).

8.3. Description by Measure

Measure INVESTMENTS IN PHYSICAL ASSETS OF AGRICULTURAL HOLDINGS

Legal basis:

- Article 2(1) of the Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action
- Article 27(1) of the IPARD Sectoral Agreement;
- Annex 4 the IPARD Sectoral Agreement

1. Rational

Most of the fixed assets and perennials available in the country's agricultural sector have been depreciated and new investments made are not sufficient to overweigh the high fixed capital consumption rate. Labour intensive agriculture, worsens the situation. With no financial support and difficulties with access to credits, most domestic small holdings find it difficult to invest and practise efficient farming. Additionally, the development of agriculture is precluded by the underdeveloped research capacities. The research institutions suffer from major deficiencies in terms of low capability to respond to upcoming challenges of farmers towards the EU insufficient facilities, equipment especially for applied science.

The country’s accession to the European Union confronts the agricultural holdings with more demanding and competitive environment. The rapid harmonisation of the national legislation towards EU regulation imposes strict requirements that could not be reached without significant farm improvements in terms of technological modernisation and restructuring, with special attention being given to animal welfare, hygiene and environmental requirements.

To adjust the farmers to these conditions, substantial investments in both tangible and intangible assets are needed to improve the overall performance of agriculture holdings throughout the country and moreover to meet European Union standards especially the ones related to animal welfare and environment protection.

Thus, this measure is crucial to support the improvement of the use of production factors and overall performance of the agriculture holdings including: introduction of new technologies and processes for improving primary production; promoting creation of value-added products and alternative agriculture products; production of energy crops for better energy use from renewable resources and efficient water use practises at farm level; transition from conventional to organic farming and upkeep of organic production; as well as overall improvement of farm management capacities and human potential.

2. General objectives

- to support progressive alignment of the agriculture sector towards EU rules, standards, policies and practices with a view to EU membership.

- to support economic, social and territorial development, with a view to a smart, sustainable and inclusive growth, through the development of physical capital.
- To address the challenges of climate change by promoting resource efficiency and renewable energy.

2.1. Specific Objectives

The specific objectives of this measure are as follows (random listed):

- to modernize and restructure physical potential as to improve the overall performance of agricultural holdings in the production of primary agricultural products, adding value to the production and marketing;
- to promote the respect of Community standards and improvement of conditions on the agricultural holdings, especially related to environment protection and animal welfare;
- to increase primary energy consumption from renewable energy resources.

3. Linkage to other measures in the program and to national measures

In particular, this measure is linked to the measure "Investments in physical assets concerning processing and marketing of agricultural and fishery products" as the output of primary agricultural production and the quality of farming products have a positive effect on the operating capacity of the processing industry. Limited-scope projects on on-farm post-harvesting activities (for example handling, grading, packing, storage and etc.) of agriculture products and processing and direct marketing shall be supported under this measure, while larger projects shall be supported under the measure "Investments in physical assets concerning processing and marketing of agricultural and fishery products". While the measure " Investments in physical assets of agricultural holdings " is promoting horizontal integration of agriculture producers, the measure "Investments in physical assets concerning processing and marketing of agricultural and fishery products" is complementing the actions by promoting investments in collection and distribution of agriculture products to strengthen the vertical cooperation (which can be also proposed by agriculture cooperatives). Both measures together shall contribute to the increased value added in agriculture and processing and strengthening the agriculture market chains.

The measure “Investments in physical assets of agricultural holdings” is linked with the investment support provided under the measure “Farm diversification and business development”. Under the measure “Investments in physical assets of agricultural holdings” support shall be granted for primary agriculture production and small projects for on-farm post-harvesting, processing and direct marketing capacities of own production of the agriculture holding. Meanwhile under the measure “Farm diversification and business development” support shall be granted for the production of Annex I products i.e. sectors for processing and adding value to the agricultural, fisheries and forestry products, as well as other processed agriculture products not listed in Annex I of the Treaty. The measure “Farm diversification and business development” is supplementing the measure “Investments in physical assets of agricultural holdings” as it supports investments into non-agriculture activities and range of activities for provision of services to agriculture population in the rural

areas and for facilitating the agriculture production. Bringing together, both measures shall foremost contribute to the increased income of the agriculture holdings from non-agriculture activities and provision of rural and agriculture services.

The measure “Investments in physical assets of agricultural holdings” also contributes to the implementation of the measure “Agri-environment-climate and organic farming measure” by promoting investments proposed by certified organic agriculture producer and investments to improve efficiency of nitrogen fertiliser use (e.g. reduced use, equipment, precision agriculture). Also recipients under this measure may benefit support i.e. is entitled for payment under “Agri-environment-climate and organic farming measure”.

The support under this measure is complemented by the measures “Advisory services” and “Improvement of training” which aim to help farmers to successfully implement investment projects under this measure. Coordination of the measures “Investments in physical assets of agricultural holdings”, “Advisory Services” and “Improvement of training” shall improve the professional expertise and knowledge of applicants in particular related to farm management, agri-environmental practises and the EU standards implementation.

While investments in road connections on-farm (of property or with right to use by the agriculture holding) are supported under this measure, the measure “Investments in physical assets of agricultural holdings” is supplements with support provided for investments in public agriculture connection roads, provision of electricity in agriculture fields and local roads under the measure “Investments in rural public infrastructure” as crucial for increase of competitiveness of agriculture production.

The scope of aid granted under this measure will not overlap with the scope of aid granted under the national support schemes for agriculture and rural development.

The IPARD Agency shall be responsible for the cross-checks aiming at avoiding double-financing between the Programme and the national support schemes for agriculture and rural development. Every investment project under the IPARD Programme, which may fall under the scope of the national support schemes, will be checked for possible double financing before its approval (of the project and of the final payment). The IPARD Agency will ensure that future double financing is avoided by stamping the received invoices for investment with clear "IPARD" stamp by an authorised official before payment.

4. Final Recipients

4.1. Types of recipients

The following types of recipients can apply and benefit the support under this measure:

I. Agriculture holdings
II. Cooperatives

I. Agriculture holding which is registered in the Single register of Agriculture Holdings at MAFWE (herein after referred to as “the Farm Register”) in accordance with the Law on Agriculture and Rural Development may apply and benefit the support under this measure.

Agriculture holding can be registered in the Farm Registry as family agriculture holding represented by a natural person or an individual agriculture producer or as agriculture holding represented by a legal entity.

Family agriculture holding is represented by a natural person who is member of an agriculture household. The natural person is authorized to represent the Agriculture Holding in front of authorities by all the other members of the agriculture household and for farm management. The authorised representative of the agriculture household and the members of the agriculture household must live on the same address which is the headquarters of the Agriculture Holding regardless of the location of the agriculture property (land and buildings).

Individual Agriculture Producer is a natural person who is only dealing in agriculture on his/her own account being the owner of a farm or who has the right to use the farm obtained through a legal agreement by the owner and is registered in the Register of Agriculture Producers in MAFWE or as Individual Agriculture Producer in the Pension Fund. The Individual Agriculture Producer is registered as family agriculture holding in the Farm Register.

The legal entity which represents the agriculture holding must be registered in the Central Registry according to Law on trade companies.

II. Cooperative which is registered as such in the Central registry according to Law on cooperatives primarily dealing with agricultural activities, processing of agricultural products and/or services connected directly with agricultural activities.

4.2. Limitations and demarcation

In order to better target the investment support and to achieve demarcation among measures under this programme, the recipients shall be subject to the following limitations/demarcation criteria under this measure:

1. Investment support for post-harvesting, on-farm processing and direct marketing under this measure will be granted only for own agriculture production produced by the agriculture holding (or agriculture production of the members/cooperants of the cooperative) - to be assessed by the IPARD Agency on the basis of Technical Project Proposal/Business Plan and via ex-post controls.

2. Cooperatives and agriculture holdings represented by legal entity which have benefited support in post-harvesting, processing and direct marketing activities under this measure can further apply for the same investment activity under the measure "Investments in physical assets concerning processing and marketing of agricultural and fishery products".

3. Support cannot be granted to agriculture holdings represented by legal entity in case their capital is held by a public body or bodies or by the state of more than 25%. In specific cases where deemed appropriate based on the national legislation, the Managing Authority may ask the Commission to decide via submission of reasoned request.

4. In case the applicant has previously benefited from EU support for tractor, it cannot further apply for investment in tractor under this Programme. This limitation shall not apply for

cooperatives for the purpose of promoting rational use of agriculture machinery and equipment through service rendering to the agriculture holdings – members and/or cooperants.

5. Investment support for on-farm renewable energy plants (biomass, wind, solar, hydraulic, geothermal etc. and/or through processing of plant and animal products from primary and secondary biomass, covered by Annex I to the Treaty) with a capacity of production exceeding the annual self-consumption of the recipient, shall not be eligible under this measure as it is supported under the measure "Farm diversification and business development".

5. Common Eligibility Criteria

5.1. General requirements for support

1. All applicants applying for investments related to crop production activities at the time submitting the application must demonstrate existence of utilised agriculture area registered in the Land Parcel Identification System in minimum size depending on the crop production activity subject to investment, as follows:

- minimum 0,3 ha of agriculture land in case of investments in cultivation of perennials or investments related to greenhouses;
- minimum 0,5 ha of agriculture land in case of investments related to open-field vegetable production;
- minimum 1 ha of agriculture land in case of investments related to cereals industrial crop and fodder crop production;
- minimum 1 ha of agriculture land in case of investments related to agriculture mechanisation for crop production (all types) including meadows and pastures.

2. All applicants applying for investments related to livestock production activities must demonstrate existence of minimum LU[51] registered in the FVA "Animal Identification and Registration System" in minimum size depending on the livestock production activity subject to investment, as follows:

- 5 LU in case of investments related to bovine animals; and/or
- 1,5 LU ha in case of investments related to sheep and/or goats; and/or
- 8 LU in case of investments related to pig rearing; and/or
- 10 LU in case of investments related to poultry rearing (excluding ducks, geese, turkey, capercaillie, ostriches and emus and guinea fowls).

Applicants with lower LU than the minimum thresholds mentioned above or with intentions to start livestock production are also eligible to apply and benefit the support if the minimum LU is reached at the end of the investment i.e. before submission of the final claim for payment.

[51] Livestock Units (LU) according to the coefficients presented as Annex 11 to the Programme

3. Applicant – cooperative can prove their minimum size of agriculture production capacity with regards to the production capacities of their members-agriculture holdings and/or permanent cooperants agreements.

4. Recipients are obliged to record any change of the production capacities in the Farm Register, Land Parcel Identification System and/or in the "Animal Identification and Registration System" especially resulting from the investment before submission of final payment claim.

5. All applicants have to submit application accompanied with set of required documents and Technical Project Proposal or Business Plan as part of the application. These required documents, as well as the rules on procedures and verifications for completeness and eligibility will be published in the Guideline for beneficiaries and noted in the public call announcement. All received applications missing one or more of the required documents will not be further processed.

I. Agriculture holding

1. The applicant– agriculture holding as well as all production capacities of the agriculture holding (production plan) must be registered as agricultural holding in the Farm Register prior applying for support. Applicants proposing projects to start livestock production must be registered as agricultural holding in the Farm Register and in the "Animal Identification and Registration System" before submission of the final claim for payment.

2. Recipient – agriculture holding that invested in on farm processing and marketing must be registered as food operator according to the Law on food safety at FVA before submission of final claim for payment.

II. Cooperatives

1. The applicant – cooperative must be registered as such in the Central Registry.

2. The applicant – cooperative which is dealing with primary agriculture production has to be recognised as such according to the Law on Agriculture cooperatives and be registered in the Register of Agriculture Cooperatives at MAFWE.

3. The applicant – cooperative has to submit a Business Plan as part of the application regardless of the amount of the total eligible budget of the proposed project.

5.2. National and EU standards to be respected

The national minimum standards on environment protection, public health and animal welfare in the area of agriculture production and food processing are aligned with the EU relevant standards.

Not later than at the end of the project (before a final clam for payment is submitted), the agriculture holding must comply with the main relevant national minimum standards in force regarding environment protection, public health and animal welfare. Thus for the purpose of this measure implementation, document confirming the respect of applicable national minimum standards forms an obligatory part of the final claim for payment submitted by the recipient to the IPARD Agency.

When submitting the final claim for payment, the recipients will have to submit documents issued by the responsible authorities as follows:

– FVA for respect of public health according to the Law on food safety (applicable for investments related to milk hygiene and to on-farm processing activities under this measure) and animal welfare standards according to the Law on animal welfare (only applicable to livestock production and on-farm processing in terms of slaughtering); and/or

– Municipal environmental authorities or MoEPP for environmental protection standards according to Law on environmental protection (for investments related to construction of new buildings subject to requirements in the building legislation and investments in intensive pig an poultry rearing).

The issued documents assessing the compliance of the project with respect of applicable national minimum standards must be made on the basis of prior assessment of the investment. In case the authorities' assessments point out that the recipient fails to achieve the animal welfare and environmental standards and is granted transitional period for compliance prior submission of the final claim for payment, the contract between the recipient and the IPARD Agency may be extended in duration allowing sufficient time to the recipient to achieve those standards before the final claim for payment is submitted. When these cases occur, the extension of the contract duration shall not exceed 3 years.

In case of investments for on farm processing activities and/or livestock rearing buildings and facilities, all such projects must be subject to prior assessment by FVA weather the investment attains the achievement of the relevant national minimum standards in line with the relevant EU standards at the end of the investment.

Where relevant, the IPARD Agency may obtain the document confirming the respect of applicable national minimum standards administratively i.e. via access to electronic records or in written via request to the authorities responsible for the standard in concern. The list of documents confirming the respect of applicable national minimum standards, which the IPARD Agency is obtaining administratively, shall form part of the Guidelines for recipients.

Full and updated list of all relevant national standards in force and their compliance with the relevant EU standards will be established by the Managing Authority with relevance to the eligible investment activities and priority sector under this measure. The IPARD Agency shall publish the list regularly once a change is recorded. The updated list shall form part of the Guidelines for recipients.

5.3. Economic viability of the agriculture holding

Aid can be granted to recipients whose investment projects present prospect of financial/economic viability. The economic and financial viability shall be assessed on the basis of Technical Project Proposal or Business Plan.

In the case of projects having a total eligible budget bellow 50 000 euro, the prospect of financial viability must be demonstrated via Technical Project Proposal containing perspective data on financing indicators in terms of generating sufficient income to meet the farm operating costs and debt commitments.

In the case of projects having a total eligible budget exceeding 50 000 euro and in cases that the applicant is agriculture cooperative, the prospect of economic viability must be demonstrated via Business Plan presenting that the equity capital of the holding and its stocks in terms of liquidity and assets meet the operational costs and, where applicable, to allow growth while maintaining the resource base. The business plan must contain a detailed description of planned investments and activities. Also, the business plan has to demonstrate in what way the implementation of the project will lead to the improvement of the overall performance of the agricultural holding via presentation of prospect of financial/economic viability.

The applicant must demonstrate prospect of continuity of operations during at least five years following the realization of the investment. The assessment of the financial/economic viability and the prospect of continuity of operations shall be assessed by IPARD Agency. To ensure the selection of the highest quality projects in terms of financial/economic viability, the IPARD Agency in consultation with the Managing Authority may set lowest/highest values of assessment of economic and financial viability criteria.

The templates for the Technical Project Proposal and Business Plan accompanied by guidance note for filling the templates and lowest/highest values of financial and economic viability criteria with the methodology of calculation shall be prepared and published by the IPARD Agency as part of the measure specific application packages.

5.4. Other common eligibility criteria

1. The investments must be implemented in the property owned by the applicant. In case of investment projects, which are realized in the property not owned by the applicant, contract or other supporting document must be submitted proving the right of use of the property concerned by the investment for period of minimum 7 years from the date of applying for support.

2. The authorised representative of the agriculture holding shall prove minimum secondary school education or higher education by diploma/certificate or minimum 3 years' experience in dealing with agriculture production, processing or services related to agriculture (proven via professional working record or via record on users of national support schemes in agriculture and rural development or other acceptable written proofs).

Applicants that fail to meet the above skills and competences shall at the end of the investment provide training certificate issued by relevant vocational training institutions, educational and research institutions or public advisory services including the list of attended training modules with relevance to the investment.

3. At least one responsible person of the legal entity representing the agriculture holding or agriculture cooperative is permanently employed or is engaged under contract with duration not shorter than 5 years. Sole proprietors, craftsmen and individual agriculture producers shall be permanently employed. In case of new investments this requirement shall be achieved prior the submissions of final claim for payment.

6. Specific eligibility criteria

1. Investments related to irrigation on farm are limited to establishing new and/or rehabilitation/upgrading of the existing irrigation system on the property of the agriculture holding (owned or with right to use).

2. Projects related to setting up or modernization of facilities for protected cultivation of vegetable are limited to investments in permanent structures – "plastic halls" and glasshouses (temporary "plastic tunnels" are excluded from support as non-permanent greenhouse structures).

3. The vines or vine planting material must be in accordance with the National Variety List according to Law on seed and propagating material and Law on wine or EU Common catalogue of varieties of vine and of varieties of vine-rootstocks valid at the time of announcing the Call for proposals. The varieties of Noah, Othello, Isabelle, Jacquez, Clinton and Herbemont are considered as hybrids and are not allowed for planting according to Law on wine.

4. The vineyards owned or rented by the applicant must be registered in the National vineyard register prior the submissions of final claim for payment.

5. The animal/poultry housing must be able to provide adequate space and facilities for an appropriate rearing area and additional space.The minimal size of space allowances per animal (cows, sheep, goats, pigs and their offspring) must be in accordance to the "Book of rules for conditions and means for protection of farm animals" at the end of the investment The minimal size of space allowances per poultry, must be respected as follows:

- Space allowance for poultry rearing for meat must be with stocking density which does not exceed 42 kg/m2 or 17 broilers per m2;
- Space allowance for laying hens must be at least 750 cm^2 of cage area per hen (enriched cages rearing system) and/or stocking density which does not exceed 9 laying hens per m^2 usable area, with at least one nest for every 7 hens and adequate perches (in case of alternative systems).

6. Investments for production of energy from renewable energy sources are eligible if they concern the energy needs of the agriculture holding, and/or the production of energy for sale into the grid as far as the self-consumption limit is respected (i.e. electricity sold into the grid equals on average the electricity taken out of it over one year).

7. Applicants proposing investments in livestock production must elaborate in the Technical Project Proposal/Business Plan that the livestock rearing buildings are complemented with manure clearing, handling and storage systems according to the options provided in Annex 10

to this Programme or propose investments to establish and upgrade the manure handling and manure storage facilities up to the described options as minimum.

8. Applicants which are dealing with intensive rearing of pigs with more than 2,000 places for production pigs (over 30 kg) or 750 places for sows or for the intensive rearing of poultry installations with more than 40,000 places for poultry[52], may propose investments to implement activities from the operating plans for establishing integrated environmental requirements. Document proving that the operating plans are agreed/approved by the MoEPP should be submitted when applying for support and a document providing positive assessment of the implemented activities issued by MoEPP should be submitted at the end of the investment with the final payment claim.

9. Applicants proposing investments in establishing new irrigation system must elaborate in the Technical Project Proposal/Business Plan the effectiveness of irrigation and in which way the use of newly established irrigation system will promote more efficient production.

10. Applicants proposing investments in upgrading/rehabilitation of an existing on farm irrigation system, must elaborate in the Technical Project Proposal/Business Plan the existing irrigation system and it's inefficiencies in terms of water consumption and in which way the use of more efficient irrigation systems will promote more effective use of water and water savings..

11. Applicants proposing investments in establishing new irrigation system or upgrading/rehabilitation of an existing on farm irrigation system has to provide an authorization for irrigation with submission of the application. An authorisation for irrigation may take form of an agreement with the AD Water economy or a license issued by the MoEPP.

12. In case of investments in upgrading/rehabilitation of an existing on farm irrigation system where the applicant is part of a collective schemes, the applicant shall produce a documentary proof with project application certifying the fulfilment of obligations concerning payment of water fees.

13. In case of investments in establishing new irrigation system where the applicant is part of a collective schemes, the applicant should submit a documentary proof before the final payment certifying the fulfilment of obligations concerning payment of water fees.

7. Eligible expenditure

7.1. Type of eligible investments

The support is granted for investments in physical assets that will enable the sector to respond to a wide range of policy challenges, including the need for more modern and efficient production tools and infrastructure for performing agriculture activity, animal health and welfare issues. Moreover to the supporting increased efficiency of holdings and animal health and welfare, the areas for investment will contribute to environmental and climate change

[52] in accordance with Law on Environmental Protection

issues. The areas of support are presented in detail in the following sub-sections of this section "7. Eligible expenditure":

7.2. Priority sectors

The measure is open to all sectors under Annex I to the Treaty (as presented in Annex 12 to the Programme) except the "tobacco" sector. The eligible projects shall refer to:

1. Crop sector: (i) cereals, (ii) industrial and fodder crops, (iii) vegetables (including potatoes), (iv) perennial crops (orchards, including table grapes, olive trees, melliferous trees (for honey production), (v) vineyards.

2. Livestock sector: (i) bovines (of which for: dairy, fattening), (ii) pigs (of which for: reproduction, fattening), (iii) sheep and goats (of which for: dairy, fattening), (iv) poultry (of which for: laying hens, chicken kept for meat production - broilers).

3. On-farm processing and direct marketing of own agriculture production[53]: (i) Milk and dairy products, (ii) Meat and meat products; (iii) Fruits and vegetables including potatoes, mushrooms and leguminous crops; (iv) Cereal, miller's and starch products; (v) Vegetable and animal oils and fats; (vi) Grape must, grape juice, wine and vinegar; (vii) Fodder and forage production.

4. Production of energy from renewable resources for self-consumption, through processing of plant and animal products from primary and secondary biomass (except biomass from fishery products) for production of biogas and/or biofuels, use of solar energy, windmills, geo-thermal energy etc.

7.3. Examples of eligible investments:

1. Construction or reconstruction of buildings and other immovable property for agriculture production (*such as livestock rearing buildings, feed storages, reproduction stations, greenhouses and/or glasshouses and nurseries, post-harvesting facilities, etc.*), auxiliary facilities (*for example feed and fodder storage, silage, hey and grain barns/silo etc.),* including that used for housing the agriculture machinery and equipment, for occupational safety of agriculture workers, for environmental protection (*for example manure and septic pits, biomass storehouses, immovable property for water/sewage/slurry treatment, silage storehouses, storage facilities for plant protection products and fertilisers, etc.)* and equipment required.
2. Construction or reconstruction of buildings and other immovable property used for post-harvesting, on farm processing and marketing of agriculture products (*such as post harvesting stores, cooling, calibrating, packing facilities, production spaces, packing, storages, selling points etc.*), auxiliary facilities (*for example raw material preparation facilities, grain storehouses etc.)* including that used for occupational safety, for environmental protection (*for example waste treatment, biomass storehouses, immovable property for water/sewage treatment, etc.)* and equipment required.

[53] Direct marketing refers to activities related to agriculture products preparation, direct sales and other marketing activities at farm gate (including for the on-farm processed products)

3. Planting/re-planting of perennial trees and plants (excluding seeds for perennials and plants), including fruit bearing trees and bushes and table grapes, olive trees, vineyards including supporting installations;
4. Purchase and/or installing of new machinery, agriculture mechanisation and equipment/instruments for improvement of on farm agricultural production activities;
5. Purchase and/or installing of new machinery and/or equipment for improvement of animal welfare standards (*provision of sufficient space allowances for rearing, regular access to fresh water, feeding, off-spring housing and rearing, clearing of manure, outdoor rest area etc.)*
6. Purchase and/or installing of new machinery and equipment/instruments for on farm post-harvesting, processing and direct marketing, including:
    - for grading, collecting, storing and cooling (including manipulation);
    - for processing, packaging, cooling, freezing, drying, etc. and storage (including manipulation);
    - for production of new products, introduction of new technologies and processes;
    - for improvement and control of quality and safety of raw materials and foods.
7. Purchase and/or installing of new machinery and/or equipment for environmental protection (*energy efficiency, controlled climate conditions, manure handling and storage, waste and by-product treatment, water treatment etc.*), including climate change mitigation (*protection covers, shades etc*.), including for provision of electricity and/or heating using renewable resources to meet the needs of the holding for its agricultural production activities:
8. Investments in on-farm irrigation facilities and equipment (including *new reservoirs, tanks, pipelines, drop-systems, mist systems, sprinkling installations, pump stations, etc.);*
9. Purchase of specialised agricultural transport trailers and vehicles, such as *agriculture trailers, bulk milk tankers, cooling trailers for transporting production, for transporting live animals and poultry, specialized manure transportation equipment, transportation equipment for biomass* etc;
10. Development of holding's infrastructure including construction and reconstruction of on farm roads and pathways, installation of electricity supply, water-supply and sewage systems, drainage, artesian boreholes, fencing etc. and other improvements of outdoor areas on the property of the recipient to meet the needs of the agriculture holding for its agricultural activities.

7.4. Eligible expenditures shall be limited to:

(a) Tangible investments

- Building materials and elements for construction or reconstruction of buildings and facilities
- New agriculture mechanization, machinery and equipment

- Perennial trees and plants (other than hybrids)

(b) Non-tangible investments (linked to expenditures under point a)

- Acquisition of patent rights and licenses
- Computer software including software license
- Installation of the equipment (excluding repairmen)
- Construction/reconstruction services (including technical supervision)
- Planting/re-planting services

(c) General costs linked to expenditures under point (a) and (b)

- Preparation of the technical documentation, construction plans and supporting studies
- Preparation of the technical project proposal/business plan: cost calculations, analyses, market analyses, marketing analyses
- Preparation of environmental assessment
- Project management

(d) Cost for specific information and publicity activities at project level which are of the responsibility of the final recipients

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- Billboards
- Plaques
- Stickers, etc.

The eligible expenditures shall be specified and detailed in the List of eligible Expenditures as accepted by the Commission after the Decision for adoption of the Programme is issued.

Detail rules on eligibility of expenditures, non-eligible expenditures and rules of origin are specified in Section 8.1 of the Programme.

8. Selection criteria

In order to be sure that the investment meets the objectives of the measure the eligible projects will be granted points according the following priorities:

Priority shall be given to projects related to <u>environment protection and animal welfare</u>:

- Investments concerning manure handling systems (*storing, treatment, further use etc.*) for protection of waters against pollution caused by nitrates from agricultural sources, including/or investments to improve efficiency of nitrogen fertiliser use (e.g. reduced use, equipment, precision agriculture) **(25 points)**
- Investment supports for introduction of on-farm energy production from renewable resources (*for example biogas, solar energy, windmills, geo-thermal energy, etc.)* and/or water saving practices (*for example drip irrigation systems, systems of*

adapting the animals with the ration water consumption and minimising the water losses such as drinking troughs with constant level etc.) **(20 points)**

- Investments in achieving animal welfare standards (**15 points**) OR
- Investments aiming at efficient water use, mitigation of climate change effects (*protection nets and covers, etc.*) (**25 points**)

SUB-TOTAL POINTS: maximum 60 points

Priority shall be given to applicants:

- certified organic farmer or in conversion to obtain certification for organic farming (**15 points**)
- agriculture cooperatives that are eligible or are using national support for establishment and running of agriculture cooperatives (according to IPARD Agency records) (**20 points**) OR
- the legal entity representative of the agriculture holding is primarily dealing with agriculture activity, processing of agriculture products and/or services related to agriculture production (**10 points**) OR
- family agriculture holdings represented by woman or young farmers who are at least 18 and less than 40 years of age at the date of the final decision for support. (**20 points**)

SUB-TOTAL POINTS: maximum 40 points

GRAND TOTAL POINTS: 100 points

Scoring will be used for selection of projects via ranking in cases when the requested amount for financing support of the eligible investment is beyond the available financial budget committed to this measure.

Reports on scored projects will be used for Programme monitoring purposes to assess if the projects submitted and approved are in accordance to the set of operational objectives for this Measure.

Projects with 0 points may be approved when the requested amount for financing support is below the available financial budget committed to this Measure and the eligibility requirements are fulfilled.

9. Aid intensity

Total public expenditure (75% EU funds + 25% national co-financing) will not exceed a ceiling of 60% of the total eligible expenditure of the investment. This ceiling shall be raised up to:

- 65 % for investments in agricultural holdings made by young farmers[54];

[54] who are at least 18 and less than 40 years of age at the date when the application for support is submitted.

- 70 % for investments in agricultural holdings in mountain areas (as listed in Annex 2 to this Programme).

The maximum aid intensity rate will be increased by 10 percentage points for:

- Investments in manure storage and handling systems (treatment, further use etc.),
- Investments to improve efficiency of nitrogen fertiliser use (e.g. reduced use, equipment, precision agriculture),
- Investments in buildings/equipment whose purpose is to improve energy efficiency (e.g. use of construction materials which reduce heat loss);
- Investments in buildings/equipment for production of bio-energy in case of processing products (raw materials) covered by Annex I to the Treaty (processing of animal or plant primary and secondary biomass);
- Investments in buildings/equipment for production of energy from other renewable energy sources to meet the own energy needs of the agriculture holding;
- Investments in buildings/equipment for waste water/sewerage treatment.

To receive support under this measure, the minimum total eligible expenditures proposed for the investment project is EUR 3 000.

The maximum total aid to be granted to single recipient under this measure is EUR 1 500 000 for the whole period of the Programme implementation.

Recipients may submit several projects under this measure during the Programme implementation period, provided that the maximum total eligible aid is not exceeded and the final payment claim for previous project has been submitted. The next project contract will be signed once the final payment will be paid for the implemented project.

10. Indicative budget

Table 43: Indicative Financial Plan

Year	Total eligible cost	Public expenditure					Private contribution		
		Total		EU contribution		National contribution			
	EUR	EUR	%	EUR	%	EUR	%	EUR	%
1	2=3+9	3=5+7	4=3/2	5	75%	7	25%	9	10=9/2
2014	4.777.777,78	2.866.666,67	60%	2.150.000	75%	716.666,67	25%	1,911,111.11	40%
2015	4.777.777,78	2.866.666,67	60%	2.150.000	75%	716.666,67	25%	1,911,111.11	40%
2016	4.888.888,89	2.933.333,33	60%	2.200.000	75%	733.333,33	25%	1,955,555.56	40%
2017	5.733.333,33	3.440.000,00	60%	2.580.000	75%	860.000,00	25%	2,293,333.33	40%
2018	8.222.222,22	4.933.333,33	60%	3.700.000	75%	1.233.333,33	25%	3,288,888.89	40%
2019	9.644.444,44	5.786.666,67	60%	4.340.000	75%	1.446.666,67	25%	3,857,777.78	40%
2020	9.333.333,33	5.600.000,00	60%	4.200.000	75%	1.400.000,00	25%	3,733,333.33	40%
Total	**47.377.777,78**	**28.426.666,67**	**60%**	**21.320.000**	**75%**	**7.106.666,67**	**25%**	**18,951,111.11**	**40%**

The distribution of the public funds for agriculture mechanisation – tractors including its equipment (excluding attachments) shall not exceed 20% of the total available financial budget for this measure for the whole period of the Programme implementation.

11. Indicators

- Number of projects supported (3 100);
- Number of agriculture holdings performing modernisation projects (3 100);
- Number of economic entities progressively upgrading towards EU standards (1 200);
- Number of agriculture holdings progressively upgrading towards full compliance to the EU standards for animal welfare (30);
- Number of holdings investing in renewable energy production (25);
- Number of holdings investing in livestock management in view of reducing the N20 and methane emissions (manure storage) (50);
- Total investment in physical capital by agriculture holdings supported (48 mill. EUR).

12. Administrative procedure

Minimum steps of the administrative procedure for implementation of this measure are elaborated in section 8.2 of this Programme. This measure will be implemented according to internal procedures for management and control established by the IPARD Agency, accredited by NAO and "entrustment of budget implementation tasks" by the Commission.

13. Geographic scope:

This measure is applicable for the whole country

Measure INVESTMENTS IN PHYSICAL ASSETS CONCERNING PROCESSING AND MARKETING OF AGRICULTURAL AND FISHERY PRODUCTS

Legal basis:

- Article 2 (1) of IPA Regulation No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action
- Article 27(1) of the Sectoral Agreement
- Annex 4, of the Sectoral Agreement

1. Rational

At the present time the food processing sector is characterised by a low level of productivity, and by outdated equipment and premises contributing to low competitiveness and inability to expand to economy of scale. Structural weaknesses related to seasonality of the primary agriculture production, fragmented supply (many small producers) impede the food processing industry to adjust to market demands. As a result, the domestic market is flooded by imported food in almost all the sectors (milk and dairy, dried and frozen fruit and vegetable, flour and dried cereals, cooking oil, meat and meat products etc.).

In the conditions of a "packed" food market with imported foodstuffs, the competitiveness of the domestic food processing enterprises is challenged. In order to successfully deal with the imported high quality goods at reasonable prices on the domestic market as well as to promote growing exports, these companies need high degree of improvement of production effectiveness and marketing, introduction of innovations, use of renewable energy sources, improving food quality and food safety, environmental protection, and improving the labour and hygiene conditions.

The accession process to the EU also requires establishments processing agriculture products to achieve full compliance with EU standards related to food safety, environmental protection, hygiene and occupational health and safety. Following the legal approximation process, the food operators which do not comply with the EU food safety standards will be closed on recommendation of the FVA or they can choose to limit their sales on sub-regional local markets. The assessment of the compliance of the existing establishments processing agriculture products of animal origin is performed by the FVA according to the provisions in the Law on Food Safety.

Achieving this compliance will require substantial investments, which would be realized with difficulty without financial support especially in the milk and meat sectors, to which transitional periods for compliance with EU standards have been granted to certain enterprises.

In addition, support is needed to improve the performances of agro-food production from the point of view of productivity and efficiency with respect to rationalisation of the installed capacities, their efficient use and to eliminate the supply chain malfunctions, manifested on agriculture markets.

These weaknesses in the supply of raw materials from the primary agriculture production affect mainly the sectors which have growing export potential such as wine production, fruit and vegetable processing and marketing, milk and dairy. The sector for fresh meat supply has a great growing opportunity for covering the needs on the domestic market, especially pork meat, beef and poultry. The sector for cereal processing and marketing together with the dried leguminous crops has a great growing opportunity for covering the domestic market need of dried cereals and leguminous crops. .

2. General objectives

- This measure will support the development of human and physical assets, increase ability of the agri-food sector to cope with competitive pressure and market forces as well as help the sector to progressively align with the EU standards.
- The measure will also help addressing the challenge of climate change, by promoting resource efficiency and renewable energy.

2.1. Specific objectives

Improvement of the overall performance, economic productivity and competitiveness of enterprises in the food processing industry through:

- better use of production factors; introduction of new products, processes and technologies
- strengthening the supply chain and integration between processors and agriculture producers
- improving quality and safety of foods and their traceability
- achievement of compliance with Community standards
- improvement of environmental protection.

3. Linkage to other IPARD measures in the programme and national measures

In particular, this measure is linked to the measure "Investments in physical assets of agricultural holdings" as the output of primary agricultural production and the quality of farming products have a positive effect on the operating capacity of the processing industry and its rational and efficient use. The measure "Investments in physical assets concerning processing and marketing of agricultural and fishery products" supports the food operators while under the measure "Investments in physical assets of agricultural holdings" limited-scope projects on on-farm post-harvesting activities (for example handling, grading, packing, and etc.) of agriculture products and processing and direct marketing shall be supported.

Meanwhile under the measure "Farm diversification and business development" support shall be granted for the production of Annex I products i.e. sectors for processing and adding value to the following agricultural products: bee honey, feed and fodder, medicinal herbs and spices, fisheries, forestry etc. and production of processed agriculture products not listed in Annex I of the Treaty.

The measure “Agri-environment-climate and organic farming measure” also contributes to the implementation of this measure by promoting organic farming for production of processed organic products for which there is growing demand on EU markets.

The support under this measure is complemented by the measure “Improvement of training” which aims to improve the professional expertise and knowledge of food processors in particular related to manage and implement food safety standards, standards related to the environment and animal welfare standards.

The measure "Investments in physical assets concerning processing and marketing of agricultural and fishery products" is supplemented by investments in public infrastructure in rural areas such as improvement of connection roads, provision of electricity, public water supply and sewerage systems and other local roads under the measure “Investments in rural public infrastructure” as crucial for increase of competitiveness of food processing industry located and operating in rural areas.

The scope of aid granted under this measure will not overlap with the scope of aid granted under the national support schemes for agriculture and rural development.

The IPARD Agency shall be responsible for the cross-checks aiming at avoiding double-financing between the Programme and the national support schemes for agriculture and rural development. Every investment project under the IPARD Programme, which may fall under the scope of the national support schemes, will be checked for possible double financing before its approval (of the project and of the final payment). The IPARD Agency will ensure that future double financing is avoided by stamping the received invoices for investment with clear "IPARD" stamp by an authorised official before payment.

4. Final recipients

4.1. Types of recipients

The following types of recipients can apply and benefit the support under this measure:

I. Legal entities
II. Cooperatives

I. Legal entities which are registered in the Central registry as legal entities according to Law on trade companies in the range of SMEs[55].

Enterprises not covered by the SME definition, but which employ fewer than 750 employees and which have an annual turnover not exceeding EUR 200 million, can also be eligible, but, in this case support can only be granted for investments specifically intended to make the establishment fully compliant with the relevant EU standards.

The assessment of the size of the applicants is performed by the IPARD Agency. Newly established enterprises shall be assessed on the basis of expression of their expected size to be reached proposed in the business plan.

II. Cooperative which is registered as such in the Central registry according to Law on cooperatives primarily dealing with agricultural activities, processing of agricultural

[55] Annex 9 of this Programme

products, marketing of agriculture and processed agriculture products and/or services connected directly with agricultural activities.

4.2. Limitations and demarcation

In order to better target the investment support and to achieve demarcation among recipients for different measures under this Programme, the final recipients shall be subject to the following limitations/demarcation criteria under this measure:

1. Cooperatives and agriculture holdings represented by legal entity which have benefited support in post-harvesting, on-farm processing and direct marketing activities under the measure “Investments in physical assets of agricultural holdings" can further apply for the same investment activity under this measure.

2. Support cannot be granted to enterprises represented by legal entity in case their capital is held by a public body or bodies or by the state of more than 25%. In specific cases where deemed appropriate based on the national legislation, the Managing Authority may ask the Commission to decide via submission of reasoned request.

3. Legal entities – enterprises which production line is approved for export in the EU are eligible for support only in investments in other production lines (part of the enterprise).

4. Investment support for renewable energy plants (biomass, wind, solar, hydraulic, geothermal etc. and/or through processing of plant and animal products from primary and secondary biomass, covered by Annex I to the Treaty) with a capacity of production exceeding the annual self-consumption of the recipient, shall not be eligible under this measure as it is supported under the measure "Farm diversification and business development".

5. Common eligibility criteria

5.1. General requirements for support

1. All applicants have to submit application accompanied with set of required documents and Technical Project Proposal or Business Plan as part of the application. These required documents, as well as the rules on procedures and verifications for completeness and eligibility will be published in the Guideline for beneficiaries and noted in the public call announcement. All received applications missing one or more of the required documents will not be further processed.2. All applicants must submit registration proof issued from the Central registry.

3. Applicant- cooperative which is dealing with primary agriculture production has to be recognised as such according to the Law on Agriculture cooperatives and be registered in the Register of Agriculture Cooperatives at MAFWE.

4. All recipients must be registered in FVA as food operators or for recording the change caused by the concerned investment according to the Law on food safety at the end of the investment.

5.2. National and EU standards to be respected

The national minimum standards on environment protection, public health, animal welfare and occupational safety in the area of food processing are aligned with the EU relevant standards.

Not later than at the end of the project (before a final claim for payment is submitted), the establishment must comply with the main relevant national minimum standards in force regarding environmental protection, public health, animal welfare, and occupational safety. Thus for the purpose of this measure implementation, document confirming the respect of applicable national minimum standards forms an obligatory part of the final claim for payment submitted by the recipient to the IPARD Agency.

When submitting the final claim for payment, the recipients will have to submit documents issued by the responsible authorities as follows:

– FVA for respect of public health according to the Law on food safety applicable for all sectors under this measure and animal welfare standards according to the Law on animal welfare (only applicable to meat and meat products establishments dealing with slaughtering); and/or

– Municipal environmental authorities or MoEPP for environmental protection standards according to Law on environmental protection (for investments related to construction of new buildings, environment protection and energy production from renewable resources); and/or

– Labour inspectorate for achieving the occupational safety standards.

The issued documents assessing the compliance of the project with respect of applicable national minimum standards for public health, animal welfare, environment protection and occupational safety must be made on the basis of prior assessment of the investment project where appropriate. If such assessment has been performed by the authorities in the previous six months from the date of submission of application, those documents will be considered by the IPARD Agency. In case the authorities' documents point out that the applicant fails to achieve those standards and is granted transitional period for compliance for which investment in physical assets is required, the applicant must undertake those investments to implement the standards before the submission of the final claim for payment.

In case the authorities' documents point out that the recipient fails to achieve those standards and is granted transitional period for compliance prior submission of the final claim for payment, the contract between the recipient and the IPARD Agency may be extended in duration allowing sufficient time to the recipient to achieve those standards before the final claim for payment is submitted. When these cases occur, the extension of the contract duration shall not exceed 3 years.

Where relevant, the IPARD Agency may obtain the document confirming the respect of applicable national minimum standards (and corresponding EU standards) administratively i.e. via access to electronic records or in written via request to the authorities responsible for the standard concerned. The list of documents confirming the respect of applicable national

minimum standards (and corresponding EU standards), which the IPARD Agency is obtaining administratively shall form part of the Guidelines for recipients.

Full and updated list of national minimum standards in force and their compliance with the relevant EU standards will be established by the Managing Authority with relevance to the eligible investment activities and priority sector under this Programme. The IPARD Agency shall publish the list regularly once a change is recorded. The updated list shall form part of the Guidelines for recipients.

5.3. Economic viability of the recipient

Aid can be granted to recipients which investment projects present prospect of financial/economic viability. The economic and financial viability shall be assessed on the basis of a Business Plan.

The Business Plan must contain data presenting that the equity capital of the applicant and its stocks in terms of liquidity and assets meet the operational costs and, where applicable, to allow growth while maintaining the resource base. The business plan must contain a detailed description of the existing technological process, existing and/or future organisation of the production system and planned investments and activities.

Also, the Business Plan has to demonstrate in what way the implementation of the project will lead to the improvement of the overall performance of the applicant via presentation of prospect of economic viability or will lead to the improvement of the overall performance of the agricultural holdings of the members of the agriculture cooperative.

The applicant must demonstrate prospect of continuity of operations during at least five years following the realization of the investment. The assessment of the financial/economic viability and the prospect of continuity of operations shall be done by IPARD Agency. To ensure the selection of the highest quality projects in terms of financial/economic viability, the IPARD Agency in consultation with the Managing Authority may set lowest/highest values of assessment of economic and financial viability criteria.

The templates for the Business Plan accompanied by guidance note for filling the templates and lowest/highest values of economic viability criteria with the methodology of calculation shall be prepared and published by the IPARD Agency and form part of the measure specific application package.

5.4. Other common eligibility criteria

1. The investments must be implemented in the property owned by the applicant. In case of investment projects, which are realized in the property not owned by the applicant, contract or other supporting document must be submitted proving the right of use of the property concerned by the investment for period of minimum 7 years from the date of applying for support.

2. All recipients must be registered in the national VAT system.

3. Prior the submission of final claim for payment at least one responsible person of the legal entity representing the establishment is permanently employed in the legal entity or is

engaged under contract with duration not shorter that the Contract granting financial support under this Programme.

6. Specific eligibility criteria

1. The applicant proposing investments in the wine sector, must be registered in the Register of wine producers at MAFWE prior the date of submission of final claim for payment.

2. The applicant proposing investments in the collection and distribution centre for fruit and vegetables, cereals and milk must be registered in the Register of purchasers at MAFWE, prior the date of submission of final claim for payment.

7. Eligible expenditure

7.1. Type of eligible investments

The support is granted for investments in physical assets that lead to the improvement of the overall performance of the enterprises, to meet the relevant national and EU standards which are applicable to the investments concerned, in particular environment, food safety and animal welfare.

Also, support will be granted for introduction and development of new products, processes and technologies for products covered by Annex I, establishment of new and/or modernization of the existing facilities and improvement of their use.

Support will be granted for introduction of energy efficient practices and buildings and production and use of energy from renewable resources for self-consumption. Support could also be used for the management of the waste accumulated during processing into biomass and its further use as source of energy or it' valorisation into other products.

Support for construction/modernisation of private laboratories in the ownership of an enterprise, is eligible only if it is situated on the premises of the enterprise and used primarily for the enterprise's own products (elaborated in the business plan and verified during ex-post controls by the IPARD Agency).

7.2. Priority sectors

The support will be granted to projects of processing and/or marketing of products covered by Annex I to the Treaty, to improve the added value of such products. The following sectors related to processing and/or marketing of products, covered by Annex I to the Treaty (as listed Annex 12 to the Programme), are eligible for support (agricultural products):

1. Milk and dairy products
2. Meat and meat products (including eggs and poultry);
3. Fruits and vegetables (including potatoes, mushrooms and leguminous crops);
4. Cereal, milling and starch products;
5. Vegetable and animal oils and fats;
6. Grape must, wine and vinegar;

7. Production of energy through processing of plant and animal products from primary and secondary biomass, except biomass from fishery products.

Support for the production of other Annex I products not covered above i.e. sectors for processing and adding value to the other agricultural products (such as bee honey, feed and fodder, industrial and medicinal plants, fisheries and forestry, etc.) as well as production of processed agriculture products not listed in Annex I of the Treaty will be supported under the measure "Farm diversification and business development". Support for investments in non-Annex I products which result of valorisation of waste resulting from processing (such as pet's food, etc.) will be supported under measure "Farm diversification and business development".

Investments for production of energy from renewable energy sources and/or through processing of plant and animal products from primary and secondary biomass, covered by Annex I to the Treaty are eligible if they concern the energy needs of the manufacturing enterprise.

7.3. Examples of eligible investments:

1. Construction or reconstruction of buildings and other immovable property used for processing and marketing of agriculture products (*such as production buildings, storages, collection and distribution centres, etc*.), auxiliary facilities (*for example laboratories needed for the enterprise raw material preparation facilities, silo, grain storehouses etc.)* including that used for occupational safety, for environmental protection (*for example waste treatment, biomass storehouses, immovable property for water/sewage treatment, etc.)* and equipment required.
2. Purchase and/or installing of new machinery and equipment/instruments, including:
    - for grading, collecting, storing and cooling at collection points;
    - for processing, packaging, cooling, freezing, drying, etc. and storage (including manipulation);
    - for production of new products, introduction of new technologies and processes;
    - for environmental protection;
    - for production of energy from renewable energy sources,
    - for improvement and control of quality and safety of raw materials and foods;
3. Purchase of specialised transport tanks and trailers for transporting raw materials and/or outputs *(such as bulk milk tankers, cooling trailers for transporting production, transportation equipment for biomass, etc.)* including trailers for transporting live *animals*;
4. Purchase and/or installing of new machinery and/or equipment for improvement of animal welfare standards (*provision of regular access to fresh water, feeding, animal housing pre-slaughtering, clearing of manure, etc.)*

5. Purchase and/or installing of new machinery and/or equipment for environmental protection (energy efficiency, controlled climate conditions, waste and by-product treatment and valorisation, water/sewerage treatment, processing of animal or plant primary and secondary biomass etc.), including for provision of electricity and/or heating using renewable resources;
6. Development of establishment's infrastructure including construction and reconstruction of intra-connection roads, installation of electricity supply, water-supply and sewage systems, pump stations, artesian boreholes, etc. on the property of the enterprise to meet the needs for its processing and marketing activities;

7.4. Eligible expenditures shall be limited to:

(a) Tangible investments

- Purchase of building materials and elements for construction or reconstruction of buildings and facilities
- Purchase of new machinery and equipment.

(b) Non-tangible investments (linked to expenditures under point a)

- Achieving compliance with internationally recognized standards[56] such as:
  - Introduction of management systems in the enterprises (for example - ISO 9000:2005; ISO 9001:2000; ISO 14001:2004 (EMAS); ISO 900; ISO/TR 10013:2001; ISO 19011:2002; ISO 27001; including IT-based systems, etc.);
  - Preparation for certification under the HACCP (Hazard Analysis and Critical Control Point) or other [57];
  - Implementing Good Manufacturing Practices (GMPs) in enterprises.
- Acquisition of patent rights and licenses
- Computer software including software license
- Installation of the equipment (excluding repairmen)
- Construction/reconstruction services (including technical supervision)

(c) General costs (linked to expenditures under point (a) and (b)

- Preparation of the technical documentation, construction plans and supporting studies
- Preparation of the business plan: cost calculations, analyses, market analyses, marketing analyses
- Preparation of environmental assessment
- Project management

[56] Investments for achieving compliance with internationally recognized standards, which are also obligatory under EU legislation, are eligible

[57] The certification under the HACCP is not eligible for support under the measure.

(d) Cost for specific information and publicity activities at project level which are of the responsibility of the final recipients

- Billboards
- Plaques
- Stickers, etc.

The eligible expenditures shall be specified and detailed in the List of eligible Expenditures as accepted by the Commission after the Decision for adoption of the Programme is issued.

Detail rules on eligibility of expenditures, non-eligible expenditures and rules of origin are specified in Section 8.1 of the Programme.

8. Selection criteria

In order to be sure that the investment meets the objectives of the measure the eligible projects will be granted points according the following priorities:

Priority shall be given to projects related to <u>compliance with EU standards</u>:

- Investments concerning upgrade to comply to EU standards related to food safety in the milk and meat sector **(30 points) OR**
- Investments concerning upgrade to comply to EU standards related to animal welfare in the meat sector **(25 points)**

SUB-TOTAL POINTS: max. 30 points

Priority shall be given to projects related to <u>environmental protection</u>:

- Investments aimed at decreasing negative impact on the environment through energy efficiency, waste and by-product treatment and valorisation, water/sewerage treatment **(25 points) OR**
- Investment support for introduction of energy production from renewable resources (*for example biomass, biogas, solar energy, windmills, geo-thermal energy, etc.)* including processing of animal or plant primary and secondary biomass for provision of electricity and/or heating using renewable resources **(30 points)**

SUB-TOTAL POINTS: max. 30 points

Priority shall be given to <u>projects promoting integration of agriculture producers and processors</u>:

- Investments are aimed at setting-up or modernisation of collection and distribution centres **(10 points) AND/OR**
- Existing contractual relationships with primary agriculture producers (at least annual contracts) covering at least 30% of the supplies of raw materials for processing **(10 points)**

SUB-TOTAL POINTS: max. 20 points

Priority shall be given to <u>applicants</u>:

- the legal entity is primarily dealing with processing of agriculture products (**5 points**) OR
- the food operator or agriculture cooperative is represented by young person who are at least 18 and less than 40 years of age at the date when the application for support is submitted or women (**10 points**)
- headquarters are located in the rural areas (as listed in Annex 1 to this Programme) (**10 points**)

SUB-TOTAL POINTS: max. 20 points

GRAND TOTAL POINTS: 100 points

Scoring will be used for selection of projects via ranking in cases when the requested amount for financing support in the received applications is beyond the available financial budget committed to this measure.

Reports on scored projects will be used for Programme monitoring purposes to assess if the projects submitted and approved are in accordance to the set of operational objectives for this Measure.

Projects with 0 points may be approved when the requested amount for financing support is below the available financial budget committed to this Measure and the eligibility requirements are fulfilled.

9. Aid intensity

Total public expenditure (75% EU funds + 25% national co-financing) shall not exceed a ceiling of 50% of the total eligible costs of the investment.

However, that ceiling shall be raised by 10 percentage points for:

- Investments in buildings/equipment whose purpose is to improve energy efficiency (e.g. use of construction materials which reduce heat loss);

- Investments in buildings/equipment for production of bio-energy in case of processing products (raw materials) covered by Annex I to the Treaty (processing of animal or plant primary and secondary biomass);

- Investments in buildings/equipment for production of energy from other renewable energy sources to meet the own energy needs of processing enterprises;

- Investments in buildings/equipment for waste, water/sewerage treatment.

To apply for support under this measure, the minimum total eligible budget of the project is EUR 10 000.

The maximum total eligible budget in which the support is granted to single recipient under this measure is EUR 4 500 000 for the whole period of the Programme implementation.

Recipients may submit several projects under this measure during the Programme implementation period, provided that the maximum total eligible expenditure is not exceeded and previous projects have been successfully finalized i.e. the final payment is received.

10. Indicative budget:

Table 44: Indicative Financial Plan for the measure

Year	Total eligible cost	Public expenditure						Private contribution	
		Total		EU contribution		National contribution			
	EUR	EUR	%	EUR	%	EUR	%	EUR	%
1	2=3+9	3=5+7	4=3/2	5	75%	7	25%	9	10=9/2
2014	6,000,000	3,000,000	50%	2.250.000	75%	750,000	25%	3,000,000	50%
2015	6,000,000	3,000,000	50%	2.250.000	75%	750,000	25%	3,000,000	50%
2016	4,933,332	2,466,666	50%	1.850.000	75%	616,666	25%	2,466,666	50%
2017	5,280,000	2,640,000	50%	1.980.000	75%	660,000	25%	2,640,000	50%
2018	7.733.333	3.866.667	50%	2.900.000	75%	966.667	25%	3.866.667	50%
2019	11.946.667	5.973.333	50%	4.480.000	75%	1.493.333	25%	5.973.333	50%
2020	10.000.000	5.000.000	50%	3.750.000	75%	1.250.000	25%	5.000000	50%
Total	51.893.333	25.946.667	**50%**	**19.460.000**	**75%**	6.486.667	**25%**	**25.946.667**	**50%**

11. Indicators

- Number of projects supported (220);
- Number of enterprises performing modernisation projects (220);
- Number of economic entities progressively upgrading towards EU standards (200);
- Number of enterprises investing in renewable energy production (20);
- Number of jobs created (gross) (1 300);
- Total investment in physical capital by enterprises supported (52 mill. EUR).

12. Administrative procedure

Minimum steps of the administrative procedure for implementation of this measure are elaborated in section 8.2 of this Programme. This measure will be implemented according to internal procedures for management and control established by the IPARD Agency, accredited by NAO and "entrustment of budget implementation tasks" by the Commission.

13. Geographic scope of the measure:

This measure is applicable for the whole country.

Measure INVESTMENTS IN RURAL PUBLIC INFRASTRUCTURE

Legal basis:

- Article 2(1) of the Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action
- Article 27(1) of the IPARD Sectoral Agreement;
- Annex 4 of the IPARD Sectoral Agreement

1. Rational

Rural areas in the country have low population densities, scattered settlements, limited resources and available finances, and are particularly hard hit to comply with the environmental rules. The competitiveness of country's rural areas is constrained by inadequate quality and access to basic infrastructure and services for the economy and rural population. Development and improvement of the basic infrastructure is one of the preconditions pertaining balanced economic growth in the rural area and for the enhancement of the socio-economic living conditions of the rural population in the country. In particular, the development of local road infrastructure in rural areas including improving access roads to agriculture land and improvement of quality of life in rural areas of the rural population.

The physical accessibility of rural areas is deteriorated due to the poor quality of local roads, which are important for connecting settlements within municipalities. This has been caused by the inadequate level of investment in road maintenance and renovation works due to chronic budgetary constraints faced by the local self-governments. At present, major regional differences as well as urban-rural disparities prevail in terms of quantity and quality aspects of the existing local infrastructure. The country's road (regional roads and motorways including the network of feeder roads) infrastructure is fairly developed but the local (unclassified) roads network is underdeveloped and of low quality (around 50% are either soil based or unimproved at all and regular maintenance and extraordinary repair are a problem). The territories with scattered settlements suffer from insufficient infrastructures and services also being an obstacle for development of entrepreneurship. Improved access is a key condition for economic growth and diversification in rural areas e.g. for developing of rural economy and rural tourism potential.

The main problems of rural population are often related to water supply and sewerage, electricity networks, heating and waste collection and disposal. Thus the great majority of rural villages in the country do not have any sewerage system and utilise septic tanks or uncontrolled wastewater discharge. In addition, only 10% of rural population is covered by public municipal collection of solid waste. The supply of electrical power to the rural settlements and dwellings is not modernised to sustain the regular uninterrupted supply of the energy to the domestic appliances. Public heating system is provided only in the capital city of Skopje and partly in the remaining bigger cities. All rural households are organising their heating individually (based on wood, coal or heating oil). The available renewable energy sources are underutilised.

Besides traditional components of infrastructure, renewal of villages in terms of public investments for general upgrading of the rural livelihoods is needed, to enhance the economic and social attractiveness of villages, small towns and the countryside. Particular problems are linked to intra-settlements infrastructure (e.g. village streets, pavements, atmospheric sewerage and street lights). Often only the main street of the village is surfaced with asphalt and the remaining streets are "macadam" and rarely stone paved. The green areas, streets and squares in rural areas have a strong impact on the quality of life of their citizens. Well-maintained village streets, green areas and parks may become the most preferred and typical features of rural areas.

Rural settlements are also affected by climate changes and lack of investments in flood management (e.g. maintenance of river beds) at local level as well as protection of the rural areas affected or prone by landslides pose threat to living and working conditions.

In addition, the competitiveness of agriculture and forestry is impeded by poor public access to agriculture or forest areas and poor network to access the agriculture and forest land parcels. Provision of access of electricity on agriculture land is needed to sustain the modernisation investments of the agriculture production systems (i.e. automated irrigation systems for efficient water use).

Thus, this measure will target investments for establishment and improvement of physical infrastructure in rural areas needed for economic and social development, as well as for development of agriculture and forestry.

2. General objectives

- The general objective is to support economic, social and territorial development, with a view to a smart, sustainable and inclusive growth through the development of physical capital in the country.

2.1. Specific Objectives

The specific objectives of this measure are as follows (random listed):

- to provide infrastructure needed for the development of rural areas;
- to contribute towards the improvement of living standards for rural population;
- to support public investments necessary to achieve development and environmental aims;
- to increase the attractiveness of rural areas for local and outside investors.

3. Linkage to other measures in the program and to national measures

In particular, this measure is linked to the measures "Investments in physical assets of agricultural holdings", "Investments in physical assets concerning processing and marketing of agricultural and fishery products" and "Farm diversification and business development". These measures promote investments in the construction and reconstruction of private infrastructure including internal roads, electricity, water supply and waste treatment related to development of economic activities of agricultural holdings, processing establishments or

rural enterprises, whilst the measure “Investments in rural public infrastructure” aims to construction and reconstruction of public infrastructure in the rural and agriculture areas.

Public investments under this measure complement the actions supported under the measure “Establishment and protection of forests” to improve the access to forest for performing supported activities related to afforestation, economic use of forests, applying actions for protection of forests against fire and diseases etc.

The scope of aid granted under this measure will not overlap with the scope of aid granted under the national support schemes for agriculture and rural development.

The IPARD Agency shall be responsible for the cross-checks aiming at avoiding double-financing between the Programme and the national support schemes for agriculture and rural development. Every investment project under the IPARD Programme, which may fall under the scope of the national support schemes, will be checked for possible double financing before its approval (of the project and of the final payment). The IPARD Agency will ensure that future double financing is avoided by stamping the received invoices for investment with clear "IPARD" stamp by an authorised official before payment.

The CFCD or related ministries responsible for monitoring of contracts related to other IPA support granted for regional development, environment, and transport sectors are thus responsible to cross-check the possible overlap in cases of request of the IPARD Agency.

4. Final Recipients

4.1. Types of recipients

The following types of recipients can apply for support under this measure:

I. Local administrative units (LAU 1 – Municipalities) defined according to the Law on territorial organisation of local self-governments on the behalf of settlements (LAU 2) < 10 000 inhabitants (listed in Annex 5 to this Programme) as beneficiaries of the investment.

II. Public enterprise for management of forests established according to the Law on public enterprises and registered in Central registry.

III. Public enterprise for management of pastures established according to the Law on public enterprises and registered in Central registry.

5. Common Eligibility Criteria

5.1. General requirements for support

1. Applicant must submit an Application Form supported with a set of required documents.

2. Construction (basic) plans and technical drawings including bill of quantities prepared with respect to the Law on building and other local building standards officially established by the Municipality must be also submitted together with the application form.

3. Applicants – municipalities have to submit decision taken by the municipal council on the priority of the project for the development of the municipality and in accordance with the local development plans where applicable.

4. Applicants – public enterprises have to submit decision taken by the steering board on the compliance of the project with the Annual plans approved by the Government

5. Applicants – municipalities which intend to invest in settlement for which the Law on culture is applied (cultural heritage, etc.) have to submit approval obtained from the MoC and/or MoTC

6. Applicants – municipalities which intend to invest in settlements area for which the Law on environmental protection is applied (natural reserve, etc.) have to submit approval obtained from the MoEPP;

7. The maintenance of the project must be provided by the final recipient until at least five years after the final payment of the project. However, maintenance costs are not eligible for EU co-financing.

5.2. National and EU standards to be respected

Each project must comply with the national minimum standards on environment protection, building, energy and culture with relevance to the project, before submission of the final claim for payment to the IPARD Agency.

5.3. Prospect of continuity of investment

The applicant must demonstrate prospect of continuity of the investment in terms of the ability of the applicant to maintain the investment during at least five years following the realization of the investment i.e. after the final payment is received.

5.4. Other common eligibility criteria

The investments must be implemented in public property (state or municipal property). In case of investment projects, which are realized in the private property not owned by the applicant, the Law on expropriation or concession shall be respected prior applying for support.

- for projects related to agriculture land, the Law on agriculture land shall be respected

- for projects related to forest land, the Law on forestry shall be respected.

6. Specific eligibility criteria

1. The investment projects for water supply, sewage and waste disposal have to be coordinated by the local public enterprises established for management of the public activity.

2. Investments for production of energy from renewable energy sources are eligible if they concern the energy needs of the eligible beneficiary – municipality and/or settlements.

3. In case of investments in access roads to forest land, the forest must be classified as high risk for forest fires, and confirmed by MAFWE.

7. Eligible expenditure

7.1. Type of eligible investments

The support is granted for investments in physical assets that lead to the improvement of the economic and social development of rural areas settlements with bellow 10 000 inhabitants in terms of establishment and/or improvement of community roads, local access to roads of particular importance for the local economic development, access to agriculture and forest land, energy supply, heating, waste and water management, and renewal of buildings in the settlements of the rural areas for provision of social services.

The support under this measure also targets investments for improvement of opportunities for recreation and attractiveness or rural areas – creating/recovery of intra-connection roads and streets, publicly accessible green areas, landscaping of gardens, construction or renovation of squares, street lighting, and pedestrian zones. Support will be granted for production and use of energy from renewable resources for establishment/upgrading of heating systems for the benefit of the rural population, flood protection and prevention of landslides.

The areas of support are presented in detail in the following sub-sections of this section "7. Eligible expenditure":

7.2. Eligible investments

The eligible projects shall refer to:

1. Energy supply and energy efficiency, including:

- Construction or rehabilitation and equipping of renewable energy plants and public distribution installations (bio-fuels, energy, heat) from renewables;
- Construction or rehabilitation of renewable energy installations for supplying of municipal owned buildings and/or buildings which are used for provision of community services (as well as education and health);
- Improvement of local public distribution networks for energy/heat supply in municipal settlements and/or agriculture areas including pastures;
- Investments for improvement of energy efficiency in municipal and other buildings used for provision of community services (as well as education and health);

2. Water management, including:

- Construction/reconstruction/rehabilitation of the water supply system, installations and related facilities (e.g. purification, filtration, etc.);
- Construction/reconstruction/rehabilitation of the sewage system, installations and related facilities (e.g. treatment of waste water discharge, etc.);

Support for investments in wastewater collection and treatment for settlements >10 000 population equivalents shall not be eligible as it is supported by environment actions under IPA II (for further details on demarcation see sub-section 7.3. "Demarcation of assistance" below).

3. Waste management, including:

- Construction/reconstruction of small infrastructure for waste management (e.g. dumping sites and/or waste collection points, etc. according to environmental standards);
- Purchase and installation of waste collection equipment (e.g. containers, transport trailers and vehicles);

4. Village renewal, including:

- Construction and reconstruction of public green areas - parks and gardens, children playgrounds and related facilities;
- Construction and reconstruction of street network, street footpath, squares, pedestrian areas, promenades, lightning and required equipment;
- Reconstruction and refurbishment of municipal buildings of local cultural, traditional or natural importance and/or improvement of the areas of local cultural, traditional or natural importance and outdoor facilities, including landscaping and required equipment;
- Refurbishment of facades of public buildings, outdoor facilities, including levelling and landscaping of outdoor facilities (if integrated in a settlement spatial plan and/or according to official municipal standards for architecture and building style at municipal or settlement level);
- Investments in construction of river beds for flood control and management in within the settlement areas, including landslides protection infrastructure.

5. Roads, including:

- Construction/rehabilitation of existing municipal roads and bridges (e.g. *roads linking settlements to main roads, between settlements connections, public access roads to businesses, farms, tourism facilities, buildings or outdoor areas of local cultural, traditional or natural importance, agriculture land, forests, etc*.) including levelling and landscaping of surrounding;
- Construction/rehabilitation of agriculture and forest road network (including fire prevention passages);

6. Community services, including:

- Construction and reconstruction of local market infrastructure – farmers market, crafts markets etc. and related facilities and equipment;
- Establishment of new or improvement of existing culture services centres (such as cultural centres, theatres, cinema, libraries);
- Establishment or improvement of centres for recreation, leisure time and sports (including sports centres, youth centres, etc.);

- Establishment or improvement of centres for social services – child care (nurseries, kindergartens), care for elderly and people with disabilities (such as Day Care Centres) including specialised transport.

7.3. Demarcation of assistance

Detail rules on demarcation of the assistance under this measure and the other related IPA assistance is elaborated in Section 10.1 of the Programme.

7.4. Eligible expenditures shall be limited to:

(a) Tangible investments

- Purchase of building materials and elements for construction or reconstruction of buildings and infrastructure
- Purchase of mechanization, machinery and equipment.
- Purchase of perennials

(b) Non-tangible investments (linked to expenditures under point a)

- Computer software including software license
- Installation of the equipment (excluding repairmen)
- Construction/reconstruction services (including technical supervision)
- Planting, landscape services

(c) General costs linked to expenditures under point (a) and (b)

- Preparation of the technical documentation, construction plans and supporting studies
- Preparation of the business plan: cost calculations, analyses, market analyses, marketing analyses
- Preparation of environmental assessment
- Project management

(d) Cost for specific information and publicity activities at project level which are of the responsibility of the final beneficiaries

- Billboards
- Plaques
- Stickers, etc.

EU-co-financing shall not cover ordinary maintenance interventions.

The eligible expenditures shall be specified and detailed in the List of eligible Expenditures as accepted by the Commission after the Decision for adoption of the Programme is issued.

Detail rules on eligibility of expenditures, non-eligible expenditures and rules of origin are specified in Section 8.1 of the Programme.

8. Selection criteria

In order to be sure that the investment meets the objectives of the measure the eligible projects will be granted points according the following priorities:

Priority shall be given to <u>projects</u> related to:

- roads **(50 points)** OR
- water management and sewerage **(45 points)** OR
- waste management **(40 points)** OR
- energy supply and energy efficiency **(35 points)** OR
- village renewal investments **(30 points)** OR
- Other: **(20 points)**

SUB-TOTAL POINTS: maximum 50 points

Priority shall be given to <u>applicants</u>:

- Municipality with up to 10 000 inhabitants according to the last official population census (**30 points**) OR
- Municipality with up to 20 000 inhabitants according to the last official population census (**20 points**) OR
- Municipality above 20 000 inhabitants according to the last official population census (**15 points**) OR
- Public enterprises **(15 points)**

SUB-TOTAL POINTS: maximum 30 points

Priority shall be given for investments <u>located in</u>:

- mountainous areas[58] **(20 points)** OR
- remote areas[59] **(10 points)**

SUB-TOTAL POINTS: maximum 20 points

GRAND TOTAL POINTS: 100 points

Scoring will be used for selection of projects via ranking in cases when the requested amount for financing support in the received applications is beyond the available financial budget committed to this measure.

Reports on scored projects will be used for Programme monitoring purposes to assess if the projects submitted and approved are in accordance to the set of operational objectives for this Measure.

[58] Settlements listed in Annex 2 to this Programme
[59] Municipal settlements located at distance of more than 50 km from the municipality centre

Projects with 0 points may not be approved for support.

9. Aid intensity

Total public expenditure (75% EU funds + 25% national co-financing) will not exceed a ceiling of:

- 100% of the total eligible expenditure of the investments not of a nature to generate substantial net revenue[60].
- 50% of the total eligible expenditure for revenue generating projects[61].

To receive support under this measure, the minimum total eligible expenditures proposed for the investment project is EUR 10 000.

The maximum total eligible expenditure per investment project will be EUR 3 000 000 for projects of municipalities and EUR 500 000 for projects of public enterprises.

Recipients may submit several projects under this measure during the Programme implementation period, provided that the previous projects have been successfully finalized i.e. the final payment is received.

10. Indicative budget

Table 45: Indicative Financial Plan

Year	Total eligible cost	Public expenditure					
		Total		EU contribution		National contribution	
	EUR	EUR	%	EUR	%	EUR	%
1	2=3+9	3=5+7	4=3/2	5	75%	7	25%
2014	-	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!
2015	-	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!
2016	-	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!
2017	-	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!
2018	-	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!
2019	-	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!
2020	-	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!
Total	-	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!

11. Indicators

- Number of supported projects (60)

[60] See Article 61 of REGULATION (EU) No 1303/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006.

[61] See Article 61 of REGULATION (EU) No 1303/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006

- Number of beneficiaries investing in renewable energy production (5)
- Number of jobs created in predominantly rural areas (gross) (100)
- Total investment in physical capital in rural infrastructure (12 mill EUR)

12. Administrative procedure

Minimum steps of the administrative procedure for implementation of this measure are elaborated in section 8.2 of this Programme. This measure will be implemented according to internal procedures for management and control established by the IPARD Agency, accredited by NAO and approved by the Commission.

All projects must be procured in accordance with the rules for external aid of the Commission contained in the Financial Regulation. For this purpose the application of PRAG could be adapted to the specifics of the national public procurement legislation in that way to respect the main Treaty principle such as: transparency, proportionality, equal treatment, non-discrimination and should ensure sound financial management (value for money).In case the beneficiary does not have capacity to perform the public procurement according to the public procurement rules applicable for this measure, public procurement may be done on behalf of the final beneficiary by a centralized competent public authority (to be decided during accreditation of this measure).

13. Geographic scope:

The investment supported under this measure must take place on the territory of settlement(s) with fewer than 10 000 inhabitants as listed in Annex 5 to this Programme.

Measure FARM DIVERSIFICATION AND BUSINESS DEVELOPMENT

Legal basis:

- Article 2(1) of the Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action
- Article 27(1) of the IPARD Sectoral Agreement;
- Annex 4 of the IPARD Sectoral Agreement

1. Rationale

The structure of the rural economy is diverse and trading service and manufacturing has larger proportion of value added, but agriculture still remains a major source of income for rural dwellers Agricultural activities alone are not able to provide suitable income to the rural inhabitants because of structural shortcomings; therefore, diversifying of the agriculture income with introducing different economic activities in the rural areas is envisaged. The recent trends of decline of agriculture, forestry and fisheries employment on national level with lack of adequate options for those who decrease or ceased their agricultural activity to find an employment in other sectors poses risk for development of rural areas. On the longer run there is an expectation that the small holder farms are the ones at risk to cease their activity due to pressure of commercial farming and development of processing sector and market chains imposing strict quality requirements.

Entrepreneurship in rural areas is hindered by lack of capital and insufficient access to business development. Limited investment potential of rural actors, underdeveloped versatile cooperation forms, lack of information and consultation about the advantages of entrepreneurship activities, orientation of the services into the local market, small demand of the goods and services due to lower standard of living of rural population impedes the business creation and development in rural areas.

The provision of services in the rural areas is far behind the provision of services in the urban areas. The competitiveness of the agriculture and the rural areas is constrained by inadequate quality and access to basic infrastructure and services for the economy and rural population. Service provision is an indicator for quality of life of rural population as well.

Thus the support of the new business start-ups and the development of the established micro and small enterprises is an important tool for improving the competitiveness and job creation in the rural areas. The support is needed to develop the economic fabric of rural areas (which is dominated by trade activities and construction) into other economic activities and services promoting job creation as well as greatly improve the quality of life, especially for the young rural population.

The tourism potential in rural areas is underutilised although growing demand of rural tourism exists from domestic tourists as well as from foreign tourists visiting to explore the natural, cultural and traditional amenities of the country. Rural tourism is growth economic sector, creating an opportunity for diversification of activity for persons engaged in

agriculture, also for additional income, increasing employment of rural population and promoting their entrepreneurship. According to the National Strategy for Rural Tourism 2012-2017 the development of the rural tourism is envisaged through: development of typical rural tourism facilities, development of outdoor activities, development of activities related to the customs, crafts and typical food and better management of the natural resources.

Support is needed to create variety of recreational services in rural areas, establishment and modernisation of accommodation and catering facilities including camping and/or lodging places, or camps, in rural areas.

Thus, the purpose of the measure is to provide support to the investments in the rural areas aimed at establishment and development of alternative economic activities in rural areas, promotion of entrepreneurship and business development of non-agriculture products, improving access to services to agriculture holdings and rural population, and promotion of rural tourism.

2. General objectives

The overall objective of this measure is fostering employment by creation of new jobs, maintaining the existing jobs, thus raising the economic activity level of rural areas, improving the quality of life and reversing rural depopulation. Diversification is necessary for growth, employment and sustainable development in rural areas, and thereby contributes to a better territorial balance, both in economic and social manner.

2.1. Specific Objectives

- to sustain the agricultural activities in the rural area through provision of specific services;
- to develop and promote rural tourism services and activities;
- to develop non-agricultural micro and small enterprises based on local resources and related to the improvement of the quality of life in rural area;
- to preserve and to develop traditional handicraft activities;
- to promote entrepreneurship in rural areas;
- to increase primary energy consumption from renewable energy resources.

3. Linkage to other measures

In particular, this measure is linked to the measures “Investments in physical assets of agricultural holdings” and "Investments in physical assets concerning processing and marketing of agricultural and fishery products". Under the measure “Investments in physical assets of agricultural holdings” support shall be granted for primary agriculture production and investments for on-farm processing and direct marketing of own production of the agriculture holding. The measure "Investments in physical assets concerning processing and marketing of agricultural and fishery products" is promoting investments in selected Annex I priority sectors. Meanwhile under the measure “Farm diversification and business development” support shall be granted for the production of Annex I products i.e. sectors for

processing and adding value to the agricultural, fisheries and forestry products, as well as other processed agriculture products not listed in Annex I of the Treaty in rural areas. The measure "Farm diversification and business development" is supplementing the measure "Investments in physical assets of agricultural holdings" as it supports investments into non-agriculture activities and range of activities for provision of services to agriculture population in the rural areas and for facilitating the agriculture production. Bringing together, both measures shall foremost contribute to the increased income of the agriculture holdings from non-agriculture activities and provision of rural and agriculture services.

Once the measures "Advisory services" and "Improvement of training" are included as part of this Programme, their implementation will complement the measure "Farm diversification and business development" specifically by helping rural dwellers and rural economic actors in provision of information for business development. Coordination with the measures "Advisory Services" and "Improvement of training" shall improve the professional expertise and knowledge of applicants in this measure implementation in particular.

The measure "Farm diversification and business development" is supplemented by investments in public connection roads, provision of electricity and public water and sewerage systems in rural areas under the measure "Public investments in rural infrastructure" as crucial for increase of competitiveness of the rural economy and quality of life of rural population.

The scope of aid granted under this measure will not overlap with the scope of aid granted under the national support schemes for agriculture and rural development.

The IPARD Agency shall be responsible for the cross-checks aiming at avoiding double-financing between the Programme and the national support schemes for agriculture and rural development. Every investment project under the IPARD Programme, which may fall under the scope of the national support schemes, will be checked for possible double financing before its approval (of the project and of the final payment). The IPARD Agency will ensure that future double financing is avoided by stamping the received invoices for investment with clear "IPARD" stamp by an authorised official before payment.

The CFCD or related ministries responsible for monitoring of contracts related to other IPA regional development support granted for tourism and culture are thus responsible to cross-check the possible overlap in cases of request of the IPARD Agency.

4. Final Recipients

4.1. Types of recipients

The following types of recipients can apply and benefit the support under this measure:

I. Natural persons

II. Legal entities

III. Cooperatives

I. Natural persons who are registered as living in rural area or have registered economic activity in the rural area, such as:

- registered as craftsmen in the Crafts registry according to Law on crafts for the activities for which the investment is proposed,
- registered as catering (including provision of accommodation) in the Catering registry according to Law on catering for the activities for which the investment is proposed,
- registered as sole proprietor in the Central registry according to Law on trade.
- registered in the Farm Register as representative of family agriculture holding or as member of the family agriculture household, who live on the same address i.e. headquarters of the family agriculture holding which maybe in urban or rural area.
- registered as individual agriculture producer in the Register of Agriculture Producers in MAFWE or in the Pension Fund. The Individual Agriculture Producer is registered as family agriculture holding in the Farm Register and his/her headquarters maybe in urban or rural area.

Natural persons who are proposing new investments for entering into economic activities in rural areas (e.g. for self-employment) are eligible for support under this measure subject to fulfilling the specific requirements at the end of the investment, in particular if he/she is:

- possessing proven professional competences via vocational school or vocational training or other professionally recognised certificate for the individual economic non-agriculture activity.
- committed to run accounting books for the individual economic activity during project implementation,
- committed that at the end of the investment (before submission of the final claim for payment) he/she will register the economic activity as craftsmen, catering or sole proprietor or legal entity in the municipality where the rural area is located.

II. Legal entities which are registered in the Central registry in the range of micro and small enterprises[62].

The assessment of the size of the enterprises is performed by the IPARD Agency. Newly established enterprises shall be assessed on the basis of expression of their expected size to be reached proposed in the technical project proposal or Business Plan.

III. Cooperative which is registered as such in the Central registry according to Law on cooperatives primarily dealing with primary agriculture production or logging or collection of forestry products, processing of agricultural products or forestry products, marketing of agriculture and processed agriculture products, and/or services connected directly with agricultural activities, forestry and logging.

4.2. Limitations and demarcation

In order to better target the investment support and to achieve demarcation among measures under this programme, the final recipients shall be subject to the following limitations according to the eligible investment activities under this measure:

1. Cooperatives and agriculture holdings represented by legal entity are not eligible for investment support for processing and marketing of agriculture products for which support is

[62] Described in Annex 9 to this Programme

provided under the measures "Investments in physical assets of agricultural holdings" "Investments in physical assets concerning processing and marketing of agricultural and fishery products".

2. Support cannot be granted to legal entities in case their capital is held by a public body or bodies or when more than 25% is owned by the state. In specific cases where deemed appropriate based on the national legislation, the Managing Authority may ask the Commission to decide via submission of reasoned request.

3. Legal entities in the range of small enterprises are not be eligible for investment support in the priority sectors for which supported is provided under the measure "Investments in physical assets concerning processing and marketing of agricultural and fishery products" (milk and dairy products, meat and meat products (including eggs and poultry); fruits and vegetables (including potatoes, mushrooms and leguminous crops); cereal, milling and starch products; vegetable and animal oils and fats; grape must, wine and vinegar).

5. Common Eligibility Criteria

5.1. General requirements for support

1. The applicant – natural person representative or member of the family agriculture holding when applying for support should be registered as such in the Farm Register at MAFWE.

2. The applicant – natural person craftsmen when applying for support shall submit document for being registered in the crafts registry for dealing with the economic activity related to the project before the date of submission of the application.

3. The applicant – natural person registered for catering (including provision of tourist accommodation) when applying for support shall submit document for being register for catering before the date of submission of the application.

4. The applicant – natural person who are proposing new investments for entering into economic activities in rural areas (e.g. for self-employment) shall submit legal or notary statement for commitments to register the economic activity as craftsmen, catering or sole proprietor in the municipality where the rural area is located, before submission of final claim for payment.

5. The applicant – legal entity must be registered as such in the Central Registry before the date of submission of the application.

6. The applicant – cooperative must be registered as cooperative in the Central Registry before the date of submission of the application.

7. The applicant – cooperative which is dealing primarily with agriculture activities has to be recognised as such according to the Law on Agriculture cooperatives and be registered in the Register of Agriculture Cooperatives at MAFWE before the date of submission of the application.

8. All applicants have to submit application accompanied with set of required documents and Technical Project Proposal or Business Plan as part of the application. These required documents, as well as the rules on procedures and verifications for completeness and

eligibility will be published in the Guideline for beneficiaries and noted in the public call announcement. All received applications missing one or more of the required documents will not be further processed. National standards to be respected.

The recipient must fulfil the relevant national standards regarding environmental protection, public health, and occupational safety at the end of the realization of the investment.

In relation to specific supported economic activity, the following minimum national standards will apply:

- For the investment projects related to rural tourism, the requirements in the national legislation for tourism, catering and food safety will apply;
- For investment projects related to food production including processing of forest products the requirements in the national legislation for food safety will apply;
- For investment projects related to collection of forest products (other than processing of forest products) and logging, the requirement in the national legislation on forestry will apply;
- For investment projects related to crafts the requirement in the national legislation on crafts will apply;
- For the investment projects related to veterinary services, the requirement in the national legislation on veterinary health will apply;
- For investment projects related to manufacturing of plant protection products and/or fertilisers, the requirements in the national legislation on plant health and fertilisers will apply;
- For investment projects related to manufacturing of cosmetic products the national legislation on safety of cosmetic products will apply.

Not later than at the end of the project (before a final clam for payment is submitted), the recipient must comply with the main relevant national minimum standards in force regarding environment protection, public health and animal welfare. Thus for the purpose of this measure implementation, document assessing the compliance or confirming the respect of applicable national minimum standards forms an obligatory part of the final claim for payment. The documents assessing the compliance or confirming the respect of applicable national minimum standards shall be issued by the following responsible authorities:

– FVA for respect of public health according to the Law on food safety applicable for all food production and catering and Law on safety of cosmetic products for non-food investments and manufacturing and Law on veterinary health for investments in veterinary services under this measure; and/or

– Municipal environmental authorities or MoEPP for environmental protection standards according to Law on environmental protection (for investments related to construction of new buildings subject to requirements in the building legislation); and/or

– MoE and/or MoEPP for energy production plants from renewable resources subject to requirements in the legislation on energy; and/or

– Labour inspectorate at MoLSP for achieving the occupational safety standards.

The issued documents assessing the compliance of the investment with respect of applicable national minimum standards must be made on the basis of prior assessment of the project and on the recipient itself where appropriate.

Where deemed appropriate, the IPARD Agency may obtain the document assessing the compliance or confirming the respect of applicable national minimum standards administratively i.e. via access to electronic records or in written via request to the authorities responsible for the standard concerned. The list of documents confirming the respect of applicable national minimum standards, which the IPARD Agency is obtaining administratively, shall form part of the Guidelines for recipients.

Full and updated list of all relevant national standards in force and their compliance with the EU standards (where relevant) will be established by the Managing Authority with relevance to the eligible investment activities and priority sector under this measure. The IPARD Agency shall publish the list regularly once a change is recorded. The updated list shall form part of the Guidelines for recipients.

5.2. Economic viability of the recipient

Aid can be granted to recipients which investment projects present prospect of financial/economic viability. The economic and financial viability shall be assessed on the basis of Technical Project Proposal or Business Plan.

In the case of projects having a total eligible budget bellow 50 000 euro, the prospect of financial viability must be demonstrated via Technical Project Proposal containing perspective data on financing indicators in terms of generating sufficient income to meet the operating costs and debt commitments.

In the case of projects having a total eligible budget exceeding 50 000 euro, the prospect of economic viability must be demonstrated via Business Plan presenting that the equity capital of the holding and its stocks in terms of liquidity and assets meet the operational costs and, where applicable, to allow growth while maintaining the resource base. The business plan must contain a detailed description of planned investments and activities. Also, the business plan has to demonstrate in what way the implementation of the project will lead to the improvement of the overall performance of the business activity via presentation of prospect of financial and economic viability.

The applicant must demonstrate prospect of continuity of operations during at least five years following the realization of the investment. The assessment of the financial/economic viability and the prospect of continuity of operations shall be assessed by IPARD Agency. To ensure the selection of the highest quality projects in terms of financial/economic viability, the IPARD Agency in consultation with the Managing Authority may set lowest/highest values of assessment of economic and financial viability criteria.

The templates for the Technical Project Proposal and Business Plan accompanied by guidance note for filling the templates and lowest/highest values of financial and economic viability criteria with the methodology of calculation shall be prepared and published by the IPARD Agency as part of the measure specific application packages.

5.3. Other common eligibility criteria

1. The investments must be in the property owned by the applicant. In case of investment projects, which take place in the property not owned by the applicant, contract or other supporting document must be submitted proving the right of use of the property concerned by the investment for period of minimum 7 years from the date of applying for support.

2. Applicant - natural person shall provide certificate document for proven professional competences for the individual economic non-agriculture activity by minimum secondary school education or higher education or vocational education or vocational training by diploma/certificate.

Applicants that fail to meet the above skills and competences shall at the end of the investment provide training certificate issued by relevant vocational training institutions, educational and research institutions or public advisory services including the list of attended training modules with relevance to the investment.

3. At least one responsible person of the individual agriculture producer, legal entity or cooperative is permanently employed or is engaged under contract with duration not shorter than 5 years. Natural persons shall be permanently employed as sole proprietors, craftsmen or catering. In case of new investments this requirement shall be achieved prior the submission of final payment claims i.e. when the investment becomes operational.

6. Specific Eligibility Criteria

1. Projects concerning investments in construction/reconstruction of buildings for rural tourism purposes should be carried out adopting the traditional architecture style or to follow the architecture style that fits the landscape (surrounding area) demonstrated via technical drawings designed by an authorized architect and and elaborated in the Business Plan.

2. In case of investments in rural tourism and/or catering are being proposed by natural person, the capacity achieved for indoor accommodation must be not more than 10 rooms to accommodate maximum 20 people (excluding additional beds for children), for outdoor accommodation the capacity achieved must be maximum 10 accommodation units or to accommodate 30 guests at once and to serve 50 people for catering.

3. In case of investments in rural tourism and/or catering are being proposed by legal entity, the capacity achieved for indoor accommodation must be not more than 20 rooms (to accommodate maximum 50 people), for outdoor accommodation the capacity achieved must be maximum 30 accommodation units or to accommodate 90 guests at once and to serve maximum 150 guests for catering.

4. In case of investments in production and sale of renewable energy, the investment is considered eligible when the (theoretical) power capacity of the renewable energy plant ("the investment") exceeds the 3 years-average self-consumption of the applicant and the excess of energy will be sold into the grid.

5. In the case of new investments or in the case of business activities which have substantially changed the size of their operations in the last three years, the expected consumption should be estimated by the IPARD agency. The same concerns expected power consumption

increases due to the new investments to be made as part of the same application by the potential recipient.

7. Eligible expenditure

7.1. Type of eligible investments

The support is granted for investments in physical assets for introduction/modernisation of alternative agriculture production on farm as to increase the income potential of the agriculture holding. Support will be granted to investments proposed for diversifying the economic activities in rural areas related to forestry and food processing, which are not supported under measures “Investments in physical assets of agricultural holdings” and "Investments in physical assets concerning processing and marketing of agricultural and fishery products" and the final product of the economic activities is not in Annex I of the Treaty (as presented in Annex 12 to the Programme).

Investment support under this measure also concerns manufacturing, provision of agriculture and rural services, development of crafts activities, catering and rural tourism.

Support will also be granted for production of energy from renewable resources (biomass, wind, solar,) with a capacity of production exceeding the annual self-consumption of the aplicant.

The areas of support are presented in detail in the following sub-sections of this section “7. Eligible expenditure”:

7.2. Priority sectors

The measure is open to areas of diversification and business development, as follows:

1. Alternative agriculture production, including

- cultivation of mushrooms and truffles
- horticulture (nurseries and cultivation of flowers and flower buds, decorative plants, trees)
- production of seed and seedling material
- rabbit breeding
- snail breeding
- breeding of birds for eggs and meat – ducks, geese, turkey, capercaillie, ostriches and emus and guinea fowls
- raising of game animals
- bee-keeping
- cultivation of herbs, seeds, and other spices and aromatic crops
- plantations of trees for timber and bio-mass (fast growing)
- aquaculture farms for freshwater fish.

2. Manufacture of food products and beverages

3. Manufacturing of non-food products (for all activities described in Annex 14 to this Programme)

4. Development of crafts activities dealing with economic activities according to the Book of rules on defining the activities which can be performed by crafts.

5. Provision of services to agriculture, including

- establishment and upgrading of veterinary services
- establishment and renovation of workshops for maintenance and repair of agriculture mechanisation, machinery and equipment
- establishment of services for renting agriculture mechanisation, machinery and equipment.

6. Development of services for the rural population, including

- repair and maintenance services
- landscape services
- pet care services
- residential nursing care services (homes for the elderly, convalescent homes, etc.)
- child day-care services
- training and education centres for any profession, hobby or self-development purposes, sports and recreation, educational support services, IT centres
- transport services
- cinema, local broadcasting

7. Promotion of Rural Tourism, including

- tourist accommodation - indoor accommodation (rooms, apartments, Bed&Breakfast, self-catering cottages) and outdoor accommodation (camping sites, bungalows, trailer camps)
- catering service (cooking and serving food)
- combined services – accommodation and catering service
- provision of tasting rooms/selling points for direct marketing of products
- rural museums (buildings and exhibition items expressing historical, natural, traditional, educational, agricultural etc. amenities of the rural area, as well as botanical and zoological gardens)
- provision of facilities for seminars and trainings, educational farms
- provision of recreational activities for tourists.

8. Production and sale of renewable energy, including

- processing of plant and animal products from primary and secondary biomass, except biomass from fishery products

- processing of agriculture products for bio-fuel production
- processing of forestry bio-mass
- production of energy from renewable resources (solar and wind).

7.3. Examples of eligible expenditures

1. Construction or reconstruction of buildings and other immovable property used for the eligible economic activities (*such as for breeding/cultivation/production buildings, storages, service buildings, accommodation, catering etc.*), auxiliary facilities (*for example raw material storages, material preparation facilities, selling points, sanitary requirements etc.),* including that used for occupational safety, for environmental protection (*for example waste treatment, biomass storehouses, immovable property for water/sewage treatment, etc.)* and equipment required.

2. Purchase and/or installing of new machinery, agriculture mechanisation and equipment/instruments, related to the eligible economic activity.

3. Purchase of specialised transport tanks and trailers for transporting raw materials and/or outputs (*such as cooling trailers for transporting production, transportation equipment for biomass*, etc.);

4. Purchase of perennial trees and plants (excluding planting seeds, seedling material and mycelium), including melliferous trees (for honey production), herbs, seeds, and other spices and aromatic crops, trees for timber, short rotation coppice and other fast-growing tree species for bio energy purposes, decorative plants and decorative trees (including supporting installations);

5. Purchase and/or installing of new machinery and/or equipment for environmental protection (energy efficiency, controlled climate conditions, waste and by-product treatment and valorisation, water/sewerage treatment, processing of animal or plant primary and secondary biomass etc.), including for provision of electricity and/or heating using renewable resources;

6. Development of establishment's infrastructure including construction and reconstruction of intra-connection roads, pathways, installation of electricity supply, water-supply and sewage systems, pump stations, artesian boreholes, fencing etc. and improvement of outdoor areas on the property of the recipient to meet the needs for the economic activities and services.

7.4. Eligible expenditures shall be limited to:

(a) Tangible investments

- Purchase of building materials and elements for construction or reconstruction of buildings and facilities
- Purchase of new machinery and equipment.
- Purchase of new agriculture mechanization
- Purchase of perennials (other than hybrids)

(b) Non-tangible investments (linked to expenditures under point a)

- Achieving compliance with internationally recognized standards63 such as:
  - Introduction of management systems in the enterprises (for example - ISO 9000:2005; ISO 9001:2000; ISO 14001:2004 (EMAS); ISO 900; ISO/TR 10013:2001; ISO 19011:2002; ISO 27001; including IT-based systems, etc.);
  - Preparation for certification under the HACCP (Hazard Analysis and Critical Control Point)[64];
  - Implementing Good Manufacturing Practices (GMPs) in enterprises.
- Acquisition of patent rights and licenses
- Computer software including software license
- Installation of the machinery and equipment (excluding repairmen)
- Construction/reconstruction services (including technical supervision)
- Planting/re-planting services

(c) General costs (linked to expenditures under point (a) and (b)

- Preparation of the technical documentation, construction plans and supporting studies
- Preparation of the business plan: cost calculations, analyses, market analyses, marketing analyses
- Preparation of environmental assessment
- Project management

(d) Cost for specific information and publicity activities at project level which are of the responsibility of the final recipients

- Billboards
- Plaques
- Stickers, etc.

The eligible expenditures shall be specified and detailed in the List of eligible Expenditures as accepted by the Commission after the Decision for adoption of the Programme is issued.

Detail rules on eligibility of expenditures, non-eligible expenditures and rules of origin are specified in Section 8.1 of the Programme.

8. Selection criteria

In order to be sure that the investment meets the objectives of the measure the eligible projects will be granted points according the following priorities:

Priority shall be given to projects related to <u>environment protection</u>:

[63] Investments for achieving compliance with internationally recognized standards, which are also obligatory under EU legislation, are eligible

[64] The certification under the HACCP is not eligible for support under the measure.

- Investment for introduction and modernisation of plants for energy production from renewable resources (*for example biogas, solar energy, windmills, geo-thermal energy, etc.)* **(20 points)** OR
- Investment for introduction of energy production from renewable resources (*for example biogas, solar energy, windmills, geo-thermal energy, etc.)* for the needs of the applicant **(15 points)**

SUB-TOTAL POINTS: max 20 points

Priority shall be given to projects related to <u>job creation</u>:

- Projects promoting self-employment and/or employment of family members (**10 points**) OR
- Projects promoting job creation in rural areas (**5 points**)

SUB-TOTAL POINTS: max 10 points

Priority shall be given to projects implemented on <u>rural territory</u>:

- if the investment is located in municipalities with rural centres **(30 points)** OR
- if the investment is located in mountainous rural areas **(20 points)**
- if the investment is located in national parks **(10 points)** OR
- if the investment (only in Priority sector 7) is located in settlements adjacent to cultural heritage or archaeological sites designated according to the Law on Cultural Heritage Protection **(10 points)**

SUB-TOTAL POINTS: max 40 points

Priority shall be given to <u>applicants</u>:

- natural person – rural dwellers entering into non-food production (**20 points**) OR
- natural person representing family agriculture holding (**15 points**)
- micro and small enterprises with headquarters in villages (**10 points**)
- natural person who are at least 18 and less than 40 years of age at the date when the application for support is submitted or women (or representative of the micro – enterprises) (**10 points**)

SUB-TOTAL POINTS: 30 points

GRAND TOTAL POINTS: 100 points

Scoring will be used for selection of projects via ranking in cases when the requested amount for financing support in the received applications is beyond the available financial budget committed to this measure.

Reports on scored projects will be used for Programme monitoring purposes to assess if the projects submitted and approved are in accordance to the set of operational objectives for this Measure.

Projects with 0 points may be approved when the requested amount for financing support is below the available financial budget committed to this Measure and the eligibility requirements are fulfilled.

9. Aid intensity

Total public expenditure (75% EU funds + 25% national co-financing) will not exceed a ceiling of 65% of the total eligible costs of the investment. In case of investment project for plants for production and sales of energy produced from renewable resources, the maximum public support shall not exceed aceiling of 50% of the total eligible costs of the investment.

To receive support under this measure, the minimum total eligible expenditures proposed for the investment project is EUR 1 500.

The maximum total eligible expenditures proposed for the investment project shall not exceed EUR 1 000 000.

The maximum total aid to be granted to recipient under this measure is EUR 1 500 000 for the whole period of the Programme implementation.

Recipients may submit several projects under this measure during the Programme implementation period, provided that the maximum total aid is not exceeded and previous projects have been successfully finalized i.e. the final payment is received.

10. Indicative budget

Table 46: Indicative Financial Plan

Year	Total eligible cost	Public expenditure						Private contribution	
		Total		EU contribution		National contribution			
	EUR	EUR	%	EUR	%	EUR	%	EUR	%
1	2=3+9	3=5+7	4=3/2	5	6=5/3	7	8=7/3	9	10=9/2
2014	1,230,769	800,000	65%	600.000	75%	200,000	25%	430,769	35%
2015	1,230,769	800,000	65%	600.000	75%	200,000	25%	430,769	35%
2016	1,948,718	1,266,667	65%	950.000	75%	316,667	25%	682,051	35%
2017	2.830.769	1.840.000	65%	1.380.000	75%	460.000	25%	990.769	35%
2018	6.769.231	4.400.000	65%	3.300.000	75%	1.100.000	25%	2.369.231	35%
2019	10.051.282	6.533.333	65%	4.900.000	75%	1.633.333	25%	3.517.949	35%
2020	14.153.846	9.200.000	65%	6.900.000	75%	2.300.000	25%	4.953.846	35%
Total	**38.215.385**	**24.840.000**	**65%**	**18.630.000**	**75%**	**6.210.000**	**25%**	**13.375.385**	**35%**

11. Indicators

- Number of projects supported (300)
- Number of agricultural holdings/enterprises developing additional or diversified sources of income in rural areas (70)
- Number of beneficiaries investing in renewable energy (25)

- Number of jobs created (gross) (1 000);
- Total investment in physical capital by beneficiaries supported (9 mill. EUR)

12. Administrative procedure

Minimum steps of the administrative procedure for implementation of this measure are elaborated in section 8.2 of this Programme. This measure will be implemented according to internal procedures for management and control established by the IPARD Agency, accredited by NAO and "entrustment of budget implementation tasks" by the Commission.

13. Geographic scope:

The investment supported under this measure must take place in the rural areas listed in Annex 1 to this Programme.

Measure TECHNICAL ASSISTANCE

Legal basis:

- Article 2(1) of the Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action
- Article 27(1) of the IPARD Sectoral Agreement;
- Annex 4 of the IPARD Sectoral Agreement.

1. Rational

The measure covers the provision of technical assistance (TA) and supports costs associated with implementation of the Programme.

Technical assistance measure provides the resources required for effective management and implementation of this Programme. It will be used for actions related to the preparation, management, monitoring, evaluation, information and control activities of programme assistance only.

Overall the objectives of this measure are to cover preparation, management, monitoring, evaluation, administrative support, information and communication, networking, and control and audit activities.

The technical assistance measure may also be used to support actions for the reduction of administrative burden for beneficiaries and actions to reinforce the capacity of the national authorities and beneficiaries to administer and use the funds.

These actions may concern preceding and subsequent programming periods.

2. General objectives:

The general objective is to support economic, social and territorial development, with a view to a smart, sustainable and inclusive growth through the development of physical capital in the country.

2.1. Specific objectives

The aim of this measure is to assist in particular in implementation and monitoring of the programme and its possible subsequent modifications. In support of this aim, the objectives include:

- providing support for the monitoring of the programme;
- ensuring an adequate flow of information and publicity;
- supporting studies, visits and seminars;
- providing support for external expertise;
- providing support for the evaluation of the programme;
- providing support for the future implementation of a National Rural Development Network.

3. Linkage to other IPARD measures in the programme and national measures

This measure will provide coverage of technical assistance needs for all the measures of the programme.

In particular the support under this measure will complement the implementation of measures "Advisory services" and "Improvement of training" before they are included in the Programme i.e. before their implementation starts, by supporting actions for the reduction of administrative burden for beneficiaries and actions to reinforce the capacity of the beneficiaries to administer and use the funds (trainings, advisory support etc.).

This measure is well suited for an implementation in close connection with the measure "Implementation of local development strategies - LEADER approach" once it is included as part of this Programme, as it will support activities for acquisition of skills and animating the inhabitants of LAG territories. This shall be done via organising meetings, holding seminars, trainings and capacity building of the potential LAG members and inhabitants of LAG territories, supporting information and promotion activities regarding the LEADER method, including networking activities, support identifying and setting up LAGs, supporting the preparation of local development strategies, territorial analysis, studies, consultation and expert support, etc..

The scope of aid granted under this measure will not overlap with the scope of aid granted under the national support schemes for agriculture and rural development.

4. Final recipient

Support is received exclusively by the Managing Authority - the MAFWE - and the related payments are effected by the Managing Authority. The beneficiary of activities under this measure is the Managing Authority as described under section 11.1. "Description of the Operating Structure (Managing Authority and IPARD Agency) and their main functions" of this Programme.

5. Common eligibility criteria

Eligible expenditure is based on real costs which are linked to the implementation of the co-financed operation and must relate to payments effected by the recipient, supported by receipted invoices or accounting documents of equivalent probative value.

Eligible expenditure shall be reported in the context of the annual report. The expenditure may be based also on flat rate amounts (such as per diem), in accordance with the terms and rates applied in the country for similar actions where no EU co-financing is involved. All expenditure as regards experts and other participants will be limited to those from and going to candidate countries and Member States.

For this measure actions financed or foreseen to be financed within twinning covenants or other projects supported under other IPA components will not be eligible.

Technical assistance to support the setting up of management and control systems is eligible prior to the initial “entrustment of budget implementation tasks”, for expenditure incurred after 1 January 2014.

6. Eligible expenditure

Actions are eligible provided that they are covered by an indicative 'Technical Assistance Annual plan', previously approved by the Monitoring Committee. The annual plan will be broken down in the following categories:

1. preparatory activities;
2. management activities;
3. monitoring activities;
4. evaluation activities;
5. administrative support activities;
6. information and communication activities;
7. networking activities, and
8. control and audit activities.

The eligible expenditure may be further detailed in the 'list of eligible expenditure'.

While the Managing Authority is exclusive recipient, the expenditure can be related to execution of activities listed in the Sectoral Agreement and assigned to the IPARD Agency as follows:

-expenditure on information and publicity campaigns, including costs of printing and distribution;

-expenditure associated with visits and seminars;

-expenditure associated with the preparation, or streamlining of implementation, of measures in the programme to ensure their effectiveness including those measures where application is foreseen at a later stage.

6.1. Type of eligible activities

Under this measure, the following actions are eligible provided they are covered by the indicative technical assistance action plan:

a) Expenditures on meetings of the Monitoring Committee, including cost of all experts and other participants, where their presence is considered to be necessary to ensure the effective work of the committee.

b) Other expenditure necessary to discharge responsibilities of the Monitoring Committee which falls under the following categories:

- expert assistance to consider and review programme baselines and indicators;
- experts to assist or advise the Monitoring Committee concerning implementation and functioning of the monitoring arrangements;
- expenditure associated with meetings and ancillary tasks of working groups;

- seminars.

c) Expenditure on information and publicity campaigns, including costs of printing and distribution.

d) Cost of translation and interpretation provided in response to requests by the Commission, not including those required pursuant to application of the framework, sectoral and financing agreements.

e) Expenditure associated with visits and seminars. Each visit and seminar shall require the submission of a timely written report to the Monitoring Committee.

f) Expenditure associated with "acquisition of skills" to prepare potential LAGs for the implementation of the measure "Implementation of local rural development strategies – LEADER approach".

g) Expenditure associated with the preparation, or streamlining of implementation, of measures in the programme to ensure their effectiveness including those measures where application is foreseen at a later stage.

h) Expenditure for evaluations of the programme.

i) Expenditure associated with the establishment and operation of a national network supporting the coordination of activities preparing and implementing local rural development strategies. This can also cover expenditure associated with the future establishment of a national rural development network in line with the EU rules for Member States as well as the expenditure linked to participation in the European Network for Rural Development.

j) A level of salary support which takes into account remuneration levels on the labour market in order to retain staff and build/keep know-how in the administration. Introduction of this expenditure can only be done after prior approval of the Commission and may be limited in time.

k) Expenditure associated with the streamlining of specific parts of the management and control system, with the objective to increase effectiveness and efficiency through short-term specific activities.

6.2. Examples of eligible activities:

1. Activities related to the organization of meetings and functioning of the Programme Monitoring Committee (MC) and its Working Groups, including the costs of the MC/Working Group members and the costs for experts and other participants whose attendance is needed for the MC and/or its Working Groups to fulfil their functions effectively;
2. Conduct analyses, studies, surveys and other technical reports by external experts that are needed for the purposes of effective Programme management by the Managing Authority, Monitoring Committee and/or its Working Groups, and the IPARD Agency. Gathering

statistical information and analytical data relevant to the Programme's policy areas of intervention in order to ensure high quality reporting.

3. Preparation and dissemination of information about the assistance under the Programme including:
    - preparation of information and publicity materials
        - design, printing and distribution of materials (documents, reports, guidelines, posters, brochures, leaflets, manuals, instructions, rules, etc.) for promotion of measures and practical aspects on programme and project implementation;
        - production and dissemination of informative and educational pieces, broadcasting and publishing them in the electronic and printed media, outdoor media, internet promotions.
    - assistance to the preparation and implementation of the Communication Plan as outlined in Section 15 of this Programme, including publicity events on how to access the Programme measures and to implement projects, as well as on the achievement of its objectives and priorities (such as seminars with socio-economic partners and potential beneficiaries, external expert support to further develop and refine the Communication Plan and further development and maintenance of the MAFWE and IPARD Agency websites devoted to the Programme providing information for potential beneficiaries as regards opportunities to obtain support and for the results of programme implementation;
    - organization of ad-hoc publicity events related to the Programme initiated on the request of potential beneficiaries or socio-economic partners and implemented directly by MAFWE administration;
4. Ensuring the provision of high-standard translation and interpretation services for the Programme needs;
5. Organization and participation in training activities for the administration engaged in Programme management, implementation, control, monitoring and evaluation, including cooperation between the Managing Authority and similar institutions from the EU member-states including as regards the Plan on visibility and communication;
6. Development, installation, up-grading and maintenance of computerized systems for management, monitoring and evaluation (including hardware and software), as well as hiring of external IT experts for these tasks;
7. On-going, mid-term and ex-post evaluation of the Programme, including studies, analysis, collection of data etc. for the purpose of ex-ante (according to Evaluation plan);
8. Ex-post evaluation of the IPARD Programme 2007-2013;
9. Top-up payments for permanent staff engaged in tasks directly associated with the management, monitoring, evaluation and control of the Programme and laid down in the job descriptions of these staff.

10. Hiring experts needed in order to enhance the capacity of the administration, engaged in the management, implementation, control, monitoring and evaluation of the Programme;
11. Participation of the administration, engaged in the Programme management in technical meetings with the European Commission services and in the EC Committees/working groups which are not reimbursed by the EC.
12. Expenditure related to setting up and functioning of the National Rural Development Network (including its membership contributions and related expenditures to participate in the work of the European Rural Development Network), as described in section 9. of this Programme.
13. Hiring of consultants/organizations/experts to carry out short-term and long-term tasks and activities, related to Programme management functions, under the full responsibility of the Managing Authority. External experts shall be hired as well to help with the preparation, implementation and monitoring of the implementation of existing and new measures;
14. Hiring of consultants/ experts for preparation of tender dossiers and to support the works of the Evaluation Committee;
15. Activities related to capacity building and preparation of the strategic and programming documents for the next programming period (post 2020).
16. Expenditure associated with "acquisition of skills" to prepare potential LAGs for the implementation of the measure "Implementation of local rural development strategies – Leader approach".
17. Expenditure associated with purchase of data base licenses (e.g., Orbis) and software, which are necessary for management and implementation of the IPARD II programme.

7. Aid intensity

Aid intensity, expressed as the share of public support in the eligible expenditures amounts up to 100%, where the EU contribution rate is 85% and 15% is national contribution.

Pre-financing may be provided from the national contribution, but is in no case considered as costs incurred to be reimbursed by the Commission.

8. Indicative budget

Table 47: Indicative Financial Plan

Year	Total eligible cost	Public expenditure					
		Total		EU contribution		National contribution	
	EUR	EUR	%	EUR	%	EUR	%
1	*2=3+9*	*3=5+7*	*4=3/2*	*5*	*85%*	*7*	*15%*
2014	-	-	100%	-	85%	-	15%
2015	-	-	100%	-	85%	-	15%
2016	-	-	100%	-	85%	-	15%
2017	70.588,24	70.588,24	100%	60.000	85%	10.588,24	15%
2018	117.647,06	117.647,06	100%	100.000	85%	17.647,06	15%
2019	329.411,76	329.411,76	100%	280.000	85%	49.411,76	15%
2020	176.470,59	176.470,59	100%	150.000	85%	26.470,59	15%
Total	**694.117,65**	**694.117,65**	**100%**	**590.000**	**85%**	**104.117,65**	**15%**

9. Indicators

- Number of activity supported (120);
- Number of promotion materials for general information of all interested parties (leaflets, brochures etc.) (200.000);
- Number of publicity campaigns (20);
- Number of expert assignments supported (25);
- Number of workshops, conferences, seminars (25);
- Number of meetings of the Monitoring Committee (14);
- Number of studies on elaboration and implementation of Programme measures (4);
- Number of Programme evaluation reports (7);
- Number of rural networking actions supported (10);
- Number of potential LAGs supported (5).

The set of indicators shall be completed for the set of actions included in the 'Technical Assistance Annual plan' as approved by the MC.

10. Administrative procedure

The Managing Authority shall each year draw up indicative action plan for the operations envisaged under the Technical Assistance measure which shall be submitted to the IPARD Monitoring Committee for agreement.

This measure will be implemented according to internal procedures for management and control established by the IPARD Agency, accredited by NAO and “entrustment of budget implementation tasks” by the Commission.

All projects must be procured in accordance with the rules for external aid of the Commission contained in the Financial Regulation. For this purpose the application of PRAG could be adapted to the specificities of the beneficiary country. However, public procurement may be done on behalf of the final recipient by a centralized competent public authority.

The contracts (other than staffing contracts, per diems and other costs bellow EUR 2 500 EUR) should be granted after following the appropriate public procurement procedures.

11. Geographical scope of the measure

N/A

12. Transitional arrangements

Technical assistance actions supported under the programming period 2014-2020 may concern preceding and subsequent programming periods. Therefore, the technical assistance allocated for the programming period 2014-2020 may be used to facilitate e.g. the closure of the preceding programming periods, especially as regards the ex post evaluations of 2007 - 2013 programmes or the preparation for the programming period post 2020.

9. NATIONAL RURAL NETWORK

The National Rural Network (NRN) in the country will operate in line with the national context and IPARD II Programme priorities, and the administrative and social culture of the stakeholders on local, regional and national level. The NRN will be a partner of MAFWE in determining the priorities in rural development and the changes that have to be made in operational policy with a view to improving the effect of its implementation; improving the dialogue with the civil society and expanding its participation in decision-making; as well as in the process of planning, programming, monitoring and implementation of the rural development policy.

Organisations and public authorities forming part of the NRN

The main principle for participation in the NRN is the organized and representative membership of the organizations and institutions engaged in sustainable local and regional development, promotion of employment and improvement of the quality of life in rural areas. The other main principle that predetermines the type of participants in the Network relates to the representation of all groups of potential recipients under the Programme.

Provisionally, the participants in the NRN can be divided into two broad categories:

1. Organisations representing the various categories of potential recipients under the IPARD, with direct or indirect interest in the application of the Programme's measures.

1.1. The organisations representing potential recipients under objective 1 and objective 2 measures[65] are farmer associations, agricultural chambers, producer groups and associations of agricultural cooperatives, associations of forest owners; processing branch organisations; non-profit organisations for environmental protection, agro-ecological and forests; agriculture, forestry and rural research institutes; education institutions; training organisations in the agricultural and forestry sector.

1.2. The organisations representing potential recipients under objective 3 and objective 4 measures[66] are the rural municipalities; associations of municipalities local, regional or national non-profit organisations and their networks; NGOs working in the domain of sustainable local development and rural areas, including organizations working for the interests of persons belonging to minority groups, women, youth, business producers and branch organisations operating in rural areas; crafts, NGOs in the field of rural tourism, environmental protection, cultural heritage; social protection. The organisations representing potential recipients under objective 3 in particular to LEADER are the Local Action Groups and their informal network; another local recipients under the local development strategies.

2. *Administration:* the MAFWE, the IPARD Agency, NEA and their regional and local structures; other ministries and agencies and their regional structures related to the development of rural areas; municipalities and town councils.

[65] See section 6.2.1 and section 6.2.2 of this Programme
[66] See section 6.2.3 and 6.2.4 of this Programme

Procedure and time schedule for establishing the NRN:

The NRN will be open and transparent to enable the participation of all representative stakeholder organisations with a direct or indirect interest in rural development.

The procedure for participation in the NRDN will be by open invitation and in public registry.

The preparatory activities for the establishment of NRN started in 2015 under the provision of technical assistance financed by IPA TAIB for support to Managing Authority for establishment of NRN and functioning. The provision of extensive information about the opportunities presented by the NRN and thus motivation for actively joining in and participation of interested socioeconomic partners was promoted with the support of the technical assistance via 8 regional workshops. A concept for establishment of NRN under the IPARD II Programme was prepared and discussed during a dedicated Workshop for the establishment of the NRN under IPARD II Programme in North Macedonia held in May 2016 with the participation of the Managing Authority, other MAFWE services, NEA, rural stakeholders, local representatives and NGOs. Furthermore, the Concept for the establishment of the NRN is outlining the thematic areas of work and Action Plan 2014-2020. The basic categories of activities to be addressed in the action plan, shall be, but not limited to:

- Informing network members on the on-going implementation of the IPARD II programme, including:

  - funding opportunities;

  - the uptake of measures, and;

  - the presentation of best practices / success stories collected from the IPARD II measures.

- Improving the quality of implementation of the IPARD II programme by:

  - collecting feedback on practical implementation issues (e.g. administrative procedures), and;

  - organising relevant thematic and analytical exchanges between relevant stakeholders;

- Identification, analysis and provision of information regarding good practices (innovations, renewable energy sources, employment in rural areas);

- Assistance in the process of building up and strengthening of the capacity of LAGs;

- Participate in and contribute to the work of relevant regional and European rural networks, including the European Network for Rural Development

- Build capacity and performance of the IPARD Network through training activities, learning-by-doing and on-going self-assessment.

Management of activities related to NRN

The strategic decisions on activities related to NRDN shall be made by the IPARD II Monitoring Committee. IPARD II Monitoring Committee shall decide on the type of

information/communication means to be used, the forums to be run, the scope of thematic work to be performed under the auspices of NRN. These shall be set in an NRN action plan.

The strategic decisions on activities related to NRN shall be made by the IPARD II Monitoring Committee. IPARD II Monitoring Committee shall decide on the type of information/communication means to be used, the forums to be run, the scope of thematic work to be performed under the auspices of NRN. These shall be set in an NRN action plan.

For operational coordination of the NRN activities an IPARD Network Steering Group (NSG) with advisory functions will be set up. The members of the NSG will be representatives of the Managing Authority, other MAFWE departments and relevant stakeholders. The Network Steering Group will be established by a Decision of the IPARD II Monitoring Committee upon proposal of the Managing Authority. Network Steering Group will have up to 15 members. The Secretariat will be provided by the Network Support Unit (NSU). A key function of the Network Steering Group will be to advice on and monitor the preparation and the implementation of the NRN Action Plan. The group will meet at least 4 times per year and, if necessary, may form smaller working groups that meet more frequently to address specific issues.

Technical support, operative and information coordination between the participants in the NRN will thus be carried out by NSU, which will provide the necessary human resources and expertise required to implement the NRN action plan.

The IPARD Network Support Unit will be established within the Managing Authority and part of its activities will be outsourced.

An IPARD Network Co-ordinator to manage the core tasks of the IPARD Network Support Unit e.g. preparation of Action Plan, maintenance of basic website, management of membership database, organisation of first Thematic Working Groups etc. will be employed following competitive selection procedure.

The specific IPARD Networking Services needed to engage with and animate stakeholders in the IPARD Network at regional / local level, training to pre-LAGs in the beginning of the process, regular training of the selected LAGs and other rural development actors, expert support to the work of the Thematic working groups, newsletter production etc. will be outsourced via relevant tender procedure (s).**Eligible expenditure**

The NRN operations will be financed from TA measure under this programme and the following types of expenditure will be covered:

- Preparation of the action plan and its implementation.
- Operative functioning of the NSU including establishment of communication means, exchanging platforms etc.;
- Selection of Networking Service provider(s) to support the specific NRN tasks.

Budget for the NRN

The budget will be used to cover the costs needed to run the network and the costs for implementation of the Action plan. The amount to cover the costs needed to run the network shall not exceed 25% of the overall NRN budget.

10. INFORMATION ON COMPLEMENTARITY OF IPARD WITH THE MEASURES FINANCED BY OTHER (NATIONAL OR INTERNATIONAL) SOURCES

10.1. Demarcation criteria of IPARD with support under other IPA policy areas

The closest interaction of this Programme is expected with the Programme and actions related to regional competitiveness in tourism, environment and transport. Close coordination shall be established between the Managing Authority, MoEPP, MoT and the MoLS at programming level and with the IPARD Agency at project level (potentially exchanging data reports on selected project for funding).

Demarcation criteria in relation with the sectors environment transport and local and regional competitiveness under IPA policy areas "socio-economic and regional development" will be based on the following main principles:

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

The investment part of the regional competitiveness actions complements and has very close links with the priority areas "promoting balanced territorial rural development" and "transfer of knowledge and innovations in agriculture, forestry and rural areas" of this Programme (see section 6.2.3 and 6.2.4 of this Programme). The operations under local and regional competitiveness programme/actions will focus on improving the public education, health care, business related infrastructure on regional and national level which is outside the scope of interventions under this programme.

The general demarcation criterion for activities potentially falling within the scope of the regional competitiveness and this Programme will be by type of territory concern. The regional competitiveness actions will cover regions at NUTS 3 level (8 statistical regions) and in the urban agglomeration areas (cities and their surrounding settlements) while this Programme will cover the local administrative units at LAU 1 and LAU 2 (see list in Annex 1, Annex 2, Annex 3 and Annex 5 to this Programme).

Programmes related to environment actions and this Programme support common actions in waste water collection and treatment and waste management systems. Thus the demarcation criteria between environment actions and this Programme actions related to waste water and waste management will be by the size of settlements and municipality and by the types of territories concerned. Environment actions will support public investments in wastewater collection and treatment for large agglomerations (>10 000 population equivalents) in

sensitive areas and their catchment areas and in compliance with the UWWTD Directive 91/271/EEC[67]; and support investments in integrated waste management systems on regional level, compliant with the Waste framework directive 2000/60/EC[68]. This Programme will cover the administrative units at LAU 2 with up to 10 000 inhabitants according to the last population census (see list in Annex 5 to this Programme)[69].

Concerning the support related to climate change mitigation actions falling under the scope of environment actions and this Programme, the demarcation criteria will be by type of recipients and size of actions. Programmes related to environment will support introduction of renewable energy and low-emission technologies, energy efficiency, disaster risk reduction activities in the industry and investments towards "greening" of the industry, while this Programme supports actions in introduction of renewable energy for own consumption of the recipients and investments in renewable energy plants with total eligible costs up to 3 mill EUR (costs approximately for establishment of 1 MW plant). Management of river beds and other flood prevention activities and landslides prevention outside the settlement areas may be foreseen under the environment actions to be implemented by MoEPP, as this Programme supports this type of activities at a level of a settlement in the scope of responsibility of the Municipality where the settlement is located.

Programmes/actions related to transport infrastructure and this Programme will support similar public actions which will be demarcated by type of action and/or the size of actions selected. Thus, actions related to transport infrastructure will support large scale road infrastructure projects including regional road infrastructure, motorways, main corridors, railways and connected infrastructure. This Programme will support investments in local road infrastructure and unclassified roads and other road infrastructure which is in the responsibility of the local self-governments as recipients. Transport investments will be implemented by the state public enterprises responsible for road or railway public services or the MoTC, while under this Programme; municipalities will implement infrastructure projects for the benefits of the settlements, local businesses and overall local development.

Demarcation with IPA actions related in particular to culture will be achieved by type of actions as this Programme will support investments in local facilities and areas of cultural interest for the settlements, and projects for cultural monuments of national importance on the entire territory of the country will be provided under the other IPA assistance related to actions for preserving the heritage..

Actions potentially falling under IPA Regional Competitiveness will support municipalities (and their associations); the Ministry of Culture, tourism associations and public bodies managing cultural monuments of national importance, whereas recipients for tourism actions under the measures of this Programme can only be registered agricultural producers, natural

[67] Council Directive 91/271/EEC of 21 May 1991 concerning urban waste-water treatment

[68] Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy

[69] In case national population census is conducted in the period of duration of this Programme, the Managing Authority will revise the list in accordance to the results of the census not later than one month from the date of publishing of the official results by the SSO.

persons dealing with economic activities in rural areas and rural micro and small enterprises for private tourism actions in rural municipalities.

Demarcation criteria in relation with the human resource development under IPA policy areas "socio-economic and regional development" will be based on the type of recipients and on the type and/or the size of actions selected.

The support for vocational training under this Programme is related to agriculture and forestry and it is only for agricultural producers, forest owners as well as for those employed in their holdings. All other types of vocational training will be supported by the IPA Human Resource development actions (including for those employed in the food processing sector, and training needed to promote economic diversification in rural areas in sectors other than agriculture/forestry, independent of whether the person trained is involved in the agricultural/forestry sector or not).

Training activities for local and regional authorities regarding the general principles related to receiving financial assistance from the IPA funds of EU, such as public procurement, audit trail, verification of expenditures, financial management and control, horizontal principles, etc. are included under the capacity building actions under IPA.

For the purposes of avoidance of double funding and effective management and monitoring of the IPA funds, the authorities plan to set-up Management Information System. The MIS is based on a client/server platform and provides access to all programme authorities (e.g. managing authorities, intermediate bodies, paying agencies, monitoring committee members) to the central project data base at the CFCD in the MoF. The system will be accessible by all institutions, participating in the management, implementation, monitoring of the EU financial instruments in the country.

Cross-representation of Managing Authority representatives and the various IPA Monitoring Committees will also be ensured, in order to facilitate co-ordination between the different programmes and EU financial instruments.

Concerning the technical assistance actions for capacity building under IPA related to agriculture and rural development, the MAFWE Department for EU integration is responsible for monitoring of contracts related to other IPA support granted for agriculture and rural development sectors and thus it's responsible to cross-check the possible overlap in cases of request of the Managing Authority and the IPARD Agency. MAFWE Department for EU integration shall involve both the Managing Authority and the IPARD Agency in the process of planning of the IPA assistance to largest extent possible as to avoid any potential overlap between the project actions and this Programme and to target the assistance to complement this Programme actions.

The Managing Authority is responsible to monitor the other related IPA activities in the agriculture and rural development sectors as to cross-check their complementarity and to avoid overlapping at Programme level.

10.2. Complementarity of IPARD with other donor and IFI's instruments

Concerning the related donor and IFI's activities in the agriculture and rural development sectors, the MAFWE Department for International Cooperation is responsible for monitoring of contracts and thus it's responsible to cross-check the possible overlap in cases of request of the Managing Authority and the IPARD Agency.

The Managing Authority is responsible to monitor the related donor and IFI's activities in the agriculture and rural development sectors as to cross-check their complementarity and to avoid overlapping at Programme level. For this purpose Managing Authority and MAFWE Department for International Cooperation shall exchange planning and programme information and ensure representation in the related steering or monitoring committees of projects and this Programme.

MAFWE Department for International Cooperation shall involve both the Managing Authority and the IPARD Agency in the process of planning of the donor and IFI's 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.

The IPARD Agency will ensure that future double financing from donor and IFI's activities is avoided by stamping the received invoices or other financial documents with clear "IPARD" stamp by an authorised official before any payment is made under this Programme.

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

The scope of aid granted under this Programme will not overlap with the scope of aid granted under the national support schemes for agriculture and rural development. This shall be achieved at programme and at project level.

The Managing Authority is responsible to monitor the related national policies in the agriculture and rural development sectors as to cross-check their complementarity and to avoid overlapping *at Programme level*. Whenever potential overlapping in applied measures is identified, the Managing Authority shall inform the Minister to avoid the situation.

The IPARD Agency is responsible for implementation of the national measures in agriculture and rural development. Thus it shall be responsible for the cross-checks in their data bases aiming at avoiding double-financing between the Programme and the national support schemes for agriculture and rural development *at project level*. Every project under the IPARD Programme, which potentially may fall under the scope of the national support schemes, will be checked for possible double financing before its approval (during selection of the project and approval of the payments).

11. DESCRIPTION OF THE OPERATING STRUCTURE, INCLUDING MONITORING AND EVALUATION

The operating structure to be established in accordance with Article 10 of the Framework Agreement shall, for Rural Development Programmes, consist of the following separate authorities operating in close cooperation:

(a) the Managing Authority, being a public body acting at national level, to be in charge of preparing and implementing the programmes, including selection of measures and publicity, coordination, evaluation, monitoring and reporting of the programme concerned and managed by a senior official with exclusive responsibilities; and

(b) the IPA Rural Development Agency with functions of a similar nature as a paying agency in the Member States being in charge of publicity, selection of projects as well as authorisation, control and accounting of commitments and payments and execution of payments.

11.1. Description of the Operating Structure (Managing Authority and IPARD Agency) and their main functions

11.1.1 Managing Authority

Pursuant to the Law on Agriculture and Rural Development, MAFWE is responsible for management and coordination of the rural development policies.

The Department for management of IPARD funds within MAFWE is the administrative unit acting as Managing Authority (MA) of this Programme designated in accordance with Article 10 of the Framework Agreement, with main responsibilities for implementing the management functions related to monitoring, evaluation and reporting of the implementation of the Programme, coordination of the work of the IPARD II Monitoring Committee as well as publicity as part of the implementation functions.

The Managing Authority is responsible for the efficient, effective and correct management and implementation of the Programme. The Managing Authority is particularly responsible for:

a. drafting of the IPARD II Programme and any amendments to it;
b. controllability and verifiability of the measures defined in cooperation with the IPARD Agency;
c. selection of measures in the IPARD II Programme;
d. ensuring that appropriate national legal basis for IPARD II implementation is in place and updated;
e. monitoring and assisting the work of the IPARD II Monitoring Committee, notably by providing the documents necessary for monitoring the quality of implementation of the IPARD Programme;
f. drawing up the annual, and after their examination by the IPARD II Monitoring Committee, submitting to the Commission,;

g. setting up, maintaining and updating the monitoring, reporting and information system;
h. publicity of the Programme in compliance with Community publicity requirements.

The Managing Authority is responsible for providing secretariat functions for the Monitoring Committee and preparing documents needed for the work of the Monitoring Committee. It will draw up the Annual Reports for Programme implementation and final implementation reports and, following consultation with the IPARD Agency, after approval by the IPARD II Monitoring Committee, will submit them to the Commission the National IPA Co-ordinator (NIPAC) and the NAO.

The Head of the Managing Authority is appointed senior official with exclusive responsibilities to perform the management functions for managing the IPARD II programme. The Head of the Department for management of IPARD funds is the Head of the administrative unit acting as Managing Authority supporting the management functions and responsibilities of the Head of the Managing Authority. The Secretariat of the Monitoring Committee is dedicated to unit within the Department for management of IPARD funds responsible for coordination of the Programme Monitoring Committee. The secretariat is operated by the Head of the Unit and is responsible to the Head of the Department for management of IPARD funds. The secretariat is responsible for the overall operational coordination at Programme level and provides administrative support to the Monitoring Committee and to its Chairperson as well.

At strategic level, the **programme management** shall be supported through the work of the Programme Management Committee, established by the Minister of Agriculture, Forestry and Water Economy (Minister). The Programme Management Committee shall be chaired by the Minister and shall consist of representatives of MAFWE Departments directly related to the implementation of the Programme, as well as the heads of the IPARD Agency, Food and Veterinary Agency, National Extension Agency and public enterprises, and other institutions related to the Programme implementation including representation of the potential recipients. Unit within the Department for management of IPARD funds will be appointed to act as Secretariat of the Programme Management Committee. The Programme Management Committee shall have regular meetings, at least two per year.

At the **operational level** functions of the Managing Authority are performed by Units in the Department for management of IPARD funds, organised to perform the management functions (programming, monitoring, evaluation, reporting, coordination of the work of the MC) and publicity. The organisational structure of the Managing Authority shall be elaborated in the internal organisation rules of MAFWE adopted by the Minister. For the efficient work of the Managing Authority written operating procedures will be prepared and endorsed by Head of the Managing Authority to be approved by the Minister subject to obtaining previous approval (national accreditation) by the National Authorising Officer. The organisation and functioning of the Managing Authority shall be subject to accreditation by the National Authorising Officer according to set of accreditation criteria in the Sectoral Agreement.

The implementation of the Programme is carried out by the **Managing Authority and the IPARD Agency**. The **close cooperation between the Managing Authority and the IPARD**

Agency and ensuring appropriate flow of information via special Contract/Agreement signed by both Heads in which all concrete obligations/delegation/division of functions/activities concerning the implementation of the Programme are described in detail. The content and periodicity of reporting by the IPARD Agency to the Managing Authority are also specified in the contract.

Managing Authority is involved in the implementation of the measures "Implementation of local development strategies - LEADER approach", "Improvement of trainings" and "Technical assistance".

The obligations and responsibilities between the Managing Authority and the IPARD Agency in the implementation of certain measures under this Programme shall be subject to separate cooperation agreements.

The Managing Authority may delegate part of its tasks to another body. When parts of its tasks are delegated to another body, Managing Authority shall retain full responsibility for the efficiency and correctness of management and implementation of those tasks.

11.1.2 IPARD Agency

For the purpose of implementation of the Programme and disbursement of funds, the Agency for Financial Support in Agriculture and Rural Development shall act as IPARD Agency. The IPARD Agency is established as an independent body of the state administration with a status of legal entity located in Skopje[70]. The Agency shall perform activities within its authorities on the basis of the principles of legality, competency, professionalism, responsibility, efficiency and transparency.

For the purpose of implementation of the Programme the IPARD Agency shall receive an accreditation from the National Authorizing Officer and "entrustment of budget implementation tasks" by the European Commission. The manner and procedure on receiving accreditation from the National Authorizing Officer shall be closely regulated by the Sectoral Agreement and in Government by-laws, and the manner and procedure on receiving "entrustment of budget implementation tasks" by the Commission shall be governed by bilateral agreements between the country and the European Union (Framework Agreement, Sectoral Agreement and Financing Agreements).

The IPARD Agency shall carry out, inter alia the following implementing and paying tasks:

a. making calls for applications and publicising terms and conditions for eligibility;
b. selecting the projects to be implemented in accordance with the criteria and mechanisms applicable to the IPARD II Programme, and complying with the relevant Union and national rules;
c. laying down contractual obligations in writing between the IPARD Agency and the final recipients including information on possible sanctions in the event of non-compliance with those obligations and, where necessary, the issue of approval to commence work;
d. making payments to, and recovery from, the final beneficiary;

[70] Law for establishing Agency for Financial Support in Agriculture and Rural Development, OG 72/2007 ; 5/2009

e. execution of on-the-spot checks to establish eligibility both prior to and following project approval;
f. 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;
g. follow-up action to ensure progress of projects being implemented;
h. reporting of progress of measures being implemented against indicators;
i. ensuring that the final beneficiary is made aware of the Union contribution to the project;
j. ensuring irregularity reporting;
k. ensuring that the National Authorising Officer, the National Fund and the Managing Authority receive all information necessary for them to perform their tasks.

The IPARD Agency is managed by a Director, appointed by the Government. The appointment of the Director is made on the basis of his/her expertise and competence. The mandate of the Director is four years.

The functions of the IPARD Agency are divided into three core paying functions:

1. Authorization and control of commitments and payments - to establish that the amounts to be paid to a claimant are in conformity with the Union rules, including administrative control and control on-the-spot;

2. Execution of payments - to pay the authorized amount to the claimant (or his/her assignee), or in case of rural development, the Union and national co-financing part;

3. Accounting for commitment and payment – to record all payments in the IPARD Agency's separate accounts for IPARD expenditure in the form of an information system.

4. Debt management – to record all the due amounts in debtor ledger including irregularities.

In order to fulfil these functions, the IPARD Agency is structured in such a way as to provide a clear distinction of the rights and responsibilities at all operational levels and division of the four functions mentioned above.

11.2. Description of monitoring and evaluation systems

The monitoring and evaluation system has the objective of providing to the institutions and stakeholders, engaged in the Programme management and implementation, reliable information about programme outputs, results and impacts so as to enable them to take pertinent management decisions.

The progress, efficiency and effectiveness of the IPARD II programme in relation to its objectives will be measured by indicators relating to the baseline situation as well as progress with regard to financial execution in accordance with Article 51 of the Sectoral Agreement.

Thus, monitoring will collect information about budgetary inputs, activities/investments financed and immediate project outputs. The indicators may be supplemented, where relevant, with limited number of additional indicators specific to the Programme.

The overall responsibility for the monitoring of the Programme will rest with the Department for management of IPARD funds, as Managing Authority and the IPARD II Monitoring Committee. Within the framework of the monitoring tasks Managing Authority and the IPARD II Monitoring Committee will monitor the effectiveness and the quality of the programme implementation and will report to the IPA II Monitoring Committee and to the Commission on progress of the measures.

The monitoring activity will be based on the indicators presented in the Programme. The IPARD Agency will do the necessary arrangements to build up a monitoring system in such way to collect, control and ensure provision of project data (input/output/target) for monitoring purposes to the Managing Authority. The data collected by the IPARD Agency shall be transferred in an agreed compatible format to the Monitoring System at the Managing Authority where the data shall be aggregated and monitoring indicator tables will be produced. The Managing Authority shall also instruct the IPARD Agency as regards the required monitoring data, definition of the data and periodicity of data submission. At the same time there should be agreed on the form and periodicity of data collection from the beneficiary by the IPARD Agency. Templates of tables for reporting the monitoring indicator will be provided by the Managing Authority to the IPARD Agency. Monitoring indicator tables required from the Managing Authority shall be provided by the Commission.

With regard to context indicators, the Managing Authority will define in consultation with the State Statistical Office and if necessary with other data suppliers the format, manner and periodicity of data collection and provision for the baseline indicators and rural area indicators. As the relevant background data per sectors and regions is not collected or is not in a readily usable format, support for surveys could be provided under the measure "Technical Assistance". As regards to the context indicators not fully available at the starting phase of the implementation of the programme and especially for environment indicators, further efforts will be undertaken to include within the monitoring system some indicators which more fully capture the context, outputs, results and impacts of the 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 Managing Authority. Evaluations may be carried out at policy, strategic, thematic, sectoral, programme and operational level as well as at country or regional level. The Commission shall develop evaluation methods, including quality standards and objective and measurable indicators to be followed by the Managing Authority.

The evaluations shall examine:

- the degree of utilisation of resources
- the effectiveness and efficiency of the programming
- the socio-economic impact and impact on the defined objectives and priorities.

In particular the effectiveness of the measures of the IPARD Programme shall be assessed on the basis of their overall impact on:

a. contributing to the preparation of the country for the implementation of the acquis communautaire concerning the Common Agricultural Policy and related polices;
b. contributing to the sustainable adaptation of the agricultural sector and rural areas in the country
c. the objectives in the IPARD II Programme.

The evaluations shall cover the goals of the IPARD II programme and aim to draw lessons concerning rural development policy. They shall identify the factors which contributed to the success or failure of the implementation of the IPARD II programme, including the sustainability of actions and identifications of best practices. Evaluation reports shall explain the methodology applied, and include an assessment of the quality of the data and the findings.

The evaluation of this Programme shall be performed with engagement of external evaluation expertise financed via the measure "Technical Assistance" and in accordance to Evaluation plan to be developed by the Managing Authority according to Article 56 of the Sectoral Agreement. The evaluation plan will be submitted to the IPARD II Monitoring Committee no later than one year after the adoption by the Commission of the IPARD II Programme. The planned structure of the evaluation plan is:

- management and coordination of evaluation: management arrangements from the part of the Managing Authority on who to organise and conduct evaluation, description of procedures, actors
- evaluation topics (ex-ante, on-going for different highlighted topics, ex-post)
- data and information need description to fulfil the data need of evaluations, if no data available, arrangements to ensure the availability of data
- timeline: plan the time of the planned evaluations according to the planned phases of the implementation of the programme
- communication of the evaluations which should be made available for the public
- resources in terms of human resources, administrative needs and financial resources needed to ensure the implementation of the evaluations.

The Managing Authority will report each year on the results achieved under the evaluation plan to the IPARD II Monitoring Committee with copies to the Audit Authority. A summary of the activities shall be included in the Annual Report of the Programme.

The quality and implications of evaluations will be assessed by the Managing Authority, the IPARD II Monitoring Committee and the Commission and will be made public. The data from the programme monitoring and the on-going and mid-term evaluation reports shall help the Managing Authority to prepare summary reports on the progress made in implementing the Programme.

Progress on implementation of the Programme will be reported to the Commission annually through annual implementation reports, and in the frame of a final report prepared by the Department for management of IPARD funds and approved by the IPARD Monitoring Committee. The content of the reports will be in line with Article 59(5) of the Sectoral Agreement.

The annual reports shall be submitted by 30th of June each year, with the first one due by 30th of June, 2016. The annual implementation reports shall cover the previous calendar year and shall include data related to the calendar year before and the cumulative financial and monitoring data for the whole period of implementation of the IPARD II programme as well as aggregated monitoring tables.

The Managing Authority shall draw up a final report on the implementation of the IPARD II programme. The final report shall be submitted at the latest six months after the final date of eligibility of expenditure under the IPARD II programme in accordance with Article 29(4) of the FWA. The final report on implementation of the IPARD II Programme shall cover the whole period of implementation and will include the last annual implementation report.

11.3. The envisaged composition of the Monitoring Committee

The Managing Authority according to Article 52 of the Sectoral Agreement will establish the Monitoring Committee for IPARD II.

The IPARD II Monitoring Committee (MC) oversees the effectiveness and the quality of Programme implementation with regard to Programme objectives and therefore shall examine the results of the IPARD II programme in particular the achievement of the targets set for the different measures and the progress on utilisation of the financial allocations to those measures based on the information provided by the Managing Authority. In particular the MC:

- shall be consulted, within four months of the decision approving the Programme, on the selection criteria for financed operations. The selection criteria shall be revised according to programming needs;
- shall periodically review progress made towards achieving the specific targets of the programme, on the basis of the documents submitted by the Managing Authority;
- shall examine the results of implementation, particularly achievement of the targets set for each axis and ongoing evaluations;
- shall consider and approve the Annual Progress Report and the Final Progress Report before they are sent to the Commission;
- may propose to the Managing Authority any adjustment or review of the Programme aimed at achieving the set of objectives or improving its management, including its financial management;
- shall examine the evaluations of the IPARD II programme;
- shall consider and approve the plan of visibility and communication activities as well as any subsequent updates of the plan;
- shall be consulted on the technical assistance activities under the IPARD II programme. It shall consider and approve each year an indicative annual action plan

for the implementation of technical assistance activities including indicative amounts for information purposes;

- shall consider and approve any proposal to amend the Programme financial plan.

The MC will be established by Government or Ministerial decision. The MC of this Programme will be established not later than three months after this Programme is adopted by the Commission (i.e. from the date of issuing Commission Decision approving this Programme). The MC involves all key partners in rural development (with voting rights):

- Economic and social partners;
- Competent regional, local and other public authorities;
- The European Commission, at its own initiative, may participate in the Committee in an advisory capacity;
- Other appropriate bodies representing civil society, non-governmental organisations (including environmental organisations and those responsible for promoting equality).

The Commission, the Operating Structure, the NAO and the NIPAC shall participate in the work of the IPARD II monitoring committee without voting right.

It is anticipated that the institutions members of MC of the IPARD Programme 2007-2013 will form the basis of the MC of this Programme. The MC will be chaired by appointed high official of MAFWE (Deputy Minister or State Secretary) via Minister's Decision. Deputy Chairperson will be the Head of the Managing Authority.

The MC shall work according to its Rules of Procedure to be adopted on the constitutional meeting (provisionally to take place in spring 2015).

The MC shall meet at least twice a year, possibly in the spring and autumn. Ad-hoc meetings may be convened if there are urgent issues to be reviewed. At the spring meeting the MC shall review the progress achieved in the previous year and shall approve the Programme implementation report for that year. At the autumn meeting the MC will review the progress achieved by June 30th of the current year. If it is necessary for the MC to decide on any particular issue prior to the date of the next regular meeting, a written procedure shall be organized for the purpose.

The Managing Authority will publish all final outcomes of IPARD II Monitoring Committee meetings on the web-site of the Programme.

12. SUMMARY DESCRIPTION OF MANAGEMENT AND CONTROL STRUCTURE

Allocation of functions and responsibilities of the structures, authorities and bodies are in accordance with the provisions for indirect management of IPA II funds under Article 10 of the Framework Agreement.

In the country, the following authorities and the responsible bodies are designated for management and implementation of the IPARD Programme:

12.1. National IPA Coordinator (NIPAC)

The NIPAC is established in the capacity of the Vice Prime Minister responsible for EU integrations as the main counterpart of the Commission for the overall process of: strategic planning, coordination of programming, monitoring of implementation, evaluation and reporting of IPA II assistance. According to Annex A of the Framework Agreement, NIPAC shall:

(a) take measures to ensure that the objectives set out in the actions or programmes for which budget implementation tasks have been entrusted are appropriately addressed during the implementation of the pre-accession assistance.

(b) coordinate the drawing up of an evaluation plan in consultation with the Commission presenting the evaluation activities to be carried out in the different phases of the implementation.

NIPAC shall also be responsible to endeavour that the IPA II administration takes all necessary steps to facilitate the implementation of the IPA II related programmes.

The implementation of the NIPAC functions are supported by Secretariat established within administrative department/unit in the Secretariat for European Affairs (NIPAC Secretariat).

12.2. National Authorisation Officer (NAO)

According to Article 9 of the IPA II Implementing Regulation[71], the NAO shall bear the overall responsibility for the financial management of IPA II assistance and for ensuring the legality and regularity of expenditure. The functions of NAO are designated in the capacity of nominated capacity of senior official within the Ministry of Finance.

The NAO shall act as the sole interlocutor with the Commission for all questions relating to IPARD.

The NAO shall assess any proposed changes in the implementing or paying arrangements of the operating structure and management structure. The NAO shall inform the Commission, with copy to the Audit Authority, of any substantial change, including NAO's assessment,

[71] Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II)

appropriate explanations, justifications and supporting documents for examination and approval in advance of their implementation.

According to Article 10 of the Framework Agreement For the purpose of implementing the functions, NAO shall establish a management structure composed of a National Fund (NF) and a support office for the NAO.

The NF is a body located in the Ministry of Finance and has central budgetary competence and act as central treasury entity. The NF is in charge of tasks of financial management of assistance under IPA, under the responsibility of the NAO. It shall support the NAO in fulfilling his/her tasks, in particular those of management of IPA II accounts and financial operations and shall be in charge of tasks of financial management of IPA II assistance, under the responsibility of the NAO

The NF in particular is in charge of organising the bank accounts, requesting funds from the Commission, authorising the transfer of funds from the Commission to the operating structures or to the final recipients, returning funds to the Union budget following recovery orders issued by the Commission and the financial reporting to the Commission.

Authority Type	Name of the authority/body, and department or unit, where appropriate	Head of the authority/body (position or post)	Address	Telephone	Email
National IPA Coordinator	Secretariat for European Affairs	Mr. Fatmir Besimi, (PhD)	Kej Dimitar Vlahov No.4, 1000 Skopje	+ 389 (0) 2 3200 104	cabinet@sep.gov.mk
National Authorisation Officer	Ministry of Finance	Mrs. Suzana Peneva	Ul. Dame Gruev br.14, 1000 Skopje	+389 (0)2 3255-300	suzana.peneva@finance.gov.mk
National Fund	Ministry of Finance	Mr. Fatmir Ademi	Ul. Dame Gruev br.14, 1000 Skopje	+389 (0)2 3255-300	fatmir.ademi@finance.gov.mk
Managing Authority	Ministry of Agriculture, Forestry and Water Economy	Mrs. Margarita Deleva	Ul. Aminta Treti br.2, 1000 Skopje	+ 389 (0) 2 3134 447	margarita.deleva@ipard.gov.mk
IPARD Agency	Agency for financial support of agriculture and rural development	Mr. Toni Dimovski	Bul. Treta Makedonska Brigada br.20, 1000 Skopje	+389 (0) 2 3097 452	toni.dimovski@ipardpa.gov.mk
IPA Audit Authority	Audit Authority for auditing of pre-accession assistance	Mrs. Leposava Apostolovska Velinov	Ul. Vasil Glavinov br.12/1, TCC Plaza, 1000 Skopje	+ 389 (0) 2 3215 621	ipa_aa@aaipa.gov.mk

13. RESULTS OF CONSULATIONS ON PROGRAMMING AND PROVISIONS TO INVOLVE RELEVANT AUTHORITIES AND BODIES AS WELL AS APPROPRIATE ECONOMIC, SOCIAL AND ENVIRONMENTAL PARTNERS

13.1. Provision adopted for associating the relevant authorities, bodies and partners

In accordance with Article 55 of IPA II Implementing Regulation[72], programming of assistance in agriculture and rural development has to be prepared in close consultations with all appropriate interested parties (socio-economic partners as defined by the national legislation in this case).

All appropriate interested parties for this Programme are 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, minority group representatives, stakeholders and bodies responsible for promoting equality between men and women.

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.

A five-pronged approach is adopted for the process of consultation.

1) On-going consultation via permanent subsector groups

Permanent sub-sector groups are set up in accordance with Article 22 of the Law on Agriculture and Rural Development to provide a continuous and a structured way of side-by-side cooperation between the administration and partners to draft programming documents for agriculture and rural development. On-going consultation is done in written and on meetings. Secretariat support to these groups is provided by relevant MAFWE Departments (e.g. for fruit and vegetable, for wine and grapes, for milk and meat).

Consultation process of the programme preparation via permanent subsector working groups started in December 2013, via written distribution of the proposed IPARD II methodological guidelines and templates of measure fiches (prepared by DG-AGRI and translated by Managing Authority). In addition two rounds of meetings were organised. First round of meetings were with objective to define the SWOT and to consult the members on the updated sub-sector analysis. Second round of consultations was for the purpose of consulting on the first draft of measure fiches which were submitted in written to all members. The secretariat of the subsector groups for fruit, wine, milk and meat have provided a continuous and structured cooperation with the Managing Authority in drafting the programming document.

[72] Commission Implementing Regulation (EU) No. 447/2014 of 2 May 2014 on the specific rules for implementing the Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II)

Improved draft measure fiches have been sent for comments/suggestions to all members of the permanent subsector groups in the period from 10th to 15th of July.

2) Stakeholder workshops

Stakeholder workshops chaired by the Minister and with the participation of the stakeholders were convened to debate and forge broad consensus on the core aspects of rural development policy in the period 2014-2020 and the programming document for IPARD 2014-2020. On the 9th and 11th of July 2014, two stakeholder workshops took place in MAFWE headquarters at which the preliminary conditions and requirements of the selected measures were discussed. Prior to the workshops, the draft measure fiches were sent to all invited participants (109). The first workshop, held on 9th of July 2014, was intended for the agriculture producers and the rural population as potential recipients of measure "Investments in physical assets of agricultural holdings" and measure "Farm diversification and business development". All socio-economic partners (agriculture associations, chamber of commerce, tourism associations, agriculture education and research institutes) were participating. The workshop of 11th of July was intended for the food processing industry, as potential recipients of measure "Investments in physical assets concerning processing and marketing of agricultural and fishery products. On this workshop, all registered food processing companies (according to FVA records) were invited as well as the associations of food processors (independent or as part of the chambers of commerce).

3) Public forums

Two public forums through the Council for Agriculture and Rural Development ("Agro-sovet") will take place – one on the final draft programme and one after the programme is approved. The meeting of the Council for Agriculture and Rural Development ("Agro-sovet") established by the Government was convened on the 30th of September, 2014 to discuss the proposed programme strategy, choice of measures, programme budget allocation and proposed eligibility criteria. The meeting of the Council was chaired by the Minister in presence of the IPARD Agency Director and the Head of Managing Authority.

The strategy of this Programme and short description of the selected measures is published on the MAFWE web-site[73] 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?

[73] www.mzsv.gov.mk

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

4) Consultation via focus group discussions

In the period August-November, 2014 round of focus group meetings, targeting the various sub-sectors to be supported by IPARD 2014-2020, were performed on a sector level meat, milk, cereals, fruit and vegetable, craftsmen, wine, etc. with participation of the economic operators – potential recipients of the assistance under this Programme.

5) Inter-government consultation

In the period of June – July, 2014 Managing Authority held separate meetings with IPARD Agency, NAO/NF and FVA on the Programme version from 30.05.2014. Besides the meetings, the IPARD Agency provided detailed comments focusing on the measure fiches (on 04.07.2014) as well as FVA (on 11.07.2014). The comments made by the IPARD Agency and FVA are taken into consideration.

The Programme strategy, financial plan and the selected measures have officially entered the inter-governmental consultations in mid - June, 2014 as it was scheduled on the agenda of the Government Economic council (chaired by the Prime Minister) on 10th of July, 2014. The document was discussed on the Economic Council on the 24th of July with conclusions that it should be reviewed again together with the results from the overall consultation process.

13.2 Designation of the partners consulted – summary

Public authorities, economic and social partners, bodies representing civil society, including environmental partners, and education and research organisations, have been and will be further involved in the consultation process.

A detailed List of the consulted partners is presented in Annex 7 of this Programme.

13.3. Results of consultations – summary

Summary of results from the consultations held so far, are presented in Annex 8 of this Programme.

14. THE RESULTS AND RECOMMENDATIONS OF THE EX-ANTE EVALUATION OF THE PROGRAMME

14.1. Description of the process

The Ex-ante Evaluation of the draft Programme was carried out in the period April 2014 - July 2014 by a team of three international experts engaged with the support of EU funding[74]. The methodology used follows the procedures set out in the "Draft Guidelines for Ex ante Evaluation" issued by DG-AGRI in February, 2014. The preliminary ex-ante evaluation report was based on the May 2014 version of the Programme and its subsequent improvements in June, 2014. The final ex-ante report will be finalised in September, 2014. Until that date, the evaluation team needs to consider the findings from the on-going evaluation of the IPARD Programme 2007-2013 and evaluate the new IPARD II Programme against the recommendations derived from the conclusion during on-going evaluation. In addition, the evaluation team shall consult the NSARD 2014-2020 as to evaluate the strategy of the programme and it's compliance to the national objectives. Furthermore, the evaluation team will continue to meet and wide range of relevant stakeholders who are involved in developing and implementing agriculture and/or rural development programmes and projects in the country. An extensive field trip is also planned to meet with programme recipients and to assess the relevance of the proposed programme in the context of the actual situation in the agriculture sector and rural areas.

Review the availability of data to quantify the list of common context indicators for agriculture / sectorial analysis will be also performed by the evaluation team and support for establishment of the monitoring indicators will be provided to the Managing Authority.

14.2. Overview of the ex-ante recommendations

Overall, the draft Programme Document assessed was considered to be presented in a very clear and consistent style, defining a transparent red line between needs, objectives and proposed interventions and is therefore a sound framework for further development.

The situation analysis of the Programme should be strengthened with comparative data from the neighbouring countries and EU situation as to support the conclusions, such as "low yields of cereals", "employment in agriculture", share of agriculture in GDP, etc.

The SWOT analysis refers to the main structural components of rural areas, and has to lead to an appropriate and coherent ranking of disparities that need to be addressed. Current SWOT is lists the Programme related areas of intervention and is not inclusive for the overall situation and potential for development. The ET prepared a cross-reference matrix which compares the SWOT versus baseline analysis. Recommendations to improve SWOT are listed by the evaluators and delivered to Managing Authority for consideration.

The SWOT analysis singled out a number of needs which have to be addressed by the Programme. The relevance of the needs for interventions seems adequate, although some

[74] Evaluation of the IPARD programme and EU assistance to the sector of agriculture and rural development, (Contract N°2014 / 338197)

improvement can be made by including/strengthening specific needs for interventions in more specific expressions rather than general statements.

The overall assessment is that the measure fiches have also been properly prepared. Specific recommendations have been detailed per each measure. In general, it is recommended to specify priority criteria, especially for measures that have a wide pool of potential recipients. In view of the Programme "needs for intervention" it seems that particular measures should be launched as soon as possible – especially the ones that contribute to stronger project management capacities with potential targeted recipients, or ones that benefit "collective interests" (Training, Advisory services, Skills acquisition, LEADER Approach).

Technical and advisory support should be focused also on the creation of an effective network of private consultants able to assist the recipients in the preparation of the project applications. The administrative burden for the IPARD Agency services in charge with the assessment of project proposals could be decreased if the documentation that they receive follows the rules. In addition, evaluation team will work on assessing the administrative burden on the recipients and the administrative burden of the IPARD Agency resulting from the current IPARD 2007-2013 implementing procedures and rules. This shall be assessed on the basis of interviews with applicants (approved and rejected) and desk review of the administrative procedure applied by the IPARD Agency against the Programme eligibility rules. The results of this on-going evaluation activity shall form part of the ex-ante final report.

IPARD I experience should be kept in mind when considering the implementation procedures for the Programme, in order to avoid past problems. In particular: a) full transparency of the implementing procedures has to be ensured: in terms of list of eligible costs and detailed motivations for the rejection of projects; b) achieving the Programme general and operational objectives should always be considered as a priority instead of concentrating only on achieving the targets associated with "utilization of the measure budgets". The lack of "interest" for a particular measure or sub-sector within measures could be just a matter of insufficient information, poorly targeted to potential recipients, or to insufficient access of bridge capital; c) procedures must be simplified as much as possible to reduce the transaction costs for the applicants/recipients.

A closer cooperation between Managing Authority and IPARD Agency seems indispensable in order to assure the necessary efficiency of the procedures utilized during the implementation phase. The appropriate set up of the Managing Authority and IPARD Agency and their interactions is essential for successful achievement of Programme targets. Specific technical training to the relevant personnel could greatly help the implementation. Retention policy has to be put in place and possibility to "top-up" salaries should be considered as option to retain skilled staff.

The preliminary findings and recommendations of the evaluators are presented as Annex 6 to this Programme.

15. PUBLICITY, VISIBILITY AND TRANSPARENCY IN ACCORDANCE WITH IPA LEGISLATION

The publicity and communication of this Programme shall be done with respect to a plan of visibility and communication activities prepared by Managing Authority in agreement with the Commission.

This plan of visibility and communication activities shall be appraised by the IPARD II Monitoring Committee and shall set out:

- the aims and target groups;
- the content and strategy of the communication and information measures, stating the measures to be taken;
- its indicative budget;
- the administrative departments or bodies responsible for implementation;
- the criteria to be used to evaluate the impact of the information and publicity measures in terms of transparency, awareness of the IPARD II programmes and the role played by the Union.

This plan covering the whole period of the IPARD II programme is implemented by an annual list of actions, in particular the initiatives taken and those to be taken, with regard to informing the general public about the role played by the EU in the IPARD II programme and its results.

The Managing Authority is responsible for the overall monitoring and implementation of the Plan for visibility and communication and prepares reports on progress in implementing the information and publicity activities. The Chairperson shall report the results of the visibility and communication actions at the meetings of the IPARD II monitoring committee and provide the Committee members with examples of such activities.

In order to ensure transparency concerning support under this Programme, the IPARD Agency shall be responsible for the publication of the list of the operations and recipients of IPA II assistance in accordance with the conditions established by Article 23(2) of the FWA. The publication shall be available in a spreadsheet data format, which allows data to be sorted, searched, extracted, compared and easily published on the internet, for instance in CSV or XML format. The list of operations shall be accessible through the single website or the single website portal. The list of operations shall contain the following data fields:

- recipient name (only of legal entities; no natural persons shall be named);
- operation name;
- operation summary;
- operation start date;
- operation end date (expected date for physical completion or full implementation of the operation);
- total eligible expenditure allocated to the operation;
- Union co-financing rate, as per priority axis;
- operation postcode; or other appropriate location indicator;
- country;
- name of category of intervention for the operation;

– date of last update of the list of operations.

The list of operations and recipients shall be updated at least every six months. In accordance with Article 23(3) of the FWA, only contract award notices for public procurement contracts subject to an 'international open call for tender' procedure shall be prepared and send to the Commission for publication,.

The IPARD Agency is also responsible for undertaking publicity action in particular preparing to inform the recipients of IPARD II assistance of the EU contribution, publishing announcements for Calls under this Programme prepare and publicise Guidelines for recipients on terms and conditions for eligibility, including information on contractual obligations and possible sanctions in the event of non-compliance with those obligations and, where necessary, the issue of approval to commence work. In addition, the IPARD Agency shall regularly publicise list of most "frequent questions and answers" and "most common mistakes during application". The IPARD Agency maintains its own data base of visibility and communication actions. For all undertaken actions under the Plan for visibility and communication, the IPARD Agency shall report periodically to the Managing Authority.

The implementation of the visibility and communication actions shall be contracted to independent professional organizations, under the measure Technical Assistance within the scope of this Programme. Professional expertise may be contracted under the measure Technical Assistance to further develop and refine the overall approach, content and information channels to be used under the Plan for visibility and communication, and to assist with its effective delivery.

The National Rural Development Network can also be involved in implementing visibility and communication activities once its management unit is operational. The Managing Authority can also involve other bodies and partners can act as information relays - local and regional authorities, professional organisations, economic and social partners, non-governmental organisations (especially bodies working to protect the environment).

15.1. Actions foreseen to inform potential recipients, professional organisations, economic, social and environmental partners, bodies involved in promoting equality between men and women and NGOs about possibilities offered by the programme and rules of gaining access to funding.

The Managing Authority will aim to target the use of the following information actions to ensure that they reach the intended audience:

Internet

Full and comprehensive information on the Programme will be continually posted on the website of the Programme (www.ipard.gov.mk) as single web-site. This website will be arranged to contain the full range of eligible activities under the measures, as well as the full text of the Programme. The website will also be regularly updated with detailed information on the progress in the implementation of the Programme, including necessary guidelines for acquiring documents from other institutions related to implementation of

the measures. The site shall include pointers/hyperlinks to useful information related to the Programme. The web-site shall be also used to announce and report on the implementation of the actions foreseen in the Plan for visibility and communication (e.g. schedules for seminars, workshops, web-publishing of printed materials, visibility guidelines for operations, etc.)

Information Points

All interested parties in gaining more information related to the possibilities offered under the Programme and its implementation process have access to assistance, in the form of information materials and expert consultations, through a special information desk within MAFWE and through the regional/municipal offices of NEA.

Special attention will be put to the wide circulation of print materials and use of local mass media in the case of rural areas where access to Internet is still limited.

15.2 Actions foreseen to inform the recipients of the EU contribution

Guidelines for recipients under the Programme measures shall also be prepared in order to facilitate the application procedure. The Guidelines will be subject to scrutiny after each call as to improve their quality in a reader-friendly and understandable manner for the potential recipients.

The Managing Authority will ensure that all information and publicity actions will contain the following mandatory elements:

- The European flag in accordance with the graphic standards as well as explanation of European Community's role.
- All publications about the Programme have to contain a clear indication on the title page of the EU participation, as well as the Community emblem if the national or local emblem will be used. This also applies to the information being provided by electronic means.

The following will be part of the contractual obligations to the recipients in order to ensure information and publicity:

- If a project supported by the Programme has a total investment cost above EUR 50 000, the beneficiary shall place an explanatory plaque.
- An explanatory plaque must also be installed in the locations of LAGs financed by measure "Implementation of local development strategies – LEADER approach".
- A billboard shall be erected at the sites of building/object placement in case the total cost of investment exceeds EUR 500 000.

Specific visibility rules applicable to this Programme will be prepared by the Managing Authority and once agreed with the Commission, they will take part of the Guidelines for recipients. The fulfilment of the visibility rules will be subject to contractual obligations between the beneficiary and the IPARD Agency and further subject to controls. Costs borne by the final recipients for ensuring visibility of the investments and activities under this

Programme, will be subject to co-financing as general costs (see section 8.1.5 of this Programme).

15.3. Actions to inform the general public about the role of EU in the programmes and the results thereof

The Managing Authority shall ensure that the general public and potential recipients are informed about of and acquainted with the Programme and the EU contribution to the granted support.

As to inform the general public about the role of EU, information shall be provided by way of:

Information seminars

Information seminars i.e. so called "Info-days" will be held all over the country. The opportunities for support under the Programme will be presented to the potential recipients including:

- conditions for applying and eligibility criteria;
- application documents needed for the measures;
- information on the design and contents of a business-plan;
- names and addresses of local experts from the MAFWE, IPARD Agency and the respective services related to the Programme implementation

Printing of information materials

The Managing Authority, IPARD Agency and partner organizations will publish various technical materials – booklets, leaflets, newsletters and other printed materials to facilitate the Programme implementation (for recipients) and to disseminate information on the programme results (for the general public).

Mass media

The Managing Authority will provide specialized materials and press releases, to TV and radio channels related to the Programme such as:

- making of information videos;
- participation of experts of Managing Authority /IPARD Agency in specialized TV or radio broadcasts;
- providing information to assist the publicizing of materials – articles or interviews for printed editions.

16. EQUAL OPPORTUNITIES AND NON-DISCRIMINATION

The equality principle has been taken into consideration in the preparation of the Programme according to provisions deriving from the Constitution where fundamental liberties and rights cannot be discriminated on the basis of gender, race, colour of skin, language, religion, national or social background, material or social status.

The Programme implementation will not tolerate any discrimination towards potential recipients based on religion, ethnicity, sex or physical disability. Equal opportunities will be fully respected in the composition of the Monitoring Committee and Technical Committees for projects assessment and elsewhere, where necessary.

In the selection of projects priority will be given to projects proposed by women. The Committee on the Elimination of Discrimination against Women particularly concerned about country lagging behind in progress on the status of rural women, as well as of ethnic non-majority women, particularly Roma and Albanian women. It concluded that in the rural women in the country as well as women from ethnic minorities remain in a vulnerable and marginalized situation, in particular with regard to access to education, health, employment and participation in political and public life (CEDAW Committee, 2006).

Investments for disability access are supported under the projects related to rural accommodation and rural services. Projects submitted by women are given priority in terms of dedication of ranking points. Where relevant, under the Programme, monitoring indicators data will be collected on the numbers of men and women participating in/benefiting directly from the Programme. This data will be reported to the Monitoring Committee.

In addition, the Programme evaluations will seek to establish the extent to which equal opportunities has been provided in the implementation of the project, measure or Programme.

17. TECHNICAL AND ADVISORY SERVICES

In order to ensure that sufficient technical and advisory capacity is available to support the potential recipients to apply under this Programme, the Managing Authority together with the IPARD Agency experts will organise seminars, courses and trainings of trainers. These training events will comprise detailed description of all eligible investments (activities by measures, investment information), opportunities for applying for financial support, support criteria and all documents that needs to be provided by the applicants. The seminars, courses and trainings will be aimed at:

- agencies and regional offices of MAFWE and NEA
- local self-government units
- members of non-governmental organizations;
- producers' associations;
- chambers of agriculture;
- commercial banks;
- other socio-economic partners and organisations representing potential recipients under the Programme.

Special courses will be organised for private consultants to provide them the detailed information on the Programme and to prepare quality applications. Public info e-mail addresses of the Managing Authority and the IPARD Agency will be published and free phone line for assistance during preparation of applications will be established. In both Managing Authority and IPARD Agency questions posted by the interested applicants will be replied in not more than 24 hours depending on the complexity of the question. After each call the IPARD Agency will summarise and publish List of most common mistakes and List of frequently asked questions (including answers). The lists will be discussed on the courses and seminars organised for the private advisors and NEA staff. The Managing Authority and the IPARD Agency shall continuously provide expert advice to recipients on the basis of the measure implementation ordinances and the guidelines for recipients. The NEA will put special focus on providing extension to the potential recipients and support during preparation of application packages by the agriculture producers.

The costs for organisation and implementation of the training events and related training material shall be financed under the measure Technical Assistance within the scope of this Programme. Professional expertise may be contracted under the measure Technical Assistance to develop the training materials.

18. ANNEXES

Annex 1: List of rural areas

Municipality	Settlements designated as Rural areas (LAU 2) List of settlement on the level of the municipality with ≤ 30 000 inhabitants (Census 2002)
Aerodrom	Village: Dolno Lisiche.
Arachinovo	Villages: Arachinovo, Grushino, Mojanci and Orlanci.
Berovo	City: Berovo and villages: Budinarci, Vladimirovo, Dvorishte, Machevo, Mitrashinci, Ratevo, Rusinovo and Smojmirovo.
Bitola	Villages: Bareshani, Bistrica, Bratin Dol, Brusnik, Bukovo, Velushina, Gabalavci, Gopesh, Gorno Egri, Gorno Orizari, Graeshnica, Dihovo, Dolenci, Dolno Egri, Dolno Orizari, Dragarino, Dragozani, Dragosh, Drevenik, Gjavato, Zabeni, Zlokukjani, Kazani, Kanino, Karamani, Kishava, Kravari, Krklino, Kremenica, Krstoar, Kukurechani, Lavci, Lazec, Lera, Lisolaj, Logovardi, Lopatica, Magarevo, Malovishte, Metimir, Medzitlija, Nizepole, Novo Zmirnovo, Oblakovo, Oleveni, Optichari, Orehovo, Ostrec, Poeshevo, Porodin, Ramna, Rashtani, Rotino, Svinishte, Sekirani, Snegovo, Sredno Egri, Srpci, Staro Zmirnovo, Strezevo, Trn, Trnovo, Capari, Crnobuki and Crnovec.
Bogdanci	City: Bogdanci and villages: Gjavato, Selemli and Stojakovo.
Bogovinje	Villages: Bogovinje, Gorno Palchishte, Gorno Sedlarce, Dolno Palchishte, Jelovjane, Kamenjane, Zerovjane, Novake, Novo Selo, Pirok, Rakovec, Selce Kech, Sinichane and Urvich.
Bosilovo	Villages: Borievo, Bosilovo, Gecherlija, Drvosh, Ednokukevo, Ilovica, Monospitovo, Petralinci, Radovo, Robovo, Saraj, Sekirnik, Staro Baldovci, Turnovo, Hamzali and Shtuka.
Brvenica	Villages: Blace, Brvenica, Volkovija, Gurgurnica, Dolno Sedlarce, Miletino, Radiovce, Stenche, Tenovo and Chelopek.
Butel	Villages: Vizbegovo, Ljubanci, Ljuboten and Radishani.
Valandovo	City: Valandovo and villages: Ajranli, Arazli, Bajrambos, Balinci, Barakli, Bashali, Bashibos, Brajkrvci, Buluntuli, Vejseli, Gradec, Grchishte, Dedeli, Gjuleli, Josifovo, Kazandol, Kochuli, Marvinci, Pirava, Plavush, Prsten, Rabrovo, Sobri, Tatarli, Terzeli, Udovo, Chalakli and Chestevo.
Vasilevo	Villages: Angelci, Varvarica, Vasilevo, Visoka Maala, Vladievci, Gradoshorci, Dobroshinci, Dukatino, Edrenikovo, Kushkulija, Nivichino, Nova Maala, Piperevo, Radichevo, Sedlarci, Sushevo, Trebichino and Chanaklija.
Vevchani	Village: Vevchani.
Veles	Villages: Bashino Selo, Beleshtevica, Buzalkovo, Vetersko, Gorno Kalaslari, Gorno Orizari, Dolno Kalaslari, Dolno Orizari, Ivankovci, Karabunjishte, Krushje, Kumarino, Lugunci, Mamutchevo, Novachani, Novo Selo, Oraovec, Otovica, Rashtani, Rlevci, Rudnik, Selp, Slivnik, Sojaklari, Sopot, Crkvino, Chaloshevo and Dzidimirci.

Vinica	City: Vinica and villages: Blatec, Vinichka Krshla, Gradec, Grljani, Dragobrashte, Istibanja, Jakimovo, Kalimanci, Krushevo, Laki, Leski, Lipec, Pekljani, Trsino and Crn Kamen.
Vrapchishte	Villages: Vranovci, Vrapchishte, Galate, Gradec, Gorjane, Dobri Dol, Gjurgjevishte, Zubovce, Kalishte, Lomnica, Negotino-Poloshko, Novo Selo, Pozarane, Senokos and Toplica.
Gazi Baba	Villages: Brnjarci, Bulachani, Goce Delchev, Idrizovo, Indzikovo, Jurumleri, Rashtak, Singelik, Smiljkovci, Stajkovci, Strachinci, Creshevo and Trubarevo.
Gevgelija	City: Gevgelija and villages: Bogorodica, Gabrovo, Davidovo, Kovanci, Konjsko, Moin, Miletkovo, Miravci, Mrzenci, Negorci, Novo Konjsko, Petrovo, Prdejci, Sermenin, Smokvica and Huma.
Gostivar	Villages: Balin Dol, Belovishte, Brodec, Vrutok, Gorna Banjica, Gorno Jelovce, Gorna Gjonovica, Debreshe, Dolna Banjica, Dolno Jelovce, Dolna Gjonovica, Zelezna Reka, Zdunje, Korito, Kunovo, Lakavica, Leshnica, Malo Turchane, Merdita, Mitroj Krsti, Padalishte, Pechkovo, Simnica, Srbinovo, Sushica, Strajane, Raven, Rechane, Trnovo, Tumchevishte, Kafa, Forino, Chajle and Chegrane.
Gradsko	Villages: Vinichani, Vodovrati, Gorno Chichevo, Gradsko, Grnchishte, Dvorishte, Dolno Chichevo, Zgropolci, Kochilari, Kuridere, Nogaevci, Podles, Svekani, Skachinci, Ubogo and Ulanci.
Debar	City: Debar and villages: Banishte, Bomovo, Gari, Gorno Kosovrasti, Dolno Kosovrasti, Konjari, Krivci, Mogorche, Osoj, Otishani, Rajchica, Selokuki, Spas, Tatar Elevci, Trnanik, Hame and Dzepishte.
Debarca	Villages: Arbinovo, Belchishta, Botun, Brezani, Velmej, Volino, Vrbjani, Godivje, Gorenci, Gorno Sredorechie, Grko Pole, Dolno Sredorechie, Zlesti, Izdeglavje, Klimeshtani, Laktinje, Leshani, Mesheishta, Mramorec, Novo Selo, Ozdoleni, Orovnik, Pesochani, Slatino, Slatinski Chiflik, Slivovo, Soshani, Trebenishta, Turje and Crvena Voda.
Delchevo	City: Delchevo and villages: Bigla, Vetren, Virche, Vratislavci, Gabrovo, Grad, Dramche, Zvegor, Iliovo, Kiselica, Kosovo Dabje, Nov Istevnik, Ochipala, Poleto, Razlovci, Selnik, Stamer, Star Istevnik, Trabotivishte, Turija and Chiflik.
Demir Kapija	City: Demir Kapija and villages: Barovo, Besvica, Bistrenci, Drachevica, Dren, Iberli, Klisura, Kosharka, Koprishnica, Koreshnica, Przdevo, Strmashevo, Chelevec and Chiflik.
Demir Hisar	City: Demir Hisar and villages: Babino, Bazernik, Barakovo, Belche, Boishte, Brezovo, Vardino, Velmevci, Virovo, Golemo Ilino, Graishte, Dolenci, Edinakovci, Zvan, Zeleznec, Zurche, Zagoriche, Zashle, Kochishte, Kutretino, Leskovo, Malo Ilino, Mrenoga, Novo Selo, Obednik, Pribilci, Radovo, Rakitnica, Rastojca, Sveta, Sladuevo, Slepche, Sloeshtica, Smilevo, Sopotnica, Strugovo, Suvo Grlo, Suvodol, Utovo and Cerovo.
Dojran	Villages: Durutli, Gjopcheli, Kurtamzali, Nikolik, Nov Dojran, Organdzali, Sevendekli, Sretenovo, Star Dojran, Furka, Crnichani, Chaushli and Dzumabos.

Dolneni	Villages: Belo Pole, Brailovo, Vranche, Gorno Selo, Gostirazni, Dabjani, Debreshte, Desovo, Dolgaec, Dolneni, Drenovci, Dupjachani, Zabjani, Zitoshe, Zabrchani, Zapolzani, Zrze, Kostinci, Koshino, Kutleshevo, Lazani, Lokveni, Malo Mramorani, Margari, Nebregovo, Novoselani, Peshtalevo, Rilevo, Ropotovo, Sarandinovo, Sekirci, Senokos, Slepche, Slivje, Sredorek, Strovija and Crnilishte.
Gjorche Petrov	Villages: Volkovo, Grachani, Kuchkovo, Nikishtane, Novo Selo and Orman.
Zelino	Villages: Gorna Leshnica, Grupchin, Dobarce, Dolna Leshnica, Zelino, Kopachin Dol, Larce, Lukovica, Merovo, Novo Selo, Ozormishte, Palatica, Rogle, Sedlarevo, Strimnica, Trebosh, Cerovo and Chiflik.
Zelenikovo	Villages: Vrazale, Gradovci, Gumalevo, Dejkovec, Dobrino, Zelenikovo, Novo Selo, Oreshani, Pakoshevo, Paligrad, Smesnica, Strahojadica, Taor and Tisovica.
Zrnovci	Villages: Vidovishte, Zrnovci and Morodvis.
Ilinden	Villages: Ajvatovci, Bujkovci, Bunardzik, Buchinci, Deljadrovci, Ilinden, Kadino, Marino, Miladinovci, Mralino, Mrshevci and Tekija.
Jegunovce	Villages: Belovishte, Vratnica, Zilche, Jazince, Janchishte, Jegunovce, Kopance, Orashje, Podbrege, Preljubishte, Raotince, Ratae, Rogachevo, Sirichino, Staro Selo, Tudence and Shemshevo.
Kavadarci	City: Kavadarci and villages: Begnishte, Bojanchishte, Bohula, Brushani, Bunarche, Vatasha, Vozarci, Galishte, Garnikovo, Glishik, Gorna Boshava, Grbovec, Dabnishte, Dobrotino, Dolna Boshava, Dragozel, Dradnja, Drenovo, Kesendre, Klinovo, Konopishte, Koshani, Krnjevo, Kumanichevo, Majden, Marena, Mrezichko, Pravednik, Rezanovo, Radnja, Raec, Resava, Rozden, Sopot, Stragovo, Farish, Chemersko, Sheshkovo and Shivec.
Karbinci	Villages: Argulica, Batanje, Vrteshka, Golem Gaber, Gorni Balvan, Gorno Trogerci, Dolni Balvan, Dolno Trogerci, Ebeplija, Junuzlija, Kalauzlija, Karbinci, Kepekchelija, Kozjak, Krupishte, Kurfalija, Kuchilat, Kuchica, Mal Gaber, Michak, Muratlija, Nov Karaorman, Odzalija, Pripechani, Prnalija, Radanje, Ruljak, Tarinci and Crvulevo.
Karposh	Villages: Bardovci and Gorno Nerezi.
Kisela Voda	Villages: Drachevo and Usje.
Kichevo	City: Kichevo and villages: Knezino, Lazarovci, Mamudovci, Osoj, Rashtani, Trapchin Dol, Atishta, Bigor Dolenci, Vraneshtica, Dupjani, Karbunica, Kozichino, Krushica, Miokazi, Orlanci, Patec, Rabetino, Rechani- Chelopechko, Svetorache, Staroec, Chelopeci, Belica, Brzdani, Vidrani, Golemo Crsko, Gorna Dushegubica, Gorno Dobrenoec, Dolna Dushegubica, Dolno Dobrenoec, Drugovo, Ehloec, Ivanchishta, Izvor, Javorec, Judovo, Kladnik, Klenoec, Kozica, Lavchani, Malkoec, Malo Crsko, Manastirsko Dolenci, Podvis, Popoec, Popolzani, Prostranje, Svinjishte, Srbjani, Cer, Bachishta, Bukojchani, Gorno Strogomishte, Greshnica, Dlapkin Dol, Dolno Strogomishte, Zajas, Kolari, Kolibari, Leshnica, Midinci, Rechani – Zajasko, Tajmishte, Arangel, Berikovo, Garani, Zubrino, Jagol, Jagol Dolenci, Novo Selo, Oslomej, Papradishte, Popovjani, Premka, Srbica, Strelci, Tuin, Crvivci and Shutovo.
Konche	Villages: Gabrevci, Garvan, Gorna Vrashtica, Gorni Lipovik, Dedino, Dolna Vrashtica, Dolni Lipovik, Dolni Radesh, Zagorci, Konche, Lubnica, Negrenovci, Rakitec and Skorusha.

Kochani	City: Kochani and villages: Bezikovo, Beli, Vraninci, Gorni Podlog, Gorno Gradche, Glavovica, Grdovci, Dolni Podlog, Dolno Gradche, Jastrebnik, Kostin Dol, Leshki, Mojanci, Nebojani, Nivichani, Novo Selo, Orizari, Pantelej, Pashadzikovo, Polaki, Preseka, Pribachevo, Pripor, Rajchani, Rechani, Trkanje and Crvena Niva.
Kratovo	City: Kratovo and villages: Blizanci, Vakuf, Gorno Kratovo, Dimonce, Emirica, Zeleznica, Zivalevo, Kavrak, Ketenovo, Knezevo,Kojkovo, Konjuh, Krilatica, Kuklica, Kunovo, Lukovo, Mushkovo, Nezilovo, Pendak, Prikovci, Sekulica, Stracin, Talashmance, Tatomir, Topolovik, Trnovac, Turalevo, Filipovci, Shlegovo and Shopshko Rudare.
Kriva Palanka	City: Kriva Palanka and villages: Bes, Bastevo, Borovo, Varovishte, Gabar, Golema Crcorija, Gradec, Dlabochica, Dobrovnica, Drenak, Drenje, Durachka Reka, Zidilovo, Kiselica, Konopnica, Kostur, Koshari, Krklja, Krstov Dol, Lozanovo, Luke, Mala Crcorija, Martinica, Metezevo, Mozdivnjak, Nerav, Ogut, Osiche, Podrzi Konj, Stanci, Telminci, Trnovo and Uzem.
Krivogashtani	Villages: Bela Crkva, Borotino, Vogjani, Vrbjani, Godivje, Korenica, Krivogashtani, Krusheani, Mirche Acev, Obrshani, Pashino, Ruvci, Podvis and Slavej.
Krushevo	City: Krushevo and villages: Aldanci, Arilevo, Belushino, Birino, Borino, Buchin, Vrboec, Gorno Divjaci, Dolno Divjaci, Jakrenovo, Miloshevo, Norovo, Ostrilci, Presil, Pusta Reka, Sazdevo, Sveto Mitrani and Selce.
Kumanovo	Villages: Agino Selo, Bedinje, Beljakovce, Biljanovce, Brzak, Vakev, Vince, Gabresh, Gorno Konjare, Gradishte, Delga, Dobroshane, Dovezence, Dolno Konjare, Zivinje, Zubovce, Jachince, Karabichane, Klechevce, Kokoshinje, Kolicko, Kosmatac, Kutlibeg, Kuchkarevo, Keshanje, Lopate, Ljubodrag, Murgash, Novo Selo, Novoseljane, Orashac, Pezovo, Proevce, Pchinja, Rezanovce, Rechica, Romanovce, Skachkovce, Sopot, Studena Bara, Sushevo, Tabanovce, Tromegja, Umin Dol, Cherkezi, Chetirce and Shuplji Kamen.
Lipkovo	Villages: Alashevce, Belanovce, Vaksince, Vishtica, Glaznja, Goshince, Dumanovce, Zlokukjane, Izvor, Lipkovo, Lojane, Matejche, Nikushtak, Opae, Orizari, Otlja, Renkovce, Ropalce, Runica, Slupchane, Straza and Strima.
Lozovo	Villages: Adzibegovo, Adzimatovo, Bekirlija, Dorfulija, Gjuzemelci, Karatmanovo, Kishino, Lozovo, Milino, Saramzalino and Koselari.
Mavrovo and Rostusha	Villages: Adzievci, Belichica, Bibaj, Bitushe, Bogdevo, Boletin, Velebrdo, Volkovija, Vidushe, Vrben, Vrbjani, Galichnik, Grekaj, Duf, Zirovnica, Zuznje, Janche, Akchilnica, Krakornica, Leunovo, Lazaropole, Mavrovi Anovi, Mavrovo, Nivishte, Nikiforovo, Nistrovo, Nichpur, Novo Selo, Orkushe, Prisojnica, Rosoki, Rostusha, Ribnica, Selce, Sence, Skudrinje, Sretkovo, Sushica, Tanushe, Trebishte, Tresonche and Cerovo.
Makedonska Kamenica	City: Makedonska Kamenica and villages: Dulica, Kosevica, Kostin Dol, Lukovica, Moshtica, Sasa, Todorovci and Cera.

Makedonski Brod	City: Makedonski Brod and villages: Belica, Benche, Bitovo, Blizansko, Breznica, Brest, Vir, Volche, Gorni Manastirec, Gorno Botushje, Gorno Krushje, Greshnica, Devich, Dolni Manastirec, Dolno Botushje, Dolno Krushje, Dragov Dol, Drenovo, Zagrad, Zvechan, Zdunje, Zrkle, Izishte, Inche, Kalugjerec, Kovach, Kovche, Kosovo, Krapa, Latovo, Lokvica, Lupshte, Mogilec, Modrishte, Oreovec, Ramne, Rastesh, Rusjaci, Samokov, Slansko, Slatina, Staro Selo, Suvodol, Sushica, Tazevo, Tomino Selo, Topolnica, Trebino, Trebovlje and Creshnevo.
Mogila	Villages: Alinci, Beranci, Budakovo, Vasharejca, Gorna Charlija, Dolna Charlija, Dedebalci, Dobrushevo, Dolno Srpci, Ivanjevci, Loznani, Mogila, Mojno, Musinci, Novoselani, Noshpal, Podino, Puturus, Radobor, Sveto Todori, Trap, Trnovci and Crnichani.
Negotino	City: Negotino and villages: Brusnik, Veshje, Vojshanci, Gorni Disan, Dolni Disan, Dubrovo, Janoshevo, Kalanjevo, Krivolak, Kurija, Lipa, Pepelishte, Peshternica, Timjanik, Tremnik, Crveni Bregovi, Dzidimirci and Sheoba.
Novaci	Villages: Armatush, Baldovenci, Bach, Biljanik, Brnik, Brod, Budimirci, Veleselo, Vranjevci, Germijan, Gneotino, Gnilez, Gorno Aglarci, Gradeshnica, Grumazi, Grunishta, Dalbegovci, Dobroveni, Dobromiri, Dolno Aglarci, Dolno Orehovo, Zivojno, Zovik 1, Zovik 2, Iveni, Makovo, Meglenci, Novaci, Novo Selo, Orle, Paralovo, Petalino, Polog, Rapesh, Ribarci, Skochivir, Slivica, Sovik, Staravina, Suvo Dol and Tepavci.
Novo Selo	Villages: Badolen, Bajkovo, Barbarevo, Borisovo, Drazevo, Zubovo, Koleshino, Mokrievo, Mokrino, Novo Konjarevo, Novo Selo, Samoilovo, Smolari, Staro Konjarevo, Stinik and Sushica.
Ohrid	Villages: Vapila, Velgoshti, Velestovo, Gorno Lakocherej, Dolno Konjsko, Dolno Lakocherej, Elshani, Zavoj, Konjsko, Kosel, Kuratica, Lagadin, Leskoec, Livoishta, Ljubanishta, Openica, Orman, Peshtani, Plake, Podmolje, Ramne, Rasino, Rechica, Svinishta, Sirula, Skrebatno, Trpejca and Shipokno.
Petrovec	Villages: Badar, Blace, Breznica, Gorno Konjari, Gradmanci, Divlje, Dolno Konjari, Katlanovo, Kozle, Letevci, Ognjandzi, Petrovec, R'zanichino, Sredno Konjari, Sushica and Kojlija.
Pehcevo	City: Pehcevo and villages: Negrevo, Pancharevo, Robovo, Umlena, Crnik and Chiflik.
Plasnica	Villages: Dvorci, Lisichani, Plasnica and Preglovo.
Prilep	Villages: Alinci, Belovodica, Berovci, Besishte, Bonche, Veprchani, Veselchani, Vitolishte, Volkovo, Vrpsko, Galichani, Golem Radobil, Golemo Konjari, Gugjakovo, Dabnica, Dren, Dunje, Erekovci, Zivovo, Zagorani, Kadino Selo, Kalen, Kanatlarci, Klepach, Kokre, Krushevica, Krstec, Lenishta, Lopatica, Mazuchishte, Mal Radobil, Malo Konjari, Malo Ruvci, Manastir, Marul, Nikodin, Novo Lagovo, Oreovec, Peshtani, Pletvar, Podmol, Polchishte, Prilepec, Prisad, Rakle, Selce, Smolani, Staro Lagovo, Toplica, Trojaci, Topolchani, Trojkrsti, Carevik, Chanishte, Chepigovo, Chumovo, Sheleverci and Shtavica.

Probishtip	City: Probishtip and villages: Bunesh, Buchishte, Gajranci, Gorni Stubol, Gorno Barbarevo, Grizilevci, Gujnovci, Dobrevo, Dolni Stubol, Dolno Barbarevo, Dreveno, Drenok, Zarepinci, Zelengrad, Zletovo, Jamishte, Kalnishte, Kukovo, Kundino, Lezovo, Lesnovo, Marchino, Neokazi, Pestrshino, Petrishino, Pishica, Pleshanci, Puzderci, Ratavica, Strisovci, Strmosh, Tripatanci, Troolo, Tursko Rudari and Shtalkovica.
Radovish	City: Radovish and villages: Ali Koch, Ali Lobasi, Buchim, Voislavci, Damjan, Drzani, Durutlija, Zleovo, Injevo, Jargulica, Kalauzlija, Kalugjerica, Karalobosi, Karadzalar, Kozbunar, Kodzalija, Novo Selo, Oraovica, Papavnica, Pogulevo, Podaresh, Pokrajchevo, Prnalija, Raklish, Sarigjol, Smilanci, Suldurci, Supurge, Topolnica, Koselija, Hudaverlija, Cheshme Maale, Shaintash, Shipkovica and Shturovo.
Rankovce	Villages: Baratlija, Vetunica, Vrzogrnci, German, Ginovci, Gulinci, Krivi Kamen, Ljubinci, Milutince, Odreno, Opila, Otoshnica, Peklishte, Petralica, Psacha, Radibush, Rankovce and Stancha.
Rosoman	Villages: Debrishte, Kamen Dol, Krushevica, Manastirec, Mrzen Oraovec, Palikura, Ribarci, Rosoman, Sirkovo and Trstenik.
Resen	City: Resen and villages: Arvati, Asamati, Bolno, Brajchino, Volkoderi, Gorna Bela Crkva, Gorno Dupeni, Gorno Krushje, Grnchari, Dolna Bela Crkva, Dolno Dupeni, Dolno Perovo, Drmeni, Evla, Ezerani, Zlatari, Izbishta, Ilino, Jankovec, Kozjak, Konjsko, Krani, Kriveni, Kurbinovo, Lavci, Leva Reka, Leskoec, Ljubojno, Nakolec, Oteshevo, Petrino, Podmochani, Pokrvenik, Preljubje, Pretor, Rajca, Slivnica, Sopotsko, Stenje, Stipona, Carev Dvor, Shtrbovo and Shurlenci.
Saraj	Villages: Arnakija, Bojane, Bukovik, Glumovo, Gorno Svilare, Grchec, Dvorce, Dolno Svilare, Kondovo, Kopanica, Krushopek, Laskarci, Ljubin, Matka, Panichari, Radusha, Raovik, Rasche, Rudnik Radusha, Semenishte, Chajlane and Shishevo.
Sveti Nikole	City: Sveti Nikole and villages: Alakince, Amzabegovo, Arbashanci, Bogoslovec, Burilovci, Gorno Gjugjance, Gorno Crnilishte, Gorobinci, Delisinci, Dolno Gjugjance, Dolno Crnilishte, Erdzelija, Kadrifakovo, Knezje, Krushica, Makresh, Malino, Mezdra, Mechkuevci, Mustafino, Nemanjica, Orel, Pavleshenci, Patetino, Peshirovo, Preod, Ranchinci, Sopot, Stanulovci, Stanjevci, Stroimanci and Trstenik.
Sopishte	Villages: Barovo, Govrlevo, Gorno Sonje, Dobri Dol, Dolno Sonje, Drzilovo, Jabolci, Nova Breznica, Patishka Reka, Rakotinci, Sveta Petka, Sopishte and Chiflik.
Staro Nagorichane	Villages: Algunja, Aljince, Arbanashko, Bajlovce, Breshko, Bukovljane, Vojnik, Vragoturce, Vrachevce, Dejlovce, Dlabochica, Dobracha, Dragomance, Drenok, Zegljane, Zeljuvino, Kanarevo, Karlovce, Koince, Kokino, Meglence, Makresh, Malotino, Mlado Nagorichane, Nikuljane, Oblavce, Orah, Osice, Pelince, Puzajka, Ramno, Rugjince, Staro Nagorichane, Stepance, Strezovce, Strnovac, Cvetishnica, Cvilance and Chelopek.
Studenichani	Villages: Aldinci, Batinci, Vrtekica, Gorno Kolichani, Dolno Kolichani, Drachevica, Elovo, Kaldirec, Malchishte, Markova Sushica, Morani, Osinchani, Pagarusha, Ramni Gaber, Studenichani, Umovo, Cvetovo, Crvena Voda and Crn Vrv.

Struga	City: Struga and villages: Bezovo, Bidzevo, Bogojci, Boroec, Brchevo, Burinec, Veleshta, Vishni, Vranishte, Globochica, Gorna Belica, Gorno Tateshi, Dolna Belica, Delogozdi, Dobovjani, Dolno Tateshi, Draslajca, Drenok, Zagrachani, Zbazdi, Jablanica, Kalishta, Korosishta, Labunishta, Lakaica, Livada, Lozani, Lokov, Lukovo, Mali Vlaj, Misleshevo, Mislodezda, Modrich, Moroishta, Nerezi, Novo Selo, Oktisi, Radozda, Radolishta, Frangovo, Shum, Piskupshtina, Podgorci, Poum, Prisovjani, Rezanovo,Selci, Tashmarunishta, Toska and Dzepin.
Strumica	Villages: Banica, Bansko, Belotino, Veljusa, Vodocha, Gabrovo, Gradsko Baldovci, Dabilje, Dobrejci, Dorlombos, Zleshevo, Kosturino, Kuklish, Memeshli, Murtino, Ormanli, Popchevo, Prosenikovo, Raborci, Ric, Sachevo, Svidovica, Tri Vodi and Chepeli.
Tearce	Villages: Brezno, Varvara, Glogji, Dobroshte, Jeloshnik, Leshok, Neproshteno, Nerashte, Odri, Prvce, Prshovce, Slatino and Tearce.
Tetovo	Villages: Bozovce, Brodec, Vejce, Veshala, Gajre, Golema Rechica, Gjermo, Jedoarce, Lavce, Lisec, Mala Rechica, Otunje, Poroj, Sarakino, Selce, Setole, Falish, Dzepchishte and Shipkovica.
Centar Zupa	Villages: Bajramovci, Balanci, Breshtani, Broshtica, Vlasiki, Golem Papradnik, Gorno Melnichani, Gorenci, Dolgash, Dolno Melnichani, Evla, Elevci, Zitineni, Kochishta, Kodzadzik, Mal Papradnik, Novak, Osolnica, Odzovci, Pareshi, Pralenik, Centar Zupa and Crno Boci.
Chashka	Villages: Banjica, Bistrica, Bogomila, Busilci, Vladilovci, Vitanci, Vojnica, Gabrovnik, Golozinci, Gorno Vranovci, Gorno Jabolchishte, Dolno Vranovci, Dolno Jabolchishte, Drenovo, Elovec, Izvor, Kapinovo, Krajnici, Kriva Krusha, Krnino, Lisiche, Martolci, Melnica, Mokreni, Nezilovo, Novo Selo, Kormorani, Oraov Dol, Oreshe, Otishtino, Papradishte, Plevenje, Pomenovo, Popadija, Rakovec, Smilovci, Sogle, Stari Grad, Stepanci, Teovo, Creshnevo and Chashka.
Cheshinovo - Obleshevo	Villages: Banja, Burilchevo, Vrbica, Ziganci, Kuchicino, Lepopelci, Novo Selani, Obleshevo, Sokolarci, Spanchevo, Teranci, Ularci, Cheshinovo and Chiflik.
Chucher-Sandevo	Villages: Banjane, Blace, Brazda, Brest, Brodec, Gluvo, Gornjane, Kuchevishte, Mirkovci, Pobozje, Tanushevci and Chucher-Sandevo.
Shtip	Villages: Baltalija, Brest, Vrsakovo, Gorachino, Dobroshani, Dolani, Dragoevo, Edeklerci, Jamujarci, Kalapetrovci, Koshevo, Krivi Dol, Lakavica, Leskovica, Lipov Dol, Ljuboten, Nikoman, Novo Selo, Penush, Piperovo, Pochivalo, Puhche, Sarchievo, Selce, Skandalci, Sofilari, Star Karaorman, Stepanci, Suvo Grlo, Sudik, Sushevo, Tanatarci, Testemelci, Toplik, Tri Cheshmi, Hadzi-Redzepli, Hadzi-Sejdeli, Hadzi-Hamzali, Creshka, Chardaklija, Chiflik, Shashavarlija and Shopur.
Shuto Orizari	Village: Gorno Orizari.
Total rural settlements designated	**1758**

Annex 2: List of 'Mountainous' areas

Municipality	Settlements designated as 'Mountainous' areas (>700m) LAU 2
Berovo	City: **Berovo** and villages: Budinarci, Vladimirovo, Dvorishte, Machevo, Mitrashinci, Ratevo, Rusinovo and Smojmirovo.
Bitola	Villages: Bratin Dol, Brusnik, Bukovo, Gopesh, Graeshnica, Dihovo, Dolenci, Dragos, Drevenik, Gjavato, Zlokukani, Kazani, Kisava, Krklino, Lavci, Lera, Lisolaj, Lopatica, Magarevo, Maloviste, Metimir, Nizepole, Oblakovo, Orehovo, Ostrec, Ramna, Rotino, Svinishte, Snegovo, Srpci, Staro Zmirnovo, Strezevo, Trnovo, Capari.
Bogovinje	Villages: Gorno Palchiste, Jelovjane, Novakje, Novo Selo, Rakovec, Selce Kec, Sinichane and Urvic.
Brvenica	Village: Gurgurnica
Butel	Village : Ljubanci
Vasilevo	Villages: Kushkulija, Nivichino.
Vevchani	Village: Vevchani
Veles	Village: Novo Selo
Vinica	Villages: Grljani, Kalimanci, Laki, Trshino.
Vrapchishte	Villages: Vranovci, Gorjane, Novo Selo, Gurgjevishte, Kalishte, Lomnica, Pozarane.
Gevgelija	Village: Huma
Gostivar	Villages:Brodec, Vrutok, Gorno Jelovce, Gorna Djonovica, Dolno Jelovce, Dolna Djonovica , Zelezna Reka, Korito, Kunovo, Leshnica, Merdita, Mitroj Krsti, Padalishte, Pechkovo, Simnica, Srbinovo, Strajane, Rechane, Trnovo, Kafa.
Gradsko	Village: Dvorishte
Debar	Villages: Banishte, Gari, Gorno Kosovrasti, Krivci, Mogorche, Osoj, Rajchica, Tatar Elevci, Hame, Dzepishte.
Debarca	Villages: Arbinovo, Brezani, Vrbjani, Godivje, Gorno Sredorecie, GrkoPole, Dolno Sredorecie, Zlesti, Klimeshtani, Laktinje, Mramorec, Slatino, Slatinski Ciflik, Slivovo, Soshani, Turje, CrvenaVoda, Belchista, Botun, Velmej, Izdeglavje, Leshani, Novo Selo, Ozdoleni, Pesocani, Volino, Orovnik, Trebenista, Gorenci, Mesheishta
Delchevo	Villages: Bigla, Vetren, Vratislavci, Dramce, Kiselica, Grad, Nov Istevnik, Selnik, Stamer, Star Istevnik, Turija, Virce, Gabrovo, Zvegor, Razlovci, Ciflik
Demir Hisar	Villages: Babino, Bazernik, Boiste, Brezovo, Velmevci, Virovo, Golemo Ilino, Zeleznec, Zashle, Leskovo, Malo Ilino, Mrenoga, Radovo, Rastojca, Smilevo,Suvo Grlo, Cerovo, Kochishte, Obednik, Zvan, Sloeshntica, Strugovo,Zurce , Zagorice, Novo Selo, Rakitnica, Sopotnica, Suvo Dol, Utovo, Dolenci

Dolneni	Villages: Zrze, Margari, Gorno Selo, Gostirazni, Drenovci,Dolgaec, Strovija, Kosino, Nebregovo, Slepce
Zelino	Villages: Gorna Lesnica, Lukovica, Sedlarevo,Merovo, Cerevo
Zelenikovo	Village: Paligrad
Jegunovce	Villages: Belovishte, Vratnica, Jazince, Rogachevo, Staro Selo.
Kavadarci	Villages: Bojancishte, Bohula, Galiste, Klinovo, Kumanichevo, Majden, R'zanovo, Radnja, Rozden, Stragovo, Bunarce Pravednik, Konopiste
Karbinci	Villages: Vrteshka, Ebeplija, Junuzlija, Micak, Kepekcelija, Kurfalija, Kucica, Muratlija, Pripecani, Prnalija, Kucilat, Kalauzlija
Kichevo	Villages: Bacista, Bukojcani, Lesnica, Midinci, Recani-Zajasko, Tajmiste, Gorno Strogomiste, Dlapkin Dol, Zajas,Dolno Strogomiste, Kolari, Gresnica, Knezino, Osoj,Rastani, Belica, Brzhdani, Vidrani, Golemo Crsko, Gorna Dusegubica, Gorno Dobrenoec, Dolna Dushegubica,Dolno Dobrenoec, Manastirsko Dolenci, Ivancista, Izvor, Javorec, Judovo, Kladnik, Klenoec, Kozica,Lavcani, Malkoec, Malo Crsko, Podvis, Popoec, Popolzhani,Prostranje, Cer, Drugovo, Ehlovec, Sviniste,Berikovo,Jagol Dolenci, Novo Selo, Papradiste, Garani, Jagol, Premka, Srbica, Zubrino, Tuin, Shutovo, Arangel, Oslomej, Popovjani, Dupjani,Kozicino, Krusica, Orlanci, Pates, Robetino, Svetorace, Karbunica, Vranestica, Recani-Celopecko
Konche	Villages: Gorni Lipovik, Negrenovci
Kochani	Villages: Bezikovo, Gorno Gradce, Glavovica, Jastrebnik, Kostin Dol, Leski ,Nebojani, Nivicani, Novo Selo, Polaki, Trkanje, Preseka, Pantelej, Rajcani, Pasadzikovo, Recani, Dolno Gradce
Kratovo	Villages: Gorno Kratovo, Emirica, Kavrak, Knezevo, Kojkovo, Kunovo, Lukovo, Mushkovo, Nezilovo, Blizanci,Stracin, Prikovci, Tatomir, Shlegovo, Ketenovo.
Kriva Palanka	City: Kriva Palanka and villages: B's, Bashtevo, Borovo, Varoviste, Gabar, Golema Crcorija, Gradec, Dlabocica, Dobrovnica, Drenak, Drenje,Duracka Reka, Zidilovo, Kiselica, Konopnica, Kostur,Koshari Krklja , Krstov Dol, Lozanovo, Luke, Mala Crcorija, Martinica, Metezevo, Nerav, Ogut, Osice,Podrzi konj, Stanci, Trnovo, Uzem, Kostur, Mozdivnjak.
Krushevo	City: Krushevo and villages : Arilevo, Belushino, Birino,Gorno Divjaci, Dolno Divjaci, Ostrilci, Pusta Reka,Selce ,Norovo, Jakrenovo, Vrboec, Borino
Lipkovo	Villages: Belanovce, Glaznja, Goshince, Zlokukane,Izvor, R"nkovce, Straza, Strima.
Mavrovo i Rostusha	Villages: Adzievci, Belicica, Bibaj, Bituse, Bogdevo,Boletin, Velebrdo, Volkovija, Viduse, Vrben,Vrbjani, Galicnik, Grekaj,Duf, Zirovnica , Zuznje,Jance , Kicinica, Krakornica, Leunovo, Lazaropole, Mavrovi Anovi, Nivishte, Nikiforovo, Nistrovo,Nicpur, Novo Selo, Orkuse, Prisojnica,Rosoki, Rostusa, Ribnica, Selce, Sence, Skudrinje, Sretkovo, Tanuse, Trebiste, Tresonce, Cerovo,Mavrovo, Susica
Makedonska Kamenica	Villages:Dulica, Kosevica, Kostin Dol, Moshtica, Sasa, Cera

Makedonski Brod	Villages: Bence, Bitovo, Breznica, Brest, Volce, Dolni Manastirec, Gorno Botusje, Gorno Krusje, Dolnono Botusje, Dolno Krusje, Drenovo, Zagrad, Zvecan,Ince, Kovac, Kosovo, Lupste, Staro Selo, Ramne,Rastes, Slansko, Susica, Tazevo, Tomino Selo, Trebovlje, Cresnevo, Krapa, Lokvica, Mogilec, Rusjaci, Vir
Mogila	Villages: Mojno, Crnichani
Novaci	Villages: Brnik, Budimirci, Gnilez, Grumazi, Grunista, Iveni, Meglenci, Orle, Petalino, Polog, Zovich ,Staravina,Armatush, Makovo, Gradesnica, Dolno Orehovo, Zivojno,Paralovo, Tepavci, Zovik 2, Veleselo
Novo Selo	Villages: Barbarevo, Badolen, Stinik.
Ohrid	Villages: Vapila, Velestovo, Elsani, Zavoj, Konjsko, Kuratica, Livoista, Ljubanista, Ramne, Plake, Rasino, Recica, Svinista,Sirula, Skrebatno, Sipokno, Dolno Lakocerej, Gorno Lakocerej, Orman, Velgosti, Dolno Konjsko, Kosel, Trpejca, Openica, Pestani, Leskoec, Podmolje.
Petrovec	Village: Divlje
Pehcevo	City: **Pehcevo** and villages: Negrevo,Pancarevo, Crnik, Ciflik, Robovo, Umlena
Plasnica	Village: Preglovo.
Prilep	Villages: Belovodica, Beshishte, Bonce, Veprcani, Vitoliste, Volkovo, Dabnica,Zivovo, Kokre, Krusevica, Krstec,Lopatica, Pletvar, Polciste, Prilepec, Prisad, Oreovac, Shtavica, Pestani, Leniste, Malo Ruvci, Marul,Selce, Cumovo
Probishtip	City: **Probistip** and Vilages: Grizilevci, Zelengrad, Jamishte, Kundino, Lesnovo, Marcino, Gorni Stubol, Dobrevo, Dreveno, Shtalkovica
Radovish	Villages: Ali Koch, Ali Lobasi, Kozbunar, Kodzalija, Novo Selo, Papavnica, Smilanci, Shaintas, Shipkovica, Shturkovo, Drzani, Karalobosi, Karadzaral, Hudaverlija, Durutlija, Koselija, Supurge, Cesme Maale
Rankovce	Villages: Baratlija, German, Milutince, P'kliste, Stanca, Gulince, Krivi Kamen, Petralica, Psaca, Radibus, Odreno,Otosnica
Resen	City: **Resen** and villages: Arvati, Bolno, Brajcino, Gorno Krusje, Evla, Zlatari, Izbista, Ilino, Konjsko, Kriveni, Lavci, Leva Reka, Grncari, Dolno Dupeni, Podmocani, Rajca, Gorno Dupeni, Stenje, Jankovec, Krani, Sopotsko, Leskoec, Ljubojno, Otesevo, Petrino, Pokrvenik, Stipona, Shurlenci, Kurbinovo, Preljublje, Shtrbovo, Slivnica, Dolna Bela Crkva, Dolno Perovo, Nakolec, Asamati, Pretor, Drmeni, Ezerani, Carev Dvor, Gorna Bela Crkva,Volkoderi, Kozjak
Saraj	Village: Raovik
Sveti Nikole	Village: Stoimanci
Sopishte	Villages: Drzilovo, Sveta Petka, Nova Breznica, Patishka Reka, Gorno Sonje
Studenichani	Villages: Aldinci, Elovo, Kaldirec, Ramni Gaber, Cvetovo, Crn Vrv

Staro Nagoricane	Villages: Arbanashko, Dlabocica, Dejlovce, Aljince, Kokino, M”glence, Malotino, Osiche, Ramno, Bukovljane, Cvetishnica
Struga	Villages: Bezovo, Bogojci, Boroec, Brcevo, Burinec, Visni, Gorna Belica, Drenok, Zbazdi, Jablanica, Labunista, Lakavica, Lokov, Mali Vlaj, Mislodezda, Modric, Nerezi, Piskupstina, Frangovo, Podgorci, Poum, Prisovjani, R’zanovo, Selci, Toska, Lukovo, Oktisi, Tasmarunista, Vraniste, Globocica, Draslajca, Novo Selo, Shum, Livada,Veleshta, Dolno Tatesi, Gorno Tatesi, Dzepin, Zagracani, Koroshishta, Radolishta, Radozda, Dolna Belica, Dobovjani, Delogozdi
Tearce	Villages: Brezno, Varvara, Jelosnik
Tetovo	Villages: Bozovce, Brodec, Vejce, Veshala, Gajre, Djermo, Lavce, Lisec, Otunje, Selce, Setole, Sipkovica,Jedoarce
Centar Zupa	Villages: Bajramovci, Brestani, Gorno Melnicani, Gorenci, Dolgas, Dolno Melnicani, Elevci, Zitineni, Kocista, Kodzadzik, Novak, Osolnica, Odzovci, Pareshi, Balanci, Crno Boci, Evla, Mal Papradnik, Pralenik, Centar Zupa
Chashka	Villages: Gorno Jabolciste, Gorno Vranovci, Papradiste,Popadija, Cresnovo, Dolno Jabolciste, Oreshe, Plevenje, Nezilovo, Krnino, Kapinovo
Chucher-Sandevo	Villages: Blace, Brest, Brodec, Tanusevci.
Stip	Villages: Kalapetrovci, Kosevo, Nikoman, Pocivalo, Sasavarlija, Suvo Grlo
Total designated settlements	**734**

Annex 3: List of Agricultural Regions

#	Agricultural regions	Municipalities (LAU 1)
1.	**Skopsko Pole**	Saraj, Suto Orizari, Karposh, Kisela Voda, Gjorce Petrov, Gazi Baba, Butel, Aerodrom, Sopiste, Studenicani, Zelenikovo, Petrovec, Ilinden, Aracinovo, Cucer Sandevo, Studenicani
2.	**Kumanovsko-Lipkovsko Pole**	Kratovo, Kriva Palanka, Rankovce, Staro Nagoricane, Kumanovo, Lipkovo
3.	**Kocansko Pole**	Vinica, Zrnovci, Cesinovo-Oblesevo, Kocani
4.	**Ovce Pole i Malesevija**	Stip, Lozovo, Sveti Nikole, Probistip, Karbinci, Berovo, Pehcevo, Delcevo
5.	**Polog**	Jagunovce, Tearce, Tetovo, Zelino, Bogovinje, Brvenica, Vrapciste, Gostivar
6.	**Pelagonija**	Bitola, Dolneni, Krusevo, Krivogastani, Demir Hisar, Bitola, Mogila, Novaci, Prilep, Makedonski brod
7.	**Tikvesko Pole**	Veles, Gradsko, Kavadarci, Demir Kapija, Negotino, Rosoman,
8.	**Strumicko (Radovisko) Pole**	Strumica, Novo Selo, Bosilovo, Vasilevo, Konce, Radovis
9.	**Ohrid-Prespa Lake Region**	Debarca, Struga, Vevcani, Ohrid, Resen
10.	**Gevgelisko-Valandovsko Pole**	Gevgelija, Bogdanci, Dojran, Valandovo

Annex 4: Agriculture production statistics and Agri-food trade

Area and production of cereals, 2009 - 2013

	Area, in hectares		Production		Area, in hectares		Production	
	sown	harvested	total, in tonnes	kg, per hectare	sown	harvested	total, in tonnes	kg, per hectare
	Wheat				**Rye**			
2009	88.256	88.151	271.117	3.076	3.777	3.701	9.089	2.456
2010	79.946	79.865	243.137	3.044	3.590	3.590	8.850	2.465
2011	78.588	76.545	256.103	3.346	3.527	3.510	8.297	2.364
2012	79.750	79.745	214.963	2.696	3.767	3.767	7.288	1.935
2013	81.756	80.980	258.960	3.198	3.760	3.758	8.898	2.368
	Barley				**Oats**			
2009	48.756	48.622	146.372	3.010	2.770	2.726	4.960	1.820
2010	42.959	42.802	126.315	2.951	2.763	2.729	5.479	2.008
2011	42.475	41.096	129.509	3.151	2.514	2.443	4.596	1.881
2012	41.123	41.057	90.384	2.201	2.632	2.618	3.898	1.489
2013	42.234	41.944	125.565	2.994	2.789	2.781	5.215	1.875
	Maize				**Rice**			
2009	32.737	32.466	154.237	4.751	3.125	3.120	19.870	6.368
2010	28.644	28.623	129.045	4.508	4.126	4.125	25.700	6.230
2011	29.390	29.369	126.096	4.294	4.500	4.500	26.964	5.992
2012	29.198	29.180	115.928	3.973	4.656	4.656	24.361	5.232
2013	31.032	31.028	131.043	4.223	4.865	4.660	27.921	5.992

Source: SSO, 2014

Area and production of vegetables, 2009 - 2013

	Area, in hectares		Production		Area, in hectares		Production	
	sown	harvested	total, in tonnes	kg, per hectare	sown	harvested	total, in tonnes	kg, per hectare
	Potatoes				**Beans-single maincrop**			
2009	13.531	13.527	204.717	15.134	4.938	4.925	5.890	1.196
2010	13.044	13.037	200.125	15.351	4.615	4.612	5.447	1.181
2011	13.539	13.454	192.675	14.321	4.581	4.557	5.705	1.252
2012	13.224	13.204	168.859	12.788	4.748	4.726	5.128	1.085
2013	13.477	13.474	189.590	14.071	4.608	4.607	5.127	1.113
	Cabbage				**Late cabbage**			
2009	3.650	3.638	87.573	24.072	848	848	24.557	28.959
2010	3.707	3.706	106.769	28.810	989	989	42.388	42.860
2011	3.767	3.766	107.159	28.454	865	865	35.511	41.053
2012	3.734	3.734	94.234	25.237	1.070	1.070	34.337	32.090
2013	4.491	4.482	119.662	26.698	1.288	1.288	37.754	29.312
	Tomatoes				**Peppers**			
2009	5.800	5.731	145.395	25.370	8.450	8.438	154.771	18.342
2010	5.676	5.665	168.010	29.658	8.475	8.474	168.150	19.843
2011	5.632	5.632	165.642	29.411	8.475	8.465	153.842	18.174
2012	5.640	5.614	145.818	25.974	8.626	8.626	166.247	19.273
2013	5.478	5.457	130.960	23.999	8.511	8.501	152.153	17.898
	Garlic				**Onions**			
2009	1.060	1.060	5.803	5.475	3.362	3.361	41.863	12.455
2010	1.011	996	5.015	5.035	3.559	3.554	47.432	13.346
2011	949	947	4.150	4.382	3.491	3.488	44.540	12.769

2012	936	936	4.081	4.360	3.527	3.527	43.732	12.399
2013	928	920	4.134	4.493	3.499	3.490	50.787	14.552
Melons and watermelons					**Lentils**			
2009	5.987	5.977	123.939	20.736	82	82	69	840
2010	5.743	5.732	134.885	23.532	72	72	90	1.252
2011	5.812	5.800	127.449	21.974	68	68	72	1.058
2012	5.692	5.691	127.593	22.420	74	74	77	1.045
2013	5.598	5.586	128.417	22.989	82	82	77	944
Potatoes-interfield					**Beans-interfield**			
2009	366	366	2.436	6.654	8.955	8.955	6.861	766
2010	361	361	2.200	6.093	8.673	8.673	6.623	764
2011	232	232	1.183	5.099	8.994	8.994	7.285	810
2012	206	206	1.117	5.422	9.080	9.080	5.850	644
2013	213	213	1.288	6.048	8.895	8.895	6.246	702

Source: SSO, 2014

Area and production of industrial crops, 2009 - 2013

	Area, in hectares		Production		Area, in hectares		Production	
	sown	harvested	total, in tonnes	kg, per hectare	sown	harvested	total, in tonnes	kg, per hectare
	Poppy seed				**Tobacco**			
2009	618	618	504	816	17.809	17.800	24.122	1.355
2010	413	413	297	719	20.300	20.300	30.280	1.492
2011	284	284	233	819	19.693	19.679	26.537	1.348
2012	187	180	91	506	19.656	19.639	27.333	1.392
2013	108	103	63	616	19.178	19.178	27.859	1.453
	Sunflower							
2009	4.211	4.138	7.774	1.879				
2010	4.061	4.029	7.592	1.884				
2011	5.715	5.688	8.497	1.494				
2012	3.752	3.752	4.765	1.270				
2013	2.481	2.458	3.832	1.559				

Source: SSO, 2014

Area and production of fodder crops, 2009 - 2013

	Area, in hectares		Production		Area, in hectares		Production	
	sown	harvested	total, in tonnes	kg, per hectare	sown	harvested	total, in tonnes	kg, per hectare
	Clover				**Alfalfa**			
2009	3.067	3.011	12.684	4.213	19.716	19.573	126.112	6.443
2010	3.065	3.046	13.657	4.484	19.507	19.408	124.145	6.397
2011	3.291	3.275	14.345	4.380	19.202	19.111	129.009	6.751
2012	3.306	3.305	12.565	3.802	19.229	19.224	115.692	6.018
2013	3.392	3.392	12.933	3.813	19.404	19.350	113.195	5.850
	Vetches-hay				**Fodder peas-hay**			
2009	2.561	2.557	10.327	4.039	1.898	1.729	5.431	3.141
2010	2.450	2.447	7.792	3.184	1.867	1.829	5.863	3.206
2011	2.364	2.339	7.178	3.069	1.327	1.317	4.123	3.130
2012	2.168	2.168	5.815	2.682	1.625	1.625	4.836	2.976
2013	2.178	2.173	6.759	3.111	1.527	1.526	4.468	2.928
	Fodder maize				**Fodder beet**			
2009	2.480	2.249	61.558	27.371	563	561	6.219	11.086

2010	2.669	2.487	64.870	26.084	513	513	5.754	11.217
2011	2.326	2.314	50.966	22.025	545	543	5.205	9.586
2012	2.249	2.249	44.467	19.772	418	418	3.700	8.852
2013	2.816	2.814	63.732	22.648	404	404	3.377	8.358

Source: SSO, 2014

Area and production on meadows and pastures, 2009 – 2013

	Meadows Production			Pastures Production		
	Harvested area, ha	total, in tonnes	kg, per hectare	Harvested area, ha	total, in tonnes	kg, per hectare
2009	58.199	96.891	1.665	500.468	319.880	639
2010	59.088	97.145	1.644	611.183	377.173	617
2011	61.323	98.502	1.606	608.176	446.921	735
2012	60.441	89.237	1.476	756.558	415.200	549
2013	58.865	94.227	1.601	751.187	522.970	696

Source: SSO, 2014

Vineyards and production of grapes, 2009 - 2013

	Area of vineyards, in hectares	Number of vines in '000		Production	
		total	grape-bearing	total, in tonnes	kg, per vine
2009	19.960	78.013	75.228	253.456	3
2010	20.033	78.692	76.347	253.372	3
2011	20.164	78.068	76.176	235.104	3
2012	20.948	80.713	79.160	240.461	3
2013	21.109	83.610	82.354	292.075	4

Source: SSO, 2014

Fruit-bearing trees and production of fruit, 2009 - 2013

	Trees in '000		Production		Trees in '000		Production	
	total	fruit-bearing	total, in tonnes	kg, per tree	total	fruit-bearing	total, in tonnes	kg, per tree
	Apples				**Pears**			
2009	4.397	4.049	106.356	26	395	371	8.313	22
2010	4.491	4.313	121.383	28	384	366	7.586	21
2011	4.357	4.281	124.552	29	378	361	7.460	21
2012	4.456	4.373	127.171	29	385	368	6.937	19
2013	4.467	4.385	112.929	26	387	372	7.265	20
	Plums				**Cherries**			
2009	1.576	1.400	35.610	25	172	164	5.587	34
2010	1.601	1.438	38.431	27	192	182	5.701	31
2011	1.643	1.489	35.448	24	201	186	6.019	32
2012	1.657	1.527	35.444	23	218	191	5.539	29
2013	1.679	1.539	38.902	25	220	195	6.037	31
	Apricots				**Peaches**			
2009	144	135	2.950	22	597	396	10.266	26
2010	150	134	2.996	22	505	452	10.211	23
2011	154	140	3.747	27	437	413	9.039	22
2012	160	151	4.503	30	463	429	8.987	21
2013	167	158	3.968	25	490	456	11.034	24
	Sour cherries				**Walnuts**			
2009	1.049	804	8.684	11	166	154	4.981	32

2010	696	494	5.207	11	181	168	5.769	34
2011	770	606	6.514	11	183	162	5.480	34
2012	808	682	8.127	12	179	162	4.952	31
2013	859	724	8.867	12	185	167	5.467	33

Source: SSO, 2014

Livestock, poultry and beehives number, 2009 - 2013

	Cattle		Pigs		Sheep		Goats	Horses	Poultry	Beehives
	Total	Cows and heifers in calf	Total	Sows and first farrow sows	Total	Ewes for breeding				
2009	252.521	128.628	193.840	27.993	755.356	521.524	94.017	29.418	2.117.890	53.439
2010	259.887	135.004	190.552	28.279	778.404	568.301	75.708	26.658	1.994.852	76.052
2011	265.299	164.537	196.570	24.180	766.631	545.214	72.777	25.415	1.944.260	65.277
2012	251.240	161.012	176.920	23.534	732.338	520.767	63.585	21.676	1.776.297	52.897
2013	238.333	154.487	167.492	23.581	731.828	530.760	75.028	20.682	2.201.550	68.294

Source: SSO, 2014

Production of milk, eggs and honey, 2009 - 2013

	Total production of milk, in '000 litres	Cow's milk		Sheep's milk		Eggs		Honey	
		total, in '000 litres	litres, per dairy cow	total, in '000 litres	litres, per sheep	total, in '000,000 pieces	per hen, pieces	total, in tonnes	kg per beehive
2009	394.942	342.622	3.004	32.934	69	274	179	791	15
2010	394.334	347.103	2.787	32.157	60	336	199	825	11
2011	417.236	376.290	2.866	25.381	51	296	193	1.105	17
2012	403.233	349.769	2.928	38.616	79	237	166	603	11
2013	429.400	380.736	3.009	34.270	70	216	174	784	12

Source: SSO, 2014

Production of meat and raw fats, 2009 - 2013

	Meat in tones					Raw fats in tones		
	total	beef	pork	mutton	poultry	total	pork	beef
2009	25.362	7.307	8.291	5.225	3.319	4.265	3.937	328
2010	23.271	6.082	8.292	4.786	3.236	4.227	3.937	290
2011	21.632	5.301	8.340	6.370	1.621	4.199	3.961	238
2012	23.124	4.981	10.598	5.600	1.945	5.257	5.033	224
2013	20.856	5.485	8.845	4.725	1.801	4.447	4.201	246

Source: SSO, 2014

Foreign Trade by Commodity Group

Code	Commodity Group	Exports 2012		Imports 2012		Balance	Exports 2013		Imports 2013		Balance
		Thousand EUR	Share of Total trade %	Thousand EUR	Share of total trade %	Thousand EUR	Thousand EUR	Share of total trade %	Thousand EUR	Share of total trade %	Thousand EUR
	Total	3.113.518,65	100%	5.061.764,54	100%	-1.948.245,90	3.211.800,00	100%	4.968.400,00	100%	-1.756.600,00
	of which agricultural commodities	478.928,54	15,38%	679.357,01	13,42%	-200.428,47	504.040,38	15,69%	654.543,48	13,17%	-150.503,10
	Section I - Basic agricultural products										
1	Live animals	2.911,65	0,09%	2.681,86	0,05%	229,80	1.762,52	0,05%	2.170,55	0,04%	-408,03
2	Meat and edible offal	16.794,44	0,54%	105.897,35	2,09%	-89.102,92	13.968,77	0,43%	108.374,89	2,18%	-94.406,12
4	Milk, dairy products, eggs and honey	7.121,15	0,23%	36.071,56	0,71%	-28.950,40	5.788,11	0,18%	37.403,94	0,75%	-31.615,83
5	Meat products	180,87	0,01%	2.722,23	0,05%	-2.541,36	386,00	0,01%	2.147,58	0,04%	-1.761,58
6	Flowers	3.958,46	0,13%	4.669,38	0,09%	-710,92	4.142,27	0,13%	4.510,90	0,09%	-368,63
7	Vegetables, edible tubers	51.347,88	1,65%	8.957,57	0,18%	42.390,31	55.470,09	1,73%	9.426,48	0,19%	46.043,61
8	Fruits and nuts	50.702,20	1,63%	28.224,10	0,56%	22.478,10	53.197,45	1,66%	29.571,86	0,60%	23.625,59
9	Coffee, tea, spices	2.361,05	0,08%	23.837,86	0,47%	-21.476,82	2.773,92	0,09%	21.619,20	0,44%	-18.845,28
10	Cereals	5.864,14	0,19%	44.668,77	0,88%	-38.804,63	4.742,91	0,15%	26.006,77	0,52%	-21.263,86
11	Milling products, malt, starch	400,14	0,01%	21.719,62	0,43%	-21.319,49	609,64	0,02%	20.765,40	0,42%	-20.155,77
12	Oilseeds and oilcakes	4.283,42	0,14%	13.369,48	0,26%	-9.086,06	3.916,60	0,12%	14.718,38	0,30%	-10.801,78
13	Vegetable extracts	28,80	0,00%	547,18	0,01%	-518,38	65,70	0,00%	364,31	0,01%	-298,61
15	Animal and vegetable fats	12.196,46	0,39%	66.336,71	1,31%	-54.140,25	7.322,52	0,23%	56.119,77	1,13%	-48.797,25
16	Preparations of meat	13.414,55	0,43%	19.899,17	0,39%	-6.484,62	14.137,80	0,44%	19.924,53	0,40%	-5.786,73
17	Sugar and confectionery	231,59	0,01%	45.289,10	0,89%	-45.057,51	335,46	0,01%	37.322,51	0,75%	-36.987,06
18	Cocoa beans	0,00	0,00%	33,19	0,00%	-33,19	0,00	0,00%	19,53	0,00%	-19,53

19	Cereal products	0,00	0,00%	7,69	0,00%	-7,69	0,00	0,00%	14,02	0,00%	-14,02
20	Vegetable and fruit products	34.614,74	1,11%	22.178,63	0,44%	12.436,11	36.526,78	1,14%	23.018,21	0,46%	13.508,57
21	Various food preparations	1.899,97	0,06%	68,59	0,00%	1.831,38	1.520,31	0,05%	67,53	0,00%	1.452,78
22	Beverages	56.483,15	1,81%	739,20	0,01%	55.743,94	51.504,47	1,60%	904,62	0,02%	50.599,86
23	Feed stuffs	884,06	0,03%	21.226,53	0,42%	-20.342,47	1.181,69	0,04%	24.652,70	0,50%	-23.471,01
24	Tobacco	95.126,38	3,06%	17.929,57	0,35%	77.196,80	115.656,22	3,60%	15.755,30	0,32%	99.900,92
33	Essential oils and resinoids	146,56	0,00%	17,28	0,00%	129,27	179,93	0,01%	38,49	0,00%	141,44
35	Albuminoidal substances; glues; enzymes	191,88	0,01%	1.411,88	0,03%	-1.220,00	125,71	0,00%	1.494,92	0,03%	-1.369,21
41	Raw hides and skins and leather	7.370,93	0,24%	2.738,93	0,05%	4.632,01	7.613,17	0,24%	2.136,00	0,04%	5.477,17
43	Fur skins and artificial fur; manufactures thereof	0,00	0,00%	0,00	0,00%	0,00	0,00	0,00%	1,99	0,00%	-1,99
51	Wool, fine or coarse animal hair;	619,81	0,02%	157,89	0,00%	461,92	938,18	0,03%	242,41	0,00%	695,77
52	Cotton	180,44	0,01%	1.266,23	0,03%	-1.085,78	60,15	0,00%	1.246,02	0,03%	-1.185,87
53	Other vegetable textile fibers	0,27	0,00%	9,83	0,00%	-9,56	0,00	0,00%	10,97	0,00%	-10,97
	Section II - Process agricultural products										
4	Milk, dairy products, eggs and honey	0,00	0,00%	1.776,12	0,04%	-1.776,12	0,00	0,00%	1.445,20	0,03%	-1.445,20
5	Meat products	24,80	0,00%	703,99	0,01%	-679,20	1.075,61	0,03%	858,76	0,02%	216,86
7	Sweet corn	0,00	0,00%	126,70	0,00%	-126,70	0,00	0,00%	102,87	0,00%	-102,87
9	Mate tea	0,00	0,00%	0,22	0,00%	-0,22	8,51	0,00%	1,66	0,00%	6,85
12	Oilseeds and oilcakes	0,00	0,00%	0,15	0,00%	-0,15	0,00	0,00%	0,27	0,00%	-0,27
13	Vegetable extracts	16,78	0,00%	699,78	0,01%	-683,00	34,69	0,00%	1.055,88	0,02%	-1.021,19
14	Fibers	25,24	0,00%	24,33	0,00%	0,91	46,16	0,00%	62,12	0,00%	-15,96
15	Animal and vegetable fats	137,17	0,00%	431,80	0,01%	-294,63	144,85	0,00%	416,49	0,01%	-271,65
17	Sugar and confectionery	7.374,34	0,24%	4.564,69	0,09%	2.809,65	7.651,75	0,24%	4.831,21	0,10%	2.820,55

18	Cocoa and cocoa products	8.092,03	0,26%	31.627,21	0,62%	-23.535,19	8.235,81	0,26%	31.693,36	0,64%	-23.457,55
19	Cereal products	39.990,75	1,28%	33.760,51	0,67%	6.230,24	46.117,74	1,44%	36.363,34	0,73%	9.754,40
20	Vegetable and fruit products	159,24	0,01%	633,25	0,01%	-474,01	227,77	0,01%	755,00	0,02%	-527,24
21	Various food preparations	13.558,98	0,44%	54.116,24	1,07%	-40.557,25	15.297,88	0,48%	55.219,33	1,11%	-39.921,45
22	Beverages	14.934,19	0,48%	29.006,95	0,57%	-14.072,76	15.073,41	0,47%	30.051,64	0,60%	-14.978,23
24	Cigarettes of tobacco	19.402,58	0,62%	10.612,47	0,21%	8.790,11	21.681,09	0,68%	13.011,93	0,26%	8.669,16
29	Organic chemicals	0,00	0,00%	103,23	0,00%	-103,23	0,00	0,00%	53,36	0,00%	-53,36
33	Essential oils and resinoids	0,53	0,00%	46,52	0,00%	-45,99	33,88	0,00%	61,92	0,00%	-28,04
35	Albuminoïde substances; modified starches; glues; enzymes	86,08	0,00%	712,17	0,01%	-626,09	113,64	0,00%	856,40	0,02%	-742,76
38	Miscellaneous chemical products	0,00	0,00%	0,23	0,00%	-0,23	0,00	0,00%	1,13	0,00%	-1,13
	Section III - Fish and fishery products										
3	Fish and molluscus	392,49	0,01%	8.832,04	0,17%	-8.439,55	375,01	0,01%	8.102,51	0,16%	-7.727,50
16	Fish products	5.760,59	0,19%	9.494,05	0,19%	-3.733,45	3.996,20	0,12%	9.549,31	0,19%	-5.553,11

Source: Customs statistics, 2013 (MAFWE calculations).

Annex 5: List of local administrative units eligible under « Investments in rural public infrastructure » measure

Municipality in which settlements are located	List of settlements with < 10 000 inhabitants (LAU 2) (according to 2002 Census)
Aerodrom	Village: Dolno Lisiche.
Arachinovo	Villages: Arachinovo, Grushino, Mojanci and Orlanci.
Berovo	City: Berovo and villages: Budinarci, Vladimirovo, Dvorishte, Machevo, Mitrashinci, Ratevo, Rusinovo and Smojmirovo.
Bitola	Villages: Bareshani, Bistrica, Bratin Dol, Brusnik, Bukovo, Velushina, Gabalavci, Gopesh, Gorno Egri, Gorno Orizari, Graeshnica, Dihovo, Dolenci, Dolno Egri, Dolno Orizari, Dragarino, Dragozani, Dragosh, Drevenik, Gjavato, Zabeni, Zlokukjani, Kazani, Kanino, Karamani, Kishava, Kravari, Krklino, Kremenica, Krstoar, Kukurechani, Lavci, Lazec, Lera, Lisolaj, Logovardi, Lopatica, Magarevo, Malovishte, Metimir, Medzitlija, Nizepole, Novo Zmirnovo, Oblakovo, Oleveni, Optichari, Orehovo, Ostrec, Poeshevo, Porodin, Ramna, Rashtani, Rotino, Svinishte, Sekirani, Snegovo, Sredno Egri, Srpci, Staro Zmirnovo, Strezevo, Trn, Trnovo, Capari, Crnobuki and Crnovec.
Bogdanci	City: Bogdanci and villages: Gjavato, Selemli and Stojakovo.
Bogovinje	Villages: Bogovinje, Gorno Palchishte, Gorno Sedlarce, Dolno Palchishte, Jelovjane, Kamenjane, Zerovjane, Novake, Novo Selo, Pirok, Rakovec, Selce Kech, Sinichane and Urvich.
Bosilovo	Villages: Borievo, Bosilovo, Gecherlija, Drvosh, Ednokukevo, Ilovica, Monospitovo, Petralinci, Radovo, Robovo, Saraj, Sekirnik, Staro Baldovci, Turnovo, Hamzali and Shtuka.
Brvenica	Villages: Blace, Brvenica, Volkovija, Gurgurnica, Dolno Sedlarce, Miletino, Radiovce, Stenche, Tenovo and Chelopek.
Butel	Villages: Vizbegovo, Ljubanci, Ljuboten and Radishani.
Valandovo	City: Valandovo and villages: Ajranli, Arazli, Bajrambos, Balinci, Barakli, Bashali, Bashibos, Brajkrvci, Buluntuli, Vejseli, Gradec, Grchishte, Dedeli, Gjuleli, Josifovo, Kazandol, Kochuli, Marvinci, Pirava, Plavush, Prsten, Rabrovo, Sobri, Tatarli, Terzeli, Udovo, Chalakli and Chestevo.
Vasilevo	Villages: Angelci, Varvarica, Vasilevo, Visoka Maala, Vladievci, Gradoshorci, Dobroshinci, Dukatino, Edrenikovo, Kushkulija, Nivichino, Nova Maala, Piperevo, Radichevo, Sedlarci, Sushevo, Trebichino and Chanaklija.
Vevchani	Village: Vevchani.
Veles	Villages: Bashino Selo, Beleshtevica, Buzalkovo, Vetersko, Gorno Kalaslari, Gorno Orizari, Dolno Kalaslari, Dolno Orizari, Ivankovci, Karabunjishte, Krushje, Kumarino, Lugunci, Mamutchevo, Novachani, Novo Selo, Oraovec, Otovica, Rashtani, Rlevci, Rudnik, Selp, Slivnik, Sojaklari, Sopot, Crkvino, Chaloshevo and Dzidimirci.

Vinica	Villages: Blatec, Vinichka Krshla, Gradec, Grljani, Dragobrashte, Istibanja, Jakimovo, Kalimanci, Krushevo, Laki, Leski, Lipec, Pekljani, Trsino and Crn Kamen.
Vrapchishte	Villages: Vranovci, Vrapchishte, Galate, Gradec, Gorjane, Dobri Dol, Gurgjevishte, Zubovce, Kalishte, Lomnica, Negotino-Poloshko, Novo Selo, Pozarane, Senokos and Toplica.
Gazi Baba	Villages: Brnjarci, Bulachani, Goce Delchev, Idrizovo, Indzikovo, Jurumleri, Rashtak, Smiljkovci, Stajkovci, Strachinci, Creshevo and Trubarevo.
Gevgelija	Villages: Bogorodica, Gabrovo, Davidovo, Kovanci, Konjsko, Moin, Miletkovo, Miravci, Mrzenci, Negorci, Novo Konjsko, Petrovo, Prdejci, Sermenin, Smokvica and Huma.
Gostivar	Villages: Balin Dol, Belovishte, Brodec, Vrutok, Gorna Banjica, Gorno Jelovce, Gorna Gjonovica, Debreshe, Dolna Banjica, Dolno Jelovce, Dolna Gjonovica, Zelezna Reka, Zdunje, Korito, Kunovo, Lakavica, Leshnica, Malo Turchane, Merdita, Mitroj Krsti, Padalishte, Pechkovo, Simnica, Srbinovo, Sushica, Strajane, Raven, Rechane, Trnovo, Tumchevishte, Kafa, Forino, Chajle and Chegrane.
Gradsko	Villages: Vinichani, Vodovrati, Gorno Chichevo, Gradsko, Grnchishte, Dvorishte, Dolno Chichevo, Zgropolci, Kochilari, Kuridere, Nogaevci, Podles, Svekani, Skachinci, Ubogo and Ulanci.
Debar	Villages: Banishte, Bomovo, Gari, Gorno Kosovrasti, Dolno Kosovrasti, Konjari, Krivci, Mogorche, Osoj, Otishani, Rajchica, Selokuki, Spas, Tatar Elevci, Trnanik, Hame and Dzepishte.
Debarca	Villages: Arbinovo, Belchishta, Botun, Brezani, Velmej, Volino, Vrbjani, Godivje, Gorenci, Gorno Sredorechie, Grko Pole, Dolno Sredorechie, Zlesti, Izdeglavje, Klimeshtani, Laktinje, Leshani, Mesheishta, Mramorec, Novo Selo, Ozdoleni, Orovnik, Pesochani, Slatino, Slatinski Chiflik, Slivovo, Soshani, Trebenishta, Turje and Crvena Voda.
Delchevo	Villages: Bigla, Vetren, Virche, Vratislavci, Gabrovo, Grad, Dramche, Zvegor, Iliovo, Kiselica, Kosovo Dabje, Nov Istevnik, Ochipala, Poleto, Razlovci, Selnik, Stamer, Star Istevnik, Trabotivishte, Turija and Chiflik.
Demir Kapija	City: Demir Kapija and villages: Barovo, Besvica, Bistrenci, Drachevica, Dren, Iberli, Klisura, Kosharka, Koprishnica, Koreshnica, Przdevo, Strmashevo, Chelevec and Chiflik.
Demir Hisar	City: Demir Hisar and villages: Babino, Bazernik, Barakovo, Belche, Boishte, Brezovo, Vardino, Velmevci, Virovo, Golemo Ilino, Graishte, Dolenci, Edinakovci, Zvan, Zeleznec, Zurche, Zagoriche, Zashle, Kochishte, Kutretino, Leskovo, Malo Ilino, Mrenoga, Novo Selo, Obednik, Pribilci, Radovo, Rakitnica, Rastojca, Sveta, Sladuevo, Slepche, Sloeshtica, Smilevo, Sopotnica, Strugovo, Suvo Grlo, Suvodol, Utovo and Cerovo.
Dojran	Villages: Durutli, Gjopcheli, Kurtamzali, Nikolik, Nov Dojran, Organdzali, Sevendekli, Sretenovo, Star Dojran, Furka, Crnichani, Chaushli and Dzumabos.

Dolneni	Villages: Belo Pole, Brailovo, Vranche, Gorno Selo, Gostirazni, Dabjani, Debreshte, Desovo, Dolgaec, Dolneni, Drenovci, Dupjachani, Zabjani, Zitoshe, Zabrchani, Zapolzani, Zrze, Kostinci, Koshino, Kutleshevo, Lazani, Lokveni, Malo Mramorani, Margari, Nebregovo, Novoselani, Peshtalevo, Rilevo, Ropotovo, Sarandinovo, Sekirci, Senokos, Slepche, Slivje, Sredorek, Strovija and Crnilishte.
Gjorche Petrov	Villages: Volkovo, Grachani, Kuchkovo, Nikishtane, Novo Selo and Orman.
Zelino	Villages: Gorna Leshnica, Grupchin, Dobarce, Dolna Leshnica, Zelino, Kopachin Dol, Larce, Lukovica, Merovo, Novo Selo, Ozormishte, Palatica, Rogle, Sedlarevo, Strimnica, Trebosh, Cerovo and Chiflik.
Zelenikovo	Villages: Vrazale, Gradovci, Gumalevo, Dejkovec, Dobrino, Zelenikovo, Novo Selo, Oreshani, Pakoshevo, Paligrad, Smesnica, Strahojadica, Taor and Tisovica.
Zrnovci	Villages: Vidovishte, Zrnovci and Morodvis.
Ilinden	Villages: Ajvatovci, Bujkovci, Bunardzik, Buchinci, Deljadrovci, Ilinden, Kadino, Marino, Miladinovci, Mralino, Mrshevci and Tekija.
Jegunovce	Villages: Belovishte, Vratnica, Zilche, Jazince, Janchishte, Jegunovce, Kopance, Orashje, Podbrege, Preljubishte, Raotince, Ratae, Rogachevo, Sirichino, Staro Selo, Tudence and Shemshevo.
Kavadarci	Villages: Begnishte, Bojanchishte, Bohula, Brushani, Bunarche, Vatasha, Vozarci, Galishte, Garnikovo, Glishik, Gorna Boshava, Grbovec, Dabnishte, Dobrotino, Dolna Boshava, Dragozel, Dradnja, Drenovo, Kesendre, Klinovo, Konopishte, Koshani, Krnjevo, Kumanichevo, Majden, Marena, Mrezichko, Pravednik, Rezanovo, Radnja, Raec, Resava, Rozden, Sopot, Stragovo, Farish, Chemersko, Sheshkovo and Shivec.
Karbinci	Villages: Argulica, Batanje, Vrteshka, Golem Gaber, Gorni Balvan, Gorno Trogerci, Dolni Balvan, Dolno Trogerci, Ebeplija, Junuzlija, Kalauzlija, Karbinci, Kepekchelija, Kozjak, Krupishte, Kurfalija, Kuchilat, Kuchica, Mal Gaber, Michak, Muratlija, Nov Karaorman, Odzalija, Pripechani, Prnalija, Radanje, Ruljak, Tarinci and Crvulevo.
Karposh	Villages: Bardovci and Gorno Nerezi.
Kisela Voda	Villages: Drachevo and Usje.
Kichevo	Villages: Knezino, Lazarovci, Mamudovci, Osoj, Rashtani, Trapchin Dol, Atishta, Bigor Dolenci, Vraneshtica, Dupjani, Karbunica, Kozichino, Krushica, Miokazi, Orlanci, Patec, Rabetino, Rechani-Chelopechko, Svetorache, Staroec, Chelopeci, Belica, Brzdani, Vidrani, Golemo Crsko, Gorna Dushegubica, Gorno Dobrenoec, Dolna Dushegubica, Dolno Dobrenoec, Drugovo, Ehloec, Ivanchishta, Izvor, Javorec, Judovo, Kladnik, Klenoec, Kozica, Lavchani, Malkoec, Malo Crsko, Manastirsko Dolenci, Podvis, Popoec, Popolzani, Prostranje, Svinjishte, Srbjani, Cer, Bachishta, Bukojchani, Gorno Strogomishte, Greshnica, Dlapkin Dol, Dolno Strogomishte, Zajas, Kolari, Kolibari, Leshnica, Midinci, Rechani – Zajasko, Tajmishte, Arangel, Berikovo, Garani, Zubrino, Jagol, Jagol Dolenci, Novo Selo, Oslomej, Papradishte, Popovjani, Premka, Srbica, Strelci, Tuin, Crvivci and Shutovo

Konche	Villages: Gabrevci, Garvan, Gorna Vrashtica, Gorni Lipovik, Dedino, Dolna Vrashtica, Dolni Lipovik, Dolni Radesh, Zagorci, Konche, Lubnica, Negrenovci, Rakitec and Skorusha.
Kochani	Villages: Bezikovo, Beli, Vraninci, Gorni Podlog, Gorno Gradche, Glavovica, Grdovci, Dolni Podlog, Dolno Gradche, Jastrebnik, Kostin Dol, Leshki, Mojanci, Nebojani, Nivichani, Novo Selo, Orizari, Pantelej, Pashadzikovo, Polaki, Preseka, Pribachevo, Pripor, Rajchani, Rechani, Trkanje and Crvena Niva.
Kratovo	City: Kratovo and villages: Blizanci, Vakuf, Gorno Kratovo, Dimonce, Emirica, Zeleznica, Zivalevo, Kavrak, Ketenovo, Knezevo,Kojkovo, Konjuh, Krilatica, Kuklica, Kunovo, Lukovo, Mushkovo, Nezilovo, Pendak, Prikovci, Sekulica, Stracin, Talashmance, Tatomir, Topolovik, Trnovac, Turalevo, Filipovci, Shlegovo and Shopshko Rudare.
Kriva Palanka	Villages: Bes, Bastevo, Borovo, Varovishte, Gabar, Golema Crcorija, Gradec, Dlabochica, Dobrovnica, Drenak, Drenje, Durachka Reka, Zidilovo, Kiselica, Konopnica, Kostur, Koshari, Krklja, Krstov Dol, Lozanovo, Luke, Mala Crcorija, Martinica, Metezevo, Mozdivnjak, Nerav, Ogut, Osiche, Podrzi Konj, Stanci, Telminci, Trnovo and Uzem.
Krivogashtani	Villages: Bela Crkva, Borotino, Vogjani, Vrbjani, Godivje, Korenica, Krivogashtani, Krusheani, Mirche Acev, Obrshani, Pashino, Ruvci, Podvis and Slavej.
Krushevo	City: Krushevo and villages: Aldanci, Arilevo, Belushino, Birino, Borino, Buchin, Vrboec, Gorno Divjaci, Dolno Divjaci, Jakrenovo, Miloshevo, Norovo, Ostrilci, Presil, Pusta Reka, Sazdevo, Sveto Mitrani and Selce.
Kumanovo	Villages: Agino Selo, Bedinje, Beljakovce, Biljanovce, Brzak, Vakev, Vince, Gabresh, Gorno Konjare, Gradishte, Delga, Dobroshane, Dovezence, Dolno Konjare, Zivinje, Zubovce, Jachince, Karabichane, Klechevce, Kokoshinje, Kolicko, Kosmatac, Kutlibeg, Kuchkarevo, Keshanje, Lopate, Ljubodrag, Murgash, Novo Selo, Novoseljane, Orashac, Pezovo, Proevce, Pchinja, Rezanovce, Rechica, Romanovce, Skachkovce, Sopot, Studena Bara, Sushevo, Tabanovce, Tromegja, Umin Dol, Cherkezi, Chetirce and Shuplji Kamen.
Lipkovo	Villages: Alashevce, Belanovce, Vaksince, Vishtica, Glaznja, Goshince, Dumanovce, Zlokukjane, Izvor, Lipkovo, Lojane, Matejche, Nikushtak, Opae, Orizari, Otlja, Renkovce, Ropalce, Runica, Slupchane, Straza and Strima.
Lozovo	Villages: Adzibegovo, Adzimatovo, Bekirlija, Dorfulija, Gjuzemelci, Karatmanovo, Kishino, Lozovo, Milino, Saramzalino and Koselari.
Mavrovo and Rostusha	Villages: Adzievci, Belichica, Bibaj, Bitushe, Bogdevo, Boletin, Velebrdo, Volkovija, Vidushe, Vrben, Vrbjani, Galichnik, Grekaj, Duf, Zirovnica, Zuznje, Janche, Akchilnica, Krakornica, Leunovo, Lazaropole, Mavrovi Anovi, Mavrovo, Nivishte, Nikiforovo, Nistrovo, Nichpur, Novo Selo, Orkushe, Prisojnica, Rosoki, Rostusha, Ribnica, Selce, Sence, Skudrinje, Sretkovo, Sushica, Tanushe, Trebishte, Tresonche and Cerovo.
Makedonska Kamenica	City: Makedonska Kamenica and villages: Dulica, Kosevica, Kostin Dol, Lukovica, Moshtica, Sasa, Todorovci and Cera.

Makedonski Brod	City: Makedonski Brod and villages: Belica, Benche, Bitovo, Blizansko, Breznica, Brest, Vir, Volche, Gorni Manastirec, Gorno Botushje, Gorno Krushje, Greshnica, Devich, Dolni Manastirec, Dolno Botushje, Dolno Krushje, Dragov Dol, Drenovo, Zagrad, Zvechan, Zdunje, Zrkle, Izishte, Inche, Kalugjerec, Kovach, Kovche, Kosovo, Krapa, Latovo, Lokvica, Lupshte, Mogilec, Modrishte, Oreovec, Ramne, Rastesh, Rusjaci, Samokov, Slansko, Slatina, Staro Selo, Suvodol, Sushica, Tazevo, Tomino Selo, Topolnica, Trebino, Trebovlje and Creshnevo.
Mogila	Villages: Alinci, Beranci, Budakovo, Vasharejca, Gorna Charlija, Dolna Charlija, Dedebalci, Dobrushevo, Dolno Srpci, Ivanjevci, Loznani, Mogila, Mojno, Musinci, Novoselani, Noshpal, Podino, Puturus, Radobor, Sveto Todori, Trap, Trnovci and Crnichani.
Negotino	Villages: Brusnik, Veshje, Vojshanci, Gorni Disan, Dolni Disan, Dubrovo, Janoshevo, Kalanjevo, Krivolak, Kurija, Lipa, Pepelishte, Peshternica, Timjanik, Tremnik, Crveni Bregovi, Dzidimirci and Sheoba.
Novaci	Villages: Armatush, Baldovenci, Bach, Biljanik, Brnik, Brod, Budimirci, Veleselo, Vranjevci, Germijan, Gneotino, Gnilez, Gorno Aglarci, Gradeshnica, Grumazi, Grunishta, Dalbegovci, Dobroveni, Dobromiri, Dolno Aglarci, Dolno Orehovo, Zivojno, Zovik 1, Zovik 2, Iveni, Makovo, Meglenci, Novaci, Novo Selo, Orle, Paralovo, Petalino, Polog, Rapesh, Ribarci, Skochivir, Slivica, Sovik, Staravina, Suvo Dol and Tepavci.
Novo Selo	Villages: Badolen, Bajkovo, Barbarevo, Borisovo, Drazevo, Zubovo, Koleshino, Mokrievo, Mokrino, Novo Konjarevo, Novo Selo, Samoilovo, Smolari, Staro Konjarevo, Stinik and Sushica.
Ohrid	Villages: Vapila, Velgoshti, Velestovo, Gorno Lakocherej, Dolno Konjsko, Dolno Lakocherej, Elshani, Zavoj, Konjsko, Kosel, Kuratica, Lagadin, Leskoec, Livoishta, Ljubanishta, Openica, Orman, Peshtani, Plake, Podmolje, Ramne, Rasino, Rechica, Svinishta, Sirula, Skrebatno, Trpejca and Shipokno.
Petrovec	Villages: Badar, Blace, Breznica, Gorno Konjari, Gradmanci, Divlje, Dolno Konjari, Katlanovo, Kozle, Letevci, Ognjandzi, Petrovec, R'zanichino, Sredno Konjari, Sushica and Kojlija.
Pehcevo	City: Pehcevo and villages: Negrevo, Pancharevo, Robovo, Umlena, Crnik and Chiflik.
Plasnica	Villages: Dvorci, Lisichani, Plasnica and Preglovo.
Prilep	Villages: Alinci, Belovodica, Berovci, Besishte, Bonche, Veprchani, Veselchani, Vitolishte, Volkovo, Vrpsko, Galichani, Golem Radobil, Golemo Konjari, Gugjakovo, Dabnica, Dren, Dunje, Erekovci, Zivovo, Zagorani, Kadino Selo, Kalen, Kanatlarci, Klepach, Kokre, Krushevica, Krstec, Lenishta, Lopatica, Mazuchishte, Mal Radobil, Malo Konjari, Malo Ruvci, Manastir, Marul, Nikodin, Novo Lagovo, Oreovec, Peshtani, Pletvar, Podmol, Polchishte, Prilepec, Prisad, Rakle, Selce, Smolani, Staro Lagovo, Toplica, Trojaci, Topolchani, Trojkrsti, Carevik, Chanishte, Chepigovo, Chumovo, Sheleverci and Shtavica.

Probishtip	City: Probishtip and villages: Bunesh, Buchishte, Gajranci, Gorni Stubol, Gorno Barbarevo, Grizilevci, Gujnovci, Dobrevo, Dolni Stubol, Dolno Barbarevo, Dreveno, Drenok, Zarepinci, Zelengrad, Zletovo, Jamishte, Kalnishte, Kukovo, Kundino, Lezovo, Lesnovo, Marchino, Neokazi, Pestrshino, Petrishino, Pishica, Pleshanci, Puzderci, Ratavica, Strisovci, Strmosh, Tripatanci, Troolo, Tursko Rudari and Shtalkovica.
Radovish	Villages: Ali Koch, Ali Lobasi, Buchim, Voislavci, Damjan, Drzani, Durutlija, Zleovo, Injevo, Jargulica, Kalauzlija, Kalugjerica, Karalobosi, Karadzalar, Kozbunar, Kodzalija, Novo Selo, Oraovica, Papavnica, Pogulevo, Podaresh, Pokrajchevo, Prnalija, Raklish, Sarigjol, Smilanci, Suldurci, Supurge, Topolnica, Koselija, Hudaverlija, Cheshme Maale, Shaintash, Shipkovica and Shturovo.
Rankovce	Villages: Baratlija, Vetunica, Vrzogrnci, German, Ginovci, Gulinci, Krivi Kamen, Ljubinci, Milutince, Odreno, Opila, Otoshnica, Peklishte, Petralica, Psacha, Radibush, Rankovce and Stancha.
Rosoman	Villages: Debrishte, Kamen Dol, Krushevica, Manastirec, Mrzen Oraovec, Palikura, Ribarci, Rosoman, Sirkovo and Trstenik.
Resen	City: Resen and villages: Arvati, Asamati, Bolno, Brajchino, Volkoderi, Gorna Bela Crkva, Gorno Dupeni, Gorno Krushje, Grnchari, Dolna Bela Crkva, Dolno Dupeni, Dolno Perovo, Drmeni, Evla, Ezerani, Zlatari, Izbishta, Ilino, Jankovec, Kozjak, Konjsko, Krani, Kriveni, Kurbinovo, Lavci, Leva Reka, Leskoec, Ljubojno, Nakolec, Oteshevo, Petrino, Podmochani, Pokrvenik, Preljubje, Pretor, Rajca, Slivnica, Sopotsko, Stenje, Stipona, Carev Dvor, Shtrbovo and Shurlenci.
Saraj	Villages: Arnakija, Bojane, Bukovik, Glumovo, Gorno Svilare, Grchec, Dvorce, Dolno Svilare, Kondovo, Kopanica, Krushopek, Laskarci, Ljubin, Matka, Panichari, Radusha, Raovik, Rasche, Rudnik Radusha, Semenishte, Chajlane and Shishevo.
Sveti Nikole	Villages: Alakince, Amzabegovo, Arbashanci, Bogoslovec, Burilovci, Gorno Gjugjance, Gorno Crnilishte, Gorobinci, Delisinci, Dolno Gjugjance, Dolno Crnilishte, Erdzelija, Kadrifakovo, Knezje, Krushica, Makresh, Malino, Mezdra, Mechkuevci, Mustafino, Nemanjica, Orel, Pavleshenci, Patetino, Peshirovo, Preod, Ranchinci, Sopot, Stanulovci, Stanjevci, Stroimanci and Trstenik.
Sopishte	Villages: Barovo, Govrlevo, Gorno Sonje, Dobri Dol, Dolno Sonje, Drzilovo, Jabolci, Nova Breznica, Patishka Reka, Rakotinci, Sveta Petka, Sopishte and Chiflik.
Staro Nagorichane	Villages: Algunja, Aljince, Arbanashko, Bajlovce, Breshko, Bukovljane, Vojnik, Vragoturce, Vrachevce, Dejlovce, Dlabochica, Dobracha, Dragomance, Drenok, Zegljane, Zeljuvino, Kanarevo, Karlovce, Koince, Kokino, Meglence, Makresh, Malotino, Mlado Nagorichane, Nikuljane, Oblavce, Orah, Osice, Pelince, Puzajka, Ramno, Rugjince, Staro Nagorichane, Stepance, Strezovce, Strnovac, Cvetishnica, Cvilance and Chelopek.
Studenichani	Villages: Aldinci, Batinci, Vrtekica, Gorno Kolichani, Dolno Kolichani, Drachevica, Elovo, Kaldirec, Malchishte, Markova Sushica, Morani, Osinchani, Pagarusha, Ramni Gaber, Studenichani, Umovo, Cvetovo, Crvena Voda and Crn Vrv.

Struga	Villages: Bezovo, Bidzevo, Bogojci, Boroec, Brchevo, Burinec, Veleshta, Vishni, Vranishte, Globochica, Gorna Belica, Gorno Tateshi, Dolna Belica, Delogozdi, Dobovjani, Dolno Tateshi, Draslajca, Drenok, Zagrachani, Zbazdi, Jablanica, Kalishta, Korosishta, Labunishta, Lakaica, Livada, Lozani, Lokov, Lukovo, Mali Vlaj, Misleshevo, Mislodezda, Modrich, Moroishta, Nerezi, Novo Selo, Oktisi, Radozda, Radolishta, Frangovo, Shum, Piskupshtina, Podgorci, Poum, Prisovjani, Rezanovo,Selci, Tashmarunishta, Toska and Dzepin.
Strumica	Villages: Banica, Bansko, Belotino, Veljusa, Vodocha, Gabrovo, Gradsko Baldovci, Dabilje, Dobrejci, Dorlombos, Zleshevo, Kosturino, Kuklish, Memeshli, Murtino, Ormanli, Popchevo, Prosenikovo, Raborci, Ric, Sachevo, Svidovica, Tri Vodi and Chepeli.
Tearce	Villages: Brezno, Varvara, Glogji, Dobroshte, Jeloshnik, Leshok, Neproshteno, Nerashte, Odri, Prvce, Prshovce, Slatino and Tearce.
Tetovo	Villages: Bozovce, Brodec, Vejce, Veshala, Gajre, Golema Rechica, Gjermo, Jedoarce, Lavce, Lisec, Mala Rechica, Otunje, Poroj, Sarakino, Selce, Setole, Falish, Dzepchishte and Shipkovica.
Centar Zupa	Villages: Bajramovci, Balanci, Breshtani, Broshtica, Vlasiki, Golem Papradnik, Gorno Melnichani, Gorenci, Dolgash, Dolno Melnichani, Evla, Elevci, Zitineni, Kochishta, Kodzadzik, Mal Papradnik, Novak, Osolnica, Odzovci, Pareshi, Pralenik, Centar Zupa and Crno Boci.
Chashka	Villages: Banjica, Bistrica, Bogomila, Busilci, Vladilovci, Vitanci, Vojnica, Gabrovnik, Golozinci, Gorno Vranovci, Gorno Jabolchishte, Dolno Vranovci, Dolno Jabolchishte, Drenovo, Elovec, Izvor, Kapinovo, Krajnici, Kriva Krusha, Krnino, Lisiche, Martolci, Melnica, Mokreni, Nezilovo, Novo Selo, Kormorani, Oraov Dol, Oreshe, Otishtino, Papradishte, Plevenje, Pomenovo, Popadija, Rakovec, Smilovci, Sogle, Stari Grad, Stepanci, Teovo, Creshnevo and Chashka.
Cheshinovo - Obleshevo	Villages: Banja, Burilchevo, Vrbica, Ziganci, Kuchicino, Lepopelci, Novo Selani, Obleshevo, Sokolarci, Spanchevo, Teranci, Ularci, Cheshinovo and Chiflik.
Chucher- Sandevo	Villages: Banjane, Blace, Brazda, Brest, Brodec, Gluvo, Gornjane, Kuchevishte, Mirkovci, Pobozje, Tanushevci and Chucher-Sandevo.
Stip	Villages: Baltalija, Brest, Vrsakovo, Gorachino, Dobroshani, Dolani, Dragoevo, Edeklerci, Jamujarci, Kalapetrovci, Koshevo, Krivi Dol, Lakavica, Leskovica, Lipov Dol, Ljuboten, Nikoman, Novo Selo, Penush, Piperovo, Pochivalo, Puhche, Sarchievo, Selce, Skandalci, Sofilari, Star Karaorman, Stepanci, Suvo Grlo, Sudik, Sushevo, Tanatarci, Testemelci, Toplik, Tri Cheshmi, Hadzi-Redzepli, Hadzi-Sejdeli, Hadzi-Hamzali, Creshka, Chardaklija, Chiflik, Shashavarlija and Shopur.
Shuto Orizari	Village: Gorno Orizari.
Total settlements	**1745**

Annex 6: Ex-ante recommendation matrix

Date	Topic	Recommendation	How recommendation has been addressed, or justification as to why not taken into account
The socio-economic analysis, SWOT tables and needs assessment.			
04/07/2014	Recommendation 14.2.1.1 Complete the analysis of the baseline socio-economic situation	Chapter 3 of the programme should contain all necessary data / information to be able to fully understand the current situation, SWOT and development needs. 1) Check existing analysis against the results of stakeholder / public consultations 2) Consider lessons from the on-going evaluation (when available) 3) Benchmark data on key indicators from neighbouring countries (Balkan region) and EU 4) Integrate more data/information about external (global) policies and trends that provide opportunities and pose threats 5) Integrate more data/information about climate and natural conditions (i.e. use soil survey). 6) Provide always the date and sources of data 7) Respond to the detailed comments to the IPARD II Programming document that were inserted as track changes to the April version of the Programme received on 26.06.2014 and send to the MA on 1st - 3rd of July 2014.	Accepted
04/07/2014	Recommendation 14.2.1.2 Make sure that all common context indicators and the programme specific context indicators are quantified	Review the availability of data to quantify the list of common context indicators for agriculture / sectoral analysis	Accepted
04/07/2014	Recommendation 14.2.1.3 Make sure that the SWOT includes all the development issues and sector specific SWOTs to justify the development needs	When the baseline analysis has been finally updated taking also in account the results of the on-going evaluation, the SWOT should be reviewed again to ensure that all the development issues and sector specific SWOTs are included and it does not include SWOTs that cannot be traced to the baseline analysis	Accepted

04/07/2014	Recommendation 14.2.1.4 Make sure that all the listed needs can be traced to the SWOT and baseline analysis / Relevance of the targeted needs	Check that all of the needs defined in Chapter 6.2 are based on evidence presented in the socio-economic analysis and SWOT analysis. When the baseline analysis has been finally updated taking also in account the results of the on-going evaluation, the Needs should be reviewed again to ensure that all the listed needs can be traced to the SWOT and baseline analysis.	Accepted
4/07/2014	Recommendation 14.2.1.5 Review the formulation of strengths and weaknesses as internal potentials and barriers for improved competitiveness and opportunities and treats as internal as external factors	The SWOT analysis refers to the main structural components of rural areas, and has to lead to an appropriate and coherent ranking of disparities that need to be addressed. Opportunities are favourable external new chances. It is excellent if the already available strengths are matching well with the new arising opportunities but it is possible to use new opportunities also through elimination of existing weaknesses Threats are external risks: it is possible to use the already available strengths to defend against the risks or to develop defending strategies that external threats don´t win over the existing weaknesses Important: Do not mix favourable external new opportunities with internal existing strengths. The way to differentiate between a strength or weakness from an opportunity or threat is to ask: Would this issue exist if the farm or enterprise did not exist? If the answer is yes, it should be considered external to the farm / enterprise.	Accepted
04/07/2014	Recommendation 14.2.1.6 Present for each identified need the reference link to the SWOT table and briefly describe the measures to address	Needs are related to social, economic or environmental changes that are required to reach the national and EU 2020 *(SUSTAINABLE, SMART and INCLUSIVE GROWTH)* development goals taking into account the weaknesses / problems of the target groups / rural community to which the programme should respond. Point out what actions / measures need to be taken within the frame of the IPARD II Programme, IPA, Other donor-multilateral assistance and Nation programmes.	Accepted
The relevance, coherence and quantification of the programme objectives			

04/07/2014	Recommendation 14.2.2.1 Description of the Programme rural development strategy	Remove the description of EU objectives for rural development.	Accepted
04/07/2014	Recommendation 14.2.2.2 Description of the Programme rural development strategy	Reduce the description of IPA II objectives for Agriculture and rural development and move to Chapter 6.3.	Accepted
04/07/2014	Recommendation 14.2.2.3 Identification of needs and summary of the overall strategy.	Reorganise and expand the scope of the information in Chapter 6.2 to conform to the scope and format required by the DG AGRI template for IPARD programmes.	Accepted
04/07/2014	Recommendation 14.2.2.4 Consistency between proposed IPA interventions and the Country Strategy paper	Relocation and simplification of Chapter 6.3.	Accepted
04/07/2014	Recommendation 14.2.2.5 Quantification of results and impacts	The quantification of the expect impacts and results of the IPARD measures should be presented separately in a Chapter 6.5 and the format of the table should be as indicated in Chapter 6.5 of the DG AGRI template.	Accepted
04/07/2014	Recommendation 14.2.2.6 Quantification of the results and impacts	Result and impact indicators need to be defined for all the priority areas.	Accepted
04/07/2014	Recommendation 14.2.2.7 Quantification of results and impacts	Targets need to be proposed for the whole implementation period (and possibly monitoring milestones within that period) for result and impact indicators.	Accepted
The relevance, logic, eligibility, project selection, forms of support and quantification of the expected effects of the proposed measures			
04/07/2014	Recommendation 14.2.3.1 Description of the measures	Prepare measure fiches for all the proposed measures.	Accepted (according to the proposed time-schedule)
04/07/2014	Recommendation 14.2.3.2 Linkages between measures	Consider implementing the Training and Advisory services measures from the start of the programme	Accepted (from 2015)
04/07/2014	Recommendation 14.2.3.3 Targeting the support	Consider stronger targeting of the assistance under measures 101 and 103 to sectors and types of beneficiary that that have the potential to make the strongest contribution to the achievement of the overall objectives.	Accepted
04/07/2014	Recommendation 14.2.3.4 Common target indicators	Targets should be presented for the common target indicators listed in Chapter 11 of each measure fiche	Accepted
The potential impacts of the programme			

04/07/2014	Recommendation 14.2.4.1 Review what positive and negative impacts are expected from the measures to be applied.	Make sure that through IPARD II only positive impacts are expected and check the baseline, SWOT, strategy and measure fiches that negative impacts will not occur	Accepted
04/07/2014	Recommendation 14.2.4.2 Check the risks that assumptions might not be realised and report if those risks can be managed.	When checking risks and assumptions consider the following: Related to the context of the socio-economic analysis / ex-ante evaluation, the term risk mainly relates to development risks, i.e. things that may happen as a result of market forces, if there is no intervention to stop it. For instance if through depopulation in rural areas in response of better economic and living opportunities in urban centres or (migration) in other countries, the achievement of the economic potential of the agriculture, horticulture and forestry sector may be blocked by the lack of adequate labour forces. Or, if decline of agriculture is allowed to continue in the remote mountain areas, the high nature value of the mountain pasture will be lost in abandoned land. The term risk is also related to the possibility that a certain measure will not be applied and the corresponding funds not be used, e.g. due to the concomitant administrative burden (risk of inadequacy/inefficiency); or that a certain measure does not meet the needs of beneficiaries (Stakeholder consultation!) or does not contribute to achieve the intended results, as the measure might be irrelevant and ineffective.	Accepted
The cost effectiveness of the programme			
04/07/2014	Recommendation 14.2.5.1 Estimation of unit costs and programme, measure and sector expenditure.	The assumptions on which the estimates of programme, measure and sector expenditure are based should be informed by a thorough investigation into the financial absorption in IPARD I.	Accepted
The arrangements for monitoring and evaluation			
04/07/2014	Recommendation 14.2.6.1 The monitoring and evaluation framework	The complete framework of objectives indicators and targets for each measure should be presented in Chapter 11.1 as part of the description of the monitoring and evaluation system	Not Accepted
04/07/2014	Recommendation 14.2.6.2 The Evaluation Plan	An evaluation plan for the ongoing evaluation of IPARD II should be presented in Chapter 11.2.	Accepted
The capacity, of the implementing institutions, their human resources and delivery systems			

04/07/2014	Recommendation 14.2.7.1. Assess the capacities of bodies involved in the management and implementation of the IPARD II Programme as well as connected institutions with direct or indirect involvement.	Consult previously performed organizational audits and work-load analysis and identify bottlenecks in the MA and PA.	Accepted
04/07/2014	Recommendation 14.2.7.2. Assess the need for further capacity building and institutional support with respect to programme management, monitoring of the operations, financial management, control and audit.	Take into consideration available need assessments for human capacity building and institutional support	Accepted

Annex 7: List of consulted socio-economic partners

Name of organisation / institution	Competence/Expertise	Name of the contact Person
Association of the units of local self-government	Promotion of principles of local self-government	Natasha Vrteska
Federation of Farmers of North Macedonia	Representation and protection of interests of farmers - NGO	Nikola Stamenov
Union of Farmers	Representation and protection of interests of farmers - NGO	Veljo Tantarov
Association of Farmers	Representation and protection of interests of farmers - NGO	Eftim Shaklev
Association for protection of the environment- Centre for promotion of sustainable agriculture and rural development	Environmental protection, use of renewable energy	Gabriela Micevska
Rural development network	Union of civil associations of the rural communities in North Macedonia .	Petar Georgievski
North Macedonia's Association of Agricultural Cooperatives	Representation and protection of interests of agricultural cooperatives - NGO	Mende Ivanovski
North Macedonia's Association of Processors (MAP)	Representation and protection of interests of processors of fruit and vegetables - NGO	Saso Ristovski
Association of producers and exporters of wine and beverages produced from grapes "Wines from North Macedonia"	Representation and protection of interests of wineries	Nikola Derebanov
"Rice cluster"	Representation and protection of interests of rice producers	Aleksandar Donev
"Private Forest Association"	Representation and protection of interests of private forest owners- NGO	Vojo Sokolovski
Association "Aquatika"	Representation and protection of interests of the fish producers and aquaculture	Dimitar Janevski
Association for consumer protection	Representation and protection of interests of the consumers	Mihail Petkov
Network of young farmers	Representation and protection of the interest of young farmers- NGO	Aleksandar Kocevski
Network of women farmers	Representation and protection of interests of processors of fruit and vegetables NGO	Ljubica Dzonic

Association of beekeepers	Representation and protection of the interest of women farmers-NGO	Pavle Boshkovski
North Macedonia's ecological society	Science of ecology, protection of the environment and biological and ecologically use of natural resources. NGO	Robertina Brajanovska
Agrovinka Vinica – women association	Representation and protection of the interest of women farmers-NGO	Olga Stojmenova
Faculty for Agricultural Sciences and Food in Skopje	Science and education	Dragi Dimitrievski
Faculty of Veterinary Medicine	Science and education	Dine Mitrov
Faculty of Forestry	Science and education	Jane Acevski
Faculty of Biotechnical Sciences - Bitola	Science and education	Dzulijana Tomovska
University Goce Delcev Stip	Science and education	Sasa Mitrev
University St. Kliment Ohridski Bitola	Science and education	Daniela Nedelkoska
Institute of Agriculture	Science and education	Klime Beleski
Institute of Livestock	Science and education	Vasil Kostov
Institute of Economics	Science and education	Biljana Angelova
Institute of Sociological, Political and Juridical Research	Science and education	Jorde Jakimovski
North Macedonia's Chamber of Commerce	Representation and protection of interests of business entities	Vasko Ristovski
Chamber of Commerce for tourism	Representation and protection of interests of business entities in the tourism	Ferkan Berberi
Craft chamber	Representation and protection of interests of crafts producers	Olivija Tasic
North Macedonia's Chamber of Commerce - Agribusiness Group	Representation of commercial farms and food processors	Ognen Orovcanec
Chamber of Commerce of North-West of North Macedonia	Representation and protection of interests of business entities in North-West region	Arden Halili
North Macedonia's Bank for development promotion	State development bank	Viktor Kalajdziski

List of government institutions consulted in the inter-government consultations

Name of institution	Competence/Expertise	Name of the Contact Person
Secretariat for European Affairs	Management and coordination of EU integration process/NIPAC Secretariat	Zuica Zmejkova
Ministry of Environment and Physical Planning	Governance of environment policy and regulation	Zaklina Kamceva
National Extension Agency	Public advisory service	Milka Kostrevska
Agency for food and veterinary	Food safety, animal welfare, veterinary	Blazo Janevski
Agency for financial support of agriculture and rural development (AFSARD)	IPARD Agency	Igor Stoimenoski
Ministry of Economy	Governance of economy, energy, SME, tourism and crafts policy and regulation	Bekim Neziri
Ministry of Finance	National Fund	Fatmir Ademi
Ministry of transport and communication	Governance of Transport and communication policy and regulation	Mile Janakievski (Minister)
Ministry of Culture	Governance of Culture policy and regulation	Borce Nikolovski
Ministry for local self-government	Governance of local and regional development policy and regulation	Lirim Sabani
Ministry of Education and Science	Governance of education policy and regulation including VET	Nadica Kostovska
General Secretariat	Cabinet of Deputy Prime Minister for economic issues and coordination of the economic affairs	Romela Popovic
Agency for Entrepreneurship Support of RM	Support to SME and business development	Ljubisa Nikolovski

Annex 8: Summary results from the consultation process

Subject of the consultation	Date of the consultation	Time given to comment	Names of institutions/bodies/persons consulted	Summary of the results
Perception of difficulties faced by the potential beneficiaries in applying for funds from the IPARD Programme 2007-2013 and consultation of the draft IPARD 2014-2020 Programme	9 July 2014	14 July 2014	Federation of Farmers of North Macedonia, Association of Farmers, (vine growers, fruit growers, gardeners and livestock farmers)	**Conclusions from the discussions not directly related with IPARD Programme:** ➢ Reduce land fragmentation, ➢ Trust issues between farmers and producers ➢ Lack of co-operation between farmers, ➢ Weak animal productivity compared to international standards, ➢ Bio-gas option to be considered for greater energy ➢ Improved storage of feed might lower prices, ➢ Strong support for more integrated and facilitated delivery approach in new RDP, ➢ Need for guidance and support to prepare applications according to the IPARD Agency requirements, ➢ Accessibility to land and legalization of agriculture objects issue needs to be resolved, ➢ Need for better promotion and marketing, ➢ Improve communication and co-operation between all stakeholders including government entities. ➢ Lessen bureaucracy, ➢ Harmonization of the criteria from the legislation for animal welfare and food safety to the actual situation in the county ➢ Additional measures should be set up with the aim of supporting access to funds. **Conclusion from the discussions directly related with IPARD Programme:** ➢ Problems to collect three offers from independent suppliers, due to lack of understanding on the

				comparability rules and independence of supplier, ➢ Reconstruction of vineyards and orchards on new surfaces, since after uproot of the old plantation, the soil needs a rest for 2-3 years or be planted with leguminous crops, ➢ Increase the co-financing rate for support of woman farmers to 65%; ➢ Harmonisation of time of project approval in accordance with the seasons of planting, ➢ Possibility to include livestock purchase in the IPARD Programme
Focus group discussions on the draft measures of IPARD Programme 2014 - 2020	11 July 2014	16 July 2014	Dairy enterprises, Meat processing enterprises, F&W processing enterprises, Wineries.	➢ Extensive documentation and difficulties with providing quality consultants services. ➢ Difficulties in obtaining three comparable offers according to the guidelines of the IPARD Agency ➢ Applicants are not aware of the "independence" of suppliers, ➢ Small number of firms and suppliers that provide eligible machinery and equipment. ➢ Processing industry called for increasing the limits of co-financing the investments under measure 103 (up to 4,5 million), explaining that the proposed limits are not sufficient for completing the processing of agricultural products according to the latest market standards. ➢ Increasing the maximum limits for project in production and sales of renewable energy to 3 mill EUR
Focus group discussions on the draft measures of IPARD Programme 2014 – 2020	11 July 2014	16 July 2014	North Macedonia's Association of fruit and vegetable Processors (MAP)	➢ Establishing of new processing capacities should not be supported as average exploitation of the production capacities of the enterprises in the sector is around 40% (40% in 2011, 45% in 2012 and 46% in 2013). ➢ Extend the eligibility of expenditures with implementation (preparation for) of certificates IFS, BRC, ISO 22000, FSSC 22000. This will enable the sector to respond to the specific requirements regarding food safety and quality standards of EU and foreign

				markets. ➢ Regarding the selection criteria, it is unacceptable to support investments for food safety and animal welfare in meat processing and dairy (30 or 25 points) more than other. This approach is discriminatory to other sectors.
Public hearing on draft IPARD 2014-2020	23 September 2014	30 September 2014	Public Institutions Science/ Education institutions Farmers Associations Chambers of commerce All civil organizations that are targeted/relevant for IPARD	**Concluding observations/remarks** **1. Whether the selected sectors for support as well as the type of eligible investment correspond with the actual needs? (general positive opinion received)** ➢ Second hand equipment to be considered eligible expenditure ➢ To increase the co-financing rate for women farmers **2. Whether the general and specific criteria in the measures are attainable and realistic? (general positive opinion received)** ➢ The burdensome documentation for applying for IPARD to be simplified and to increase the provision of the documents directly by the IPARD Agency from relevant public institution **3. The proposed investment value (minimum and maximum) in the measures correspond to the needs and are generally acceptable** **4. The definition of the beneficiaries is well suited to the actual situation and the agriculture production and the rural areas, with general observations that the bigger farms and bigger enterprises should be encouraged to apply for IPARD.** **5. Whether the budget allocation per measure is acceptable and is it considered that the same can be adequately used? general positive opinion received)** ➢ To increase the budget allocation for the measures: Investments in physical assets of agricultural holding and Investments in rural public

				infrastructure **6. Other measures to be included in the Programme** ➢ Advisory services ➢ Training for farmers ➢ LEADER ➢ Agri- environment climate and organic farming **7. Suggestions/ proposals to improve the absorption of the available IPARD funds** ➢ To improve the knowledge/skills of the farmers ➢ To lessen the land fragmentation and to improve the access of information as well as the issues with legalization of the agricultural objects to be overcome. ➢ To increase the productivity of the livestock production ➢ To improve the quality of the advisory services in the process of application for IPARD funds, but as well as in the implementation of the investment. ➢ To introduce measures for pre-financing and/or guarantee funds in order to improve the access to credits.

Annex 9: Definition of small and medium enterprises

Enterprises qualify as micro and small sized enterprises if they fulfil the criteria laid down in the Recommendation 2003/361/EC which are summarized in the table below. In addition to the staff headcount ceiling, an enterprise qualifies as an SME if it meets either the turnover ceiling or the balance sheet ceiling, but not necessarily both.

Enterprise category	**Headcount**	**Turnover or Balance sheet total**
medium	< 250	≤ € 50 million ≤ € 43 million
small	< 50	≤ € 10 million ≤ € 10 million
micro	< 10	≤ € 2 million ≤ € 2 million

Newly established enterprises shall be assessed on the basis of expression of their expected size of headcount, turnover or balance sheet total to be reached as proposed in the Technical Project Proposal/Business Plan, but not exceeding the range of SME enterprises.

The assessment of the applicants is performed by the IPARD Agency.

Annex 10: Storage and handling of Manure

Manure storage structures shall be designed and managed to contain manure (including wastewater, contaminated runoff, and manure mixed with litter or bedding) without any discharge to the ground and in waters;

The following options are to be considered by the applicants/beneficiaries as minimum requirements:

a. *Minimum requirements for storage of solid manure:*

In case of storing manure in solid state, outdoor pad with at least three side walls where the manure is stacked must be envisaged, following these recommendations:

- levelled ground for solid manure heaps should be placed on elevated grounds to prevent flooding.
- the ground and walls must be made of waterproof material which prior to stocking must be covered with layer of absorbing material (substratum of chopped straw, leaves etc.) in order to absorb remains of liquid manure. Draining impermeable canals connected with urine depot or tank may be envisaged for drainage of the remaining liquid (applicable only for cattle and pigs).
- the heaps must be covered with material (with film or with thick layer of peat, chopped straw etc.) for odour protection and/or roofed for rain and sun protection.
- manure heaps must be at least 30 m from any well and must not be on a shore or bank of a water body, protected zone of a water intake. Also they should not be attached or close to the breeding stables.
- the capacity of the pad should be to store solid manure for at least 12 weeks.

b. *Minimum requirements for storage of semi-solid or liquid manure:*

In case of storing manure in semi-solid or liquid state above ground tanks or storages or bellow ground tanks or storages or lagoons may be used, following these recommendations:

- in case of above ground tank, the tank must be covered (floating membrane or air-proof tent or other) and contain provision for aeration to avoid accumulation of lethal gases and pumping;
- in case of above ground tank, below ground storages or outdoors lagoons, the floors and walls must be waterproof and any possibility of leakage must be prevented.
- the ground site where the storage is located must be fenced with at least 1,5 m high fence and properly marked with warning sign for danger and restriction for non-authorised access.
- the semi-solid or liquid manure must not be directed to the main sewage system;
- the capacity of the tank or lagoon should be to store semi-solid or liquid manure for at least 16 weeks.

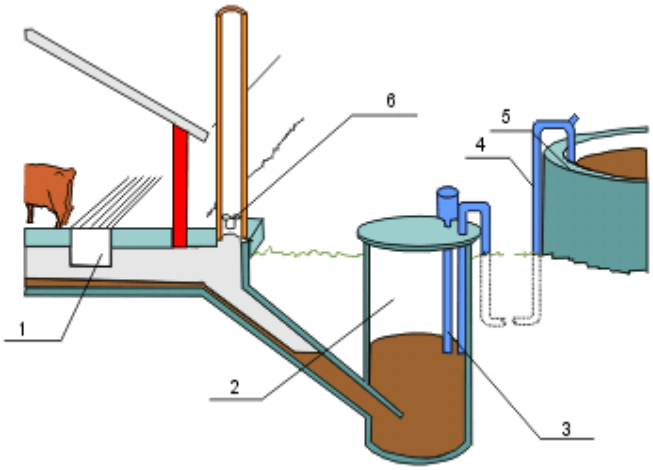
c. *Minimum requirements for storage of semi-solid or liquid manure with deep pits under the breeding space:*

In case of storing manure in semi-solid or liquid state with deep pits under the breeding space may be used, following these recommendations:

- the deep pits under the building floor housing the animals must be farther from milking parlour or processing facility.

- in case of storing manure in semi-solid or liquid state above ground tank storages or bellow ground storages for slurry and suitable pumping/mixing system if necessary must be envisaged.
- In case of above ground tank for slurry, the tank must be covered (example: floating membrane or air-proof tent or other) and contain provision for aeration to avoid accumulation of lethal gases and pumping/mixing;
- in case of bellow ground storages, the floors and walls must be waterproof and any possibility of leakage must be prevented.
- the ground site where the storage is located must be fenced with at least 1,5 m high fence and properly marked with warning sign for danger and restriction for non-authorised access..
- the liquid manure must not be directed to the main sewage system.
- the capacity of the tank or lagoon should be to store liquid manure for at least 16 weeks.

Example of manure storage and handling system in case of deep pits under the building floor housing the animals for storage of liquid manure:



Slurry removal system: 1 – slurry channel; 2 - pit for pumping over; 3 - pump; 4 - rising pipe of slurry; 5 - slurry reservoir; 6 – ventilator

Annex 11: Livestock Unit Coefficients (LAU)

Bovine animals	Under 1 year old	0,400
	1 but less than 2 years old	0,700
	Male, 2 years old and over	1,000
	Heifers, 2 years old and over	0,800
	Dairy cows	1,000
	Other cows, 2 years old and over	0,800
Sheep and goats		0,100
Equidae		0,800
Pigs	Piglets having a live weight of under 20 kg	0,027
	Breeding sows weighing 50 kg and over	0,500
	Other pigs	0,300
Poultry	Broilers	0,007
	Laying hens	0,014
	Ostriches	0,350
	Other poultry	0,030
Rabbits, breeding females		0,020

Annex 12: List of Annex I products from the Treaty

LIST referred to in Article 32 of the Treaty

(1) No in the Brussels nomenclature	(2) Description of products
Chapter 1	Live animals
Chapter 2	Meat and edible meat offal
Chapter 3	Fish, crustaceans and molluscs
Chapter 4	Dairy produce; birds' eggs; natural honey
Chapter 5	
05.04	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof
05.15	Animal products not elsewhere specified or included; dead animals of Chapter 1 or Chapter 3, unfit for human consumption
Chapter 6	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage
Chapter 7	Edible vegetables and certain roots and tubers
Chapter 8	Edible fruit and nuts; peel of melons or citrus fruit
Chapter 9	Coffee, tea and spices, excluding maté (heading No 0903)
Chapter 10	Cereals
Chapter 11	Products of the milling industry; malt and starches; gluten; inulin
Chapter 12	Oil seeds and oleaginous fruit; miscellaneous grains, seeds and fruit; industrial and medical plants; straw and fodder
Chapter 13	
ex13.03	Pectin
Chapter 15	
15.01	Lard and other rendered pig fat; rendered poultry fat
15.02	Unrendered fats of bovine cattle, sheep or goats; tallow (including "premier jus") produced from those fats
15.03	Lard stearin, oleostearin and tallow stearin; lard oil, oleo-oil and tallow oil, not emulsified or mixed or prepared in any way
15.04	Fats and oil, of fish and marine mammals, whether or not refined
15.07	Fixed vegetable oils, fluid or solid, crude, refined or purified
15.12	Animal or vegetable fats and oils, hydrogenated, whether or not refined, but not further prepared
15.13	Margarine, imitation lard and other prepared edible fats
15.17	Residues resulting from the treatment of fatty substances or animal or vegetable waxes
Chapter 16	Preparations of meat, of fish, of crustaceans or molluscs
Chapter 17	
17.01	Beet sugar and cane sugar, solid
17.02	Other sugars; sugar syrups; artificial honey (whether or not mixed with natural honey); caramel

17.03	Molasses, whether or not decolourised
17.05(1)	Flavoured or coloured sugars, syrups and molasses, but not including fruit juices containing added sugar in any proportion
Chapter 18	
18.01	Cocoa beans, whole or broken, raw or roasted
18.02	Cocoa shells, husks, skins and waste
Chapter 20	Preparations of vegetables, fruit or other parts of plants
Chapter 22	
22.04	Grape must, in fermentation or with fermentation arrested otherwise than by the addition of alcohol
22.05	Wine of fresh grapes; grape must with fermentation arrested by the addition of alcohol
22.07	Other fermented beverages (for example, cider, perry and mead)
ex22.08(1) ex22.09(1)	Ethyl alcohol or neutral spirits, whether or not denatured, of any strength, obtained from agricultural products listed in Annex I to the Treaty, excluding liqueurs and other spirituous beverages and compound alcoholic preparations (known as "concentrated extracts") for the manufacture of beverages
ex22.10(1)	Vinegar and substitutes for vinegar
Chapter 23	Residues and waste from the food industries; prepared animal fodder
Chapter 24	
24.01	Unmanufactured tobacco, tobacco refuse
Chapter 45	
45.01	Natural cork, unworked, crushed, granulated or ground; waste cork
Chapter 54	
54.01	Flax, raw or processed but not spun; flax tow and waste (including pulled or garnetted rags)
Chapter 57	
57.01	True hemp (Cannabis sativa), raw or processed but not spun; tow and waste of true hemp (including pulled or garnetted rags or ropes)
(1) Heading added by Article 1 of Regulation No 7a of the Council of the European Economic Community, of 18 December 1959 (OJ 7, 30.1.1961, p. 71 — Special edition (English edition) 1959 to 1962, p. 68).	

Annex 13: Description of methodology for assessment of economic viability of the recipients

Assessment of economic viability of the project is performed depending on the total eligible budget of the project:

- For projects having a total eligible budget bellow 50,000 euro, the prospect of financial viability must be demonstrated via Technical Project Proposal (TPP) containing perspective data on financing indicators in terms of generating sufficient income to meet the operating costs;
- For projects having a total eligible budget exceeding 50,000 euro, the prospect of economic-financial viability must be demonstrated via business plan (BP).

The used indicators are presented in following tables:

Table1: Technical Project Proposal indicator for economic viability of the project

THE TECHNICAL PROJECT PROPOSAL FOR INVESTMENTS UP TO 50,000 EUR **(Family agriculture holdings and Legal entities)**	
Total Cumulative Balance between income and cost for the last fiscal year and 5 projected years	This value must be positive in order to consider that the project is economic viable

Table 2: Business plan indicators for economic viability of the project:

THE BUSSINES PLAN FOR INVESTMENTS ABOVE 50,000 EUR **(Family agriculture holdings and Legal entities)**	
Indicator	**Reference value for economic viable project**
Modified internal rate of the return (MIRR)	0% or greater
Net present value (NPV)	Value greater than 0 (zero)
Repayment period of the investment	Maximum of 10 years or less

In order to consider that the proposed project is economic viable, all three indicators (defined in Table 2) at the same time should be in their borders of economic viability.

Annex 14 : List of non-food processing activities eligible under the measure Farm Diversification and Business Development

Codes in accordance with the valid National Classification of Activities	Eligible production activities under the measure Diversification and Business Development (Manufacturing of non-food products)
All class and subclass activities under the group 10.9	Manufacture of food and feed for animals
All activities under the group 13	Textile production
All activities under the group 14	Clothing production
All activities under the group 15	Production of leather and leather products
All activities under the group 16	Processing of wood and wood products
All activities under the group 17	Processing of paper and paper products
All activities under the group 20	Production of chemicals and chemical products
All activities under the group 21	Production of basic pharmaceutical products and pharmaceutical preparations
All activities under the group 22	Production of rubber and plastic products
All activities under the group 23	Production of other mineral non-metal products
All activities under the group 24	Production of metals
All activities under the group 25 Except class 25.4	Manufacture of fabricated metal products (except machinery and equipment and manufacture of weapons)
All activities under the group 26	Production of computer, electronic and optic products
All activities under the group 27	Production of electronic equipment
All activities under the group 28	Manufacture of equipment, instruments and appliances not specified elsewhere
All activities under the group 31	Production of furniture
Activities under the group 32 Class 32.1 Class 32.2 Class 32.3 Class 32.4	Other manufacturing industry Production of jewellery and related products Production of musical instruments Manufacture of sports equipment Manufacture of games and toys

CONTACTS RELATED TO MANAGEMENT AND IMPLEMENTATION OF THE PROGRAMME:

For Managing Authority:

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