



THE REPUBLIC OF SERBIA
MINISTRY OF AGRICULTURE, FORESTRY AND WATER MANAGEMENT
SECTOR FOR RURAL DEVELOPMENT
(Managing Authority)

ANNUAL IMPLEMENTATION REPORT ON IPARD II PROGRAMME
FOR PERIOD 2018-2019

Belgrade, June 2020

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LIST OF ABBREVIATIONS

AAS – Agriculture Advisory Services
AH – Agricultural holding
AP – Autonomous Province
CAP – Common Agricultural Policy
CEFTA - Central European Free Trade Agreement
COELA - Working Party on Enlargement and Countries Negotiating Accession to the EU
DAP – Directorate for Agrarian Payments
DEGURBA – Degree of urbanization
DG AGRI – Directorate-General for Agriculture and Rural Development
DG SANTE – Directorate-General for Health and Food Safety
EU – European Union
EC – European Commission
FAH – Family Agricultural holding
GDP – Gross domestic product
IA – IPARD Agency
IACS - Integrated Administration and Control System
IPA – Instrument for Pre-Accession Assistance EU
IPARD – Instrument for Pre-Accession Assistance in Rural Development
IPARD OS – IPARD Operating Structure
LAG – Local Action Group
LAU - Local Administrative Units
LDS - Local development strategies
LEE – List of eligible expenditures
LEADER - *Liaison entre Actions de développement de l'Economie Rurale* (fr.)
LPIS - The Land Parcel Identification System
MA – Managing Authority
MAFWM – Ministry of Agriculture, Forestry and Water Management
MEI – Ministry for EU integration
NAO – National Authorizing Officer
NAO SO – National Authorizing Officer Support Office
NBS – National Bank of Serbia
NF – National Fund
NIPAC – National IPA Coordinator
NRDP – National Rural Development Program 2018 - 2020
NUTS – Nomenclature of Statistical Territorial Units (fr. *Nomenclature des unités territoriales statistiques*)
PVCA - Plan of Visibility and Communication Activities of the IPARD II Programme for period 2014-2020
RGA – Republic Geodetic Authority
RS – Republic of Serbia
SCTM - Standing Conference of Towns and Municipalities
SDC - Swiss Agency for Development and Cooperation
SORS – Statistic Office of the Republic of Serbia
UAA – Utilized Agricultural Areas
WLA – Work Load Analyses

EXECUTIVE SUMMARY

The Annual Report on the implementation of the IPARD II Programme contains information about the implementation of the 4th policy area, agriculture and rural development of the Republic of Serbia. The Managing Authority of the IPARD II Programme and the IPARD Agency have prepared the Annual Report covering the period from the beginning of the IPARD II Programme implementation to the end of 2019, pursuant to Article 59 (1) of the Sectoral Agreement. The National Authorizing Officer Support Office, the National Fund, as well as the Ministry of European Integration and the Sector for International Cooperation, MAFWM have participated in the preparation of this Report.

This Report has been approved by members of the IPARD II Monitoring Committee by written procedure, held from 25/05/2020 to 12/06/2020.

The IPARD II Programme was officially approved by the European Commission on 20th January 2015 by the Decision of the EC C (2015) 257 (the last modification – Decision of the EC AN/KF/D (2019) 4484892 dated 27 Jun 2019).

The main goal and purpose of the IPARD II Programme is to support agricultural producers and processors, as well as population of rural areas in the Republic of Serbia, to gradually increase their capacities and potentials in order to prepare timely and properly for the fulfillment of European standards and laws in the field of agriculture, agri-food industry and environmental protection. The IPARD II Programme defines measures that provide financial support to the sector of primary agricultural production, sector of processing and marketing of agricultural products, agri-environment-climate and organic farming, implementation of local development strategies, as well as support for the diversification of economic activities in rural areas of the Republic of Serbia. Sectors which will receive support have been defined in each measure. Apart from the above mentioned measures the Technical Assistance measure has been foreseen in the IPARD II Programme, as well.

By the Decision of the EC PRE/2016/001/RS/CLO, dated 26th February 2018, the Letter of closure with recommendations for Measure 1 "Investments in physical assets of agricultural holdings" and Measure 3 "Investments in physical assets concerning processing and marketing of agricultural and fishery products" was obtained, while Financing Agreement between the Government of the Republic of Serbia and the European Commission for IPARD II assistance for agriculture and rural development under the Instrument for Pre-Accession Assistance IPA II came into force on 6th Jun 2018. The Letter of closure with condition and recommendations for Measure 7 "Farm diversification and business development" and 9 "Technical Assistance" was obtained by Decision of the EC PRE/2019/008/RS/CLO, dated 31st March 2020.

From the beginning of the IPARD II Programme implementation up to 31st December 2019, seven public calls have been announced and closed, while the Eighth Public Call was announced on 26th November 2019 and closed on 24th February 2020.

Up to 31st December 2018, five public calls were announced for submission of applications for project approval and four public calls were closed: two for Measure 1 and two for Measure 3. During the same year, 20 applications were approved, with public support in the total amount of EUR 1,962,313 and EU contribution of EUR 1,471,735. 89 decisions on rejections were adopted, with the necessary amount of support of EUR 1.9 million. In this period there was not a single

decision on payment of IPARD support. All applications processed in 2018, including 20 approved applications, concern Measure 1.

In 2019, the Second Public Call for Measure 3 was closed and three public calls were announced for submissions of applications for project approval: two for Measure 1 and one for Measure 3. A total of 243 applications were approved, with the total public support in the amount of EUR 18 million and EU contribution in the amount of EUR 13.5 million. For Measure 1, 209 applications were adopted, with a public support in the total amount of EUR 8,527,757 and EU contribution in the amount of EUR 6,395,818, and for Measure 3, 34 applications were adopted with total support in the amount of EUR 9.5 million and EU contribution in the amount of EUR 7 million. 46 applications were rejected with the EU contribution in the amount of EUR 4,618,403. In 2019, 145 applications were paid, with public support in the total amount of EUR 6,103,360 and EU contribution in the amount of EUR 4,577,520. All applications paid in 2019 concern Measure 1.

Out of the total EU funds allocated for 2014-2020 (EUR 175,000,000.00), 8.6% (EUR 14,993,126) has been approved for all measures by the end of 2019. Out of the above approved amount of EU contribution, 52.5% concerned Measure 1 and 47.5% Measure 3.

By the end of 2019, EU support in the total amount of EUR 4,577,520 was paid (total payment was made under Measure 1), which contributed to the execution rate of 6.0% out of the total EU contribution for Measure 1, i.e. 2.6% out of the total EU contribution envisaged in the indicative financial plan of IPARD support. Compared to the previous year, considerable progress was made in the financial implementation concerning support in the portion of EU contribution in 2019.

The experience gained during IPARD II period will have a positive impact on the development of the Serbian IPARD III Programme and the recipients have gained practical experience in the implementation of EU-funded projects. Lessons learnt from IPARD II shall be taken in consideration in order to assess possible administrative bottlenecks in the future system.

INTRODUCTION

The Republic of Serbia is fully committed to the European integration process, aware that this process requires significant changes in the field of agriculture and rural development. IPARD II Programme is the starting point for the implementation of reform steps in the field of rural development. Existence of strong political will of the Government of the Republic of Serbia is of the great importance for the successful implementation of the IPARD II Programme, as well as a broad social consensus on the importance of IPARD support for further development and improvement of competitiveness in the agriculture and rural development sectors.

IPARD II Programme is the most important programme of pre-accession assistance for rural development and the first document in the field of agriculture and rural development of the Republic of Serbia approved by all European Union members in January 2015. The main goal and purpose of this Programme is to support agricultural producers and processors, as well as population of rural areas in the Republic of Serbia, to gradually increase their capacities and potentials in order to prepare timely and properly for the fulfilment of European standards and laws in the field of agriculture, agri-food industry and environmental protection.

The Programme defines measures that provide financial support to the sector of primary agricultural production, sector of processing and marketing of agricultural products, as well as support for the diversification of economic activities in rural areas of the Republic of Serbia. Priority sectors for investments are the Milk sector, Meat sector, Fruit and Vegetable sector, Other crops sector, Egg sector and Viticulture/Wine sector. The measures support investments in the construction and/or reconstruction of facilities, as well as the procurement of new machinery, equipment and new technologies.

Improvement of the quality of life in rural areas and reduction of poverty, a more equal share in the distribution of income and economic opportunities are important aspects of sustainable development of rural areas, that the Republic of Serbia strives for. In that respect, sustainable development of rural areas requires a good coordination of all policies related to rural areas and their resources. Mitigation of problems for those who are leaving the sector of agriculture and promotion of pattern of equity can make a significant contribution to sustainable development. Creating favourable living and working conditions and retention of young people in rural areas, securing more attractive jobs and equal opportunities for their families is one of the main goals of the policy that should ensure a more balanced regional development of the Republic of Serbia.

One of the conditions for using the funds of this Programme was the establishment of a complementary support system at both national and local level, in which there is no double financing from public funds for the same type of investment, and which contributes synergistically to reducing regional discrepancies. The Republic of Serbia has been implementing the IPARD II Programme since 2018. The Annual Report on the implementation of the IPARD II Programme in the Republic of Serbia covers the period from the beginning of the IPARD II Programme implementation to the end of 2019 and includes cumulative financial data, monitoring data for the implementation period, as well as monitoring tables. The processed data are presented collectively in the form of tables and graphs.

A thorough and intensive promotion of the IPARD II Programme caused a great interest among potential recipients. This supports the fact that 1,437 applications were submitted for eight published public calls (1,173 applications were submitted for six calls during the reporting period).

Annual Implementation Report on IPARD II Programme for period 2018-2019

IPARD support is available through two entrusted measures: Measure 1 - Investments in physical assets of agricultural holdings and Measure 3 - Investments in physical assets concerning processing and marketing of agricultural and fishery products. The first investments are realized in 2019 when the first decisions on the payment of IPARD support were made.

The purpose of reporting is to show the progress in the implementation of priorities and measures related to the achievement of the objectives of the IPARD II Programme in relation to financial data, common and specific indicators and quantified target values.

The report consists of eight chapters which include an overview of macroeconomic indicators, applied measures to improve the quality and efficiency of IPARD II Programme implementation, financial obligations and expenditures per measures, activities undertaken related to programme evaluation, use of other international financial support instruments, financial flows review by measures, as well as activities for the implementation of the communication and visibility plan.

The Annual Report on the implementation of the IPARD II Programme was prepared by the Managing Authority and the IPARD Agency, the National Authorizing Officer Support Office, the National Fund, as well as the Ministry of European Integration and the Sector for International Cooperation, MAFWM took part in its preparation.

1. CHANGES IN THE GENERAL CONDITIONS IN SERBIA (MACROECONOMIC CONTEXT, SOCIO-ECONOMIC TRENDS AND AGRICULTURAL POLICY) AND THEIR IMPLICATIONS ON THE IMPLEMENTATION OF THE IPARD II PROGRAMME

1.1 Macroeconomic trends, structural characteristics of the economy and situation in agriculture and rural areas

According to available data from the Statistical Office of the Republic of Serbia (SORS), in 2019 gross domestic product (GDP) amounted to EUR 33,040.8 million at constant prices, and real GDP growth, relative to 2018, was 4.2%. The most significant share in GDP formation, viewed per industry, in 2018 had: sector of processing industry (14.5%), wholesale and retail trade and repair of motor vehicles (11.5%), real estate sector (7.0%), agriculture, forestry and fisheries sector (6.3%) and information and communication sector (4.8%). In 2018, the gross added value of the primary sector was 7.7%. The macroeconomic indicators of the Republic of Serbia in period 2012-2019 are presented in the Table 1.

Table 1: Macroeconomic indicators

	2012	2013	2014	2015	2016	2017	2018	2019
GDP* (million EUR)	29,118.4	29,958.1	28,433.9	28,119.2	28,494.4	29,504.9	31,600.3	33,040.8
GDP per capita (EUR)	4,677	5,083	4,973	5,034	5,203	5,581	6,137.5	6,625.27
Unemployment rate (%)	24.6	23.0	19.9	18.2	15.9	14.1	13.3	10.9
Export of goods and services (million EUR)	9,579.71	12,467.44	12,667.98	11,414.41	12,700.41	14,504.39	16,417.77	16,753.82
Import of goods and services (million EUR)	16,147.94	17,536.34	17,234.26	15,253.63	16,127.46	18,705.43	22,087.09	22,810.56
Balance (million EUR)	-6,568.23	-5,068.90	-4,566.28	-3,839.22	-3,427.05	-4,201.04	-5,669.32	-6,056.74

Source: Statistical Office of the Republic of Serbia

* Constant prices (values, chain-linked volume measures, reference year 2010)

The foreign trade exchange

During the observed period 2012-2019, the foreign trade exchange of the RS was increasing, the export of goods and services reached a value of approximately EUR 16.75 billion in 2019, while, on the other hand, the import reached a value of approximately EUR 22.81 billion. In the entire observed period, the RS recorded a negative foreign trade balance, which was the lowest in 2016 and the highest at the beginning of the observed period. The European Union is most important foreign trade partner of the Republic of Serbia. The agri-food sector has achieved a positive foreign trade balance since 2005 and it amounted to EUR 1,370 million in 2019.

By observing the foreign trade exchange of the Republic of Serbia from the aspect of participation of the agriculture, forestry and fisheries sector in the structure of foreign trade, in 2018 the value of the total foreign trade exchange of agri-food products reached the level of EUR 4.6 billion or 12% of the total exchange. The increase in the value of the exchange was influenced by the increase in the value of import. In 2018 the total value of export was EUR 2.8 billion. The share of export value of agri-food products in 2018 amounted to 17.5%, in the structure of total export of the RS, while the share of agri-food products import in total import, was 7.8%. When it comes to foreign trade exchange achieved in 2019, export of agri-food products reached value of EUR 3,238 million, where the highest value is achieved by export to EU market. In 2019, import of agri-food products reached value of EUR 1,868 million.

Considering the structure of foreign trade exchange of the Republic of Serbia in 2018, the share of primary agricultural products was dominant, with a share of 69% in the total value of exchange in all categories of agricultural products, while the processed agricultural products export participated with 29%. There is a noticeably higher share of primary agricultural products in both the export structure and the import structure.

The most represented product group in export in 2018 was fruit, which participated with 17.3% of the total value of agri-food products export, while the share of cereals was 14.6%. In addition to these two product groups, tobacco and tobacco products, beverages and various nutrition products also had a high share in the structure of agri-food products export. In 2018, the most represented products in import by value were tobacco and tobacco products (11.3%) and fruits (11%).

Out of all markets to which the Republic of Serbia exports its agri-food products, the most significant is the EU market with 46% in the structure of total export of this product group in 2018. Also, the EU market is the most important market in terms of agri-food products import, i.e. 62% of the total value of import of this product group import was imported from this market. In addition to the EU market, a significant export partner is the CEFTA countries market, as one third of the value of agri-food products export, during 2018, was achieved through export to this market. Agri-food products import from the CEFTA countries market was around 10% in the total value of this product group import.

Employment

Employment is being decreased in the primary sector and the share of primary sector in total employment was 15,6% in 2019. The largest share of employment in sector of agriculture, forestry and fishery is in the Šumadija and Western Serbia Region (27.4%), while the lowest share is in the Belgrade Region (3.2%).

At the end of the observed period 2012-2019, unemployment rate in the RS decreased compared to the base year (2012) from 24.6% to 10,9% which was the unemployment rate in 2019. In addition, the unemployment rate of the rural population (11.9%) has been decreased compared to 2012.

High rates of unemployment and inactivity are present in the young population and more in the young population in urban areas than in rural areas, as well as more in young women than in young men. The assisting household members are highly present in the employment structure in rural areas and it is particularly typical for female rural population, where more than one fifth of employed women work as assisting household members.

Micro, small and medium sized enterprises

According to data from special publication of SORS “Business operations of enterprises in the Republic of Serbia, by type of ownership” in 2017, the number of micro, small and medium-sized enterprises (SMEs) amounted to 357,234 which represents 99.9% of the total number of enterprises. Micro enterprises are dominant in the SMEs structure with a share of 96.4%, and in terms of organization the most represented are entrepreneurs and limited liability companies. Viewed by the type of activity, the largest share in the structure of SMEs has wholesale and retail trade and repair of motor vehicles (27.19%), while the share of 1.77% of SMEs was recorded in the field of agriculture, forestry and fishery. The total number of employees in SMEs is 873,462, while the share of processing industry is dominant in the structure of SMEs with 27.35%.

Basic characteristics of agricultural production in the Republic of Serbia

According to “Farm Structure Survey”, conducted in 2018, 564,541 agricultural holdings (AH) were identified in the Republic of Serbia and compared to data available from Census 2012, the number of AHs decreased by 10.6%. Family AHs have the highest share (even 99.7%) in the AH structure. Observed by region, 43% of AHs are in the Šumadija and Western Serbia Region. Average age of AH holders is 60 years for a man and 65 for a woman. Knowledge in a field of agriculture 95.3% of AH holders have acquired e by engaging in this activity, while a formal education in the field of agriculture has acquired 4% AH holders. Also, the data obtained from conducted Farm Structure Survey 2018 show that the average size of AH in the Republic of Serbia is 6.2 ha, which is an increase compared to 2012 when the average size of AH was 5.4 ha. The largest number of AHs (38.5%) is smaller than 2 ha, 32.3% of AHs is between 2-5 ha, 0.7% of AHs has an estate ranging in its size between 50 and 99 ha, while 0.3% AH has an estate size over than 100 ha. Table 2 shows the number of AHs by estate size.

Table 2: Agricultural holdings by estate size

	Estate size (ha)								
	0 ha	<2 ha	2-4,9 ha	5-9,9 ha	10-19,9 ha	20-29,9 ha	30-49,9 ha	50-99,9 ha	>100ha
Number of AHs	5,290	217,480	182,253	96,262	40,876	11,072	6,062	3,825	1,422
% of total number of AHs	0.9	38.5	32.3	17.1	7.2	2.0	1.1	0.7	0.3

Source: Statistical Office of the Republic of Serbia

The utilized agricultural areas (UAA) in the RS cover 3,476,000 ha. The structure of the UAA shows that 74% is comprised of arable land (arable land and gardens), 20% make up meadows and grassland while permanent crops make up only 6%. The area under organic farming is 19,255 ha, i.e. 0.6% of the total area of the UAA.

More than half of the produced quantities of agricultural products in 2018 represented the Cereals sector, while only 2.7% was from the meat sector. Observed per value, crop production accounts for 67.6% of total agricultural production, while the share of animal products was 29.9%.

The share of mixed AHs is predominant in the RS. Specialized production is dominant in the crop production sector, especially in the Vojvodina region. According to the data from the “Farm

Structure Survey” from 2018, the average economic size of AH in RS is EUR 8,610, however, this is more than four times lower value than the EU average.

1.2 Population

According to Census from 2012, the RS had a population of 7,186,862 and according to SORS population projections from 2018, it had a population of 6,982,604. In rural areas, considered as other settlements in the RS, 41% of the population lives. More than 50% of the population in the Šumadija and Western Serbia Region represents rural population which makes it the region with the largest number of rural population in the RS. The average age of the population is 43.2 years. In urban areas the average age of the population is 42.1 years. In rural areas the average age of the population is 44.8 years and the majority of the rural population belong to 55-59 age category, which is showed in Table 3.

Table 3: Age structure of population in 2018

Age structure of population	Number of inhabitants	Share in total population, %
0-14 age	1,000,596	14.33
15-64 age	4,573,672	65.51
65 and more	1,408,336	20.17
Total	6,982,604	100

Source: Statistical Office of the Republic of Serbia

In the educational structure of the population, the majority of the population has completed secondary education (48.3% of the total population). Primary education has 20.76% of the population, while population with high education have the lowest share in the educational structure (5.65%).

1.3 Agriculture and Rural Development Policy

The long-term strategic direction of agricultural development in the Republic of Serbia is defined by the Strategy of Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024 (“Official Gazette of the RS”, No 85/14), which encompasses the vision, strategic goals and directions of agriculture and rural development of the Republic of Serbia in the ten-year period. The future directions of agricultural development in the Republic of Serbia are defined in accordance with the process of alignment of national agricultural and rural development policies with the EU acquis in the field of agriculture and rural development.

The Strategy of Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024 was the basis for the adoption of medium-term development documents in the field of agriculture, namely the National Programme for Agriculture for the period 2018-2020. (“Official Gazette of the RS”, No 120/17), and the National Rural Development Programme 2018 - 2020. (“Official Gazette of the RS”, No 60/18). These programmes contain detailed triannual plans and a timetable for the implementation of the measures, as well as the basic activities of adjusting the national agricultural policy to the relevant EU Common Agricultural Policy (CAP) schemes in the pre-accession period.

Budget funds intended for the implementation of agricultural and rural development measures on an annual basis are defined by the Law on the Budget of the Republic of Serbia for one calendar year, within the budget allocated to the MAFWM. Every year the Regulation on Allocation of Subsidies in Agriculture and Rural Development defines the volume of funds, types of subsidies and maximum amounts by type of subsidies for current year.

Policy of sustainable management of resources and improvement of the quality of life in rural areas

Part of rural development policy relates to sustainable management of natural resources and environmental protection, as well as improvement of the quality of life in rural areas and reduction of poverty.

Sustainable management of resources and environmental protection are the basis for ensuring the long-term stability and quality of domestic agricultural production in conditions of increasing risks in the global food market. The specific character of agricultural production, is reflected in its high dependence on the volume and quality of limited natural resources. For that reason, necessary response to climate change, protection of agricultural land from permanent change of purpose, reduction of greenhouse gas emissions, protection of biodiversity and typical rural landscapes, rational use of water resources, forests and other natural resources in rural areas require the designing of a new support policy with due respect to the concept of multifunctional agriculture.

1.3.1 Negotiations with European Union, commitments in negotiations

In accordance with the Decision on establishment of the Coordination body for the pre-accession process of the RS to the EU ("Official Gazette of the RS", No 84/13, 86/13, 31/14, 79/14, 92/15, 23/18 and 36/19) MAFWM is the main carrier of negotiations for the three negotiating chapters, as following: Chapter 11 – Agriculture and rural development, Chapter 12 – Food safety, veterinary and phytosanitary policy and Chapter 13 – Fisheries. Besides that, the representatives of MAFWM take part in the work of 18 more negotiating chapters.

The first Intergovernmental Conference between the Republic of Serbia and the European Union held on 21st January, 2014 in Brussels formally opened negotiations on the Republic of Serbia accession to the European Union. After the negotiation process was initiated, the process of analytical examination of legislative screening process (screening) started in order to check and evaluate the alignment of the Republic of Serbia legislation with the European Union acquis.

Until the end of the reporting period, the Republic of Serbia has opened 18 negotiating chapters (Chapter 4 - Free movement of capital, Chapter 5 - Public Procurement, Chapter 6 - Company Law, Chapter 7 - Intellectual Property Law, Chapter 9 - Financial Services, Chapter 13 - Fisheries, Chapter 17 - Economic and Monetary Policy, Chapter 18 - Statistics, Chapter 20 - Enterprise and Industrial policy, Chapter 23 - Judiciary and Fundamental Rights, Chapter 24 - Justice, Freedom and Security, Chapter 29 - Customs Union, Chapter 32 - Financial Control, Chapter 33 - Financial and budgetary provision and Chapter 35 - Other Issues and provisionally closed 2 negotiating chapters (Chapter 25 - Science and research and Chapter 26 - Education and culture).

Four negotiating positions were submitted to the European Union Authorities and that for Chapter 2 – Freedom of movement for workers (23rd July, 2018), Chapter 3 - Right of establishment and freedom to provide services (5th December 2019), Chapter 14- Transport Policy- (29th October 2018) and Chapter 27 - Environment and climate changes (22nd January 2020).

Chapters that are ready or are in advanced stage of preparation for the opening, where the European Union Council adopted Screening reports and the Republic of Serbia has received an invitation for submission of the negotiating position are: Chapter 10 - Information Society and Media (the second Draft of Negotiation position was submitted to the European Commission for informal consultations on March 13, 2019) and Chapter 28 - Consumer and Health Protection (the final Draft Negotiating position was sent to the European Commission on 4th March 2020 for informal consultations).

Chapters for which the European Commission has submitted the screening findings and for which they have established benchmark(s) for the opening are: Chapter 1 - Free movement of goods (two benchmarks), Chapter 8 - Competition Policy (six benchmarks), Chapter 11 - Agriculture and rural development (two benchmarks), Chapter 12 - Food safety, veterinary and phytosanitary policy (three benchmarks), Chapter 15 – Energy (two benchmarks), Chapter 16 – Taxation (one benchmark), Chapter 19 - Social Policy and Employment (one benchmark) and Chapter 22 - Regional policy and coordination of structural instruments (one benchmark).

Other chapters for which the European Commission has completed Screening reports and forwarded them to the Working Party on Enlargement and Countries Negotiating Accession to the European Union (COELA) are Chapter 31 – Foreign, Security and Defence Policy and Chapter 34 – Institutions.

Chapter 11 - Agriculture and rural development

The European Commission has submitted the Screening report for the Chapter 11 which was presented on 27th February, 2015 on the Committee for European Union Council enlargement. After the Council adopted the Report, on 17th June 2015 the chairman of the Committee of Permanent Representatives (COREPER II) addressed a letter on behalf of the European Union Member States informing that the Republic of Serbia is not ready to initiate the negotiating process in Chapter 11 and that is necessary to fulfil two benchmarks in order to open the negotiating process. The opening benchmarks for Chapter 11 were:

- That the Republic of Serbia ought to present an Action Plan to the European Commission, which will serve as a basis for the transposition, implementation and enforcement of the European Union acquis in agriculture and rural development;
- That the Republic of Serbia ought to submit the request for entrustment of budget implementation tasks for IPARD II to the European Commission, in accordance with the provisions of EC Implementing Regulation 447/2014.

The first benchmark for initiating the negotiating process in Chapter 11

The contents of the Action plan for transposition, implementation and enforcement of the EU acquis in the field of agriculture and rural development were agreed with the EC representatives. This Action plan sets out the manner and dynamics of transporting EU legislative, reforming agricultural policy, adjusting legislation of the Republic of Serbia and strengthening administrative capacity in the period until accession to the EU. The Action plan also provides assessment of the recourses needed and the development of adequate capacity for strengthening the programme and control bodies, as well as the establishment of a Paying Agency and an Integrated Administration and Control System (IACS), which are preconditions for managing and controlling payments in agriculture, in accordance with the CAP rules.

On 18th October, 2018 the RS Government adopted the Action plan for transposition, implementation and enforcement of the EU acquis in the field of agriculture and rural development. The Action plan was submitted to the EC on 1st November 2018.

The second benchmark for initiating the negotiating process in Chapter 11

The submission of the request for the entrustment of budget implementation tasks (submission of the entrustment package) for IPARD II Programme was at the same time a condition for finalization of the entrustment of IPARD Operating structure (IPARD OS) and for the absorption of the IPARD funds allocated by the EC to the Republic of Serbia in the amount of EUR 175 million for the period 2014-2020.

The precondition for successful preparation and submission of the entrustment package was strengthening of the administrative capacity, and in particular increase in the number of employees in the DAP (IPARD Agency) and in the Department for Rural Development (Managing Authority). The Government of the Republic of Serbia adopted Sectoral Agreement between the Government of the Republic of Serbia and the European Commission setting out provisions for the management and implementation of Union financial assistance to the Republic of Serbia under the Instrument for Pre-Accession Assistance in the policy area Agriculture and Rural Development (IPARD) and also the Decision on the appointment of responsible persons and bodies for the management of the programmes of pre-accession assistance of the European Union within the Instrument for Pre-Accession Assistance (IPA II) for the period 2014-2020 in order to submit the request for entrustment of budget implementation tasks for IPARD II Programme.

On 14th December, 2015 the National Authorizing Officer (NAO) in cooperation with Managing Authority and IPARD Agency submitted the request of entrustment of budget implementation tasks for IPARD II Programme (for Measure 1, Measure 3, Measure 7 and Measure 9) with accompanying documentation to the European Commission.

First DG AGRI IPARD Audit mission was held from 23rd May to 1st June 2016. The Audit mission included the whole structure which is involved in the implementation of the IPARD II Programme (NAO, NAO Support Office, National fund, Managing Authority, IPARD Agency and Audit body). On 9th August, 2016 the EC submitted the observations, recommendations and requests for additional information based on the DG AGRI Audit mission.

In October 2017, NAO resubmitted to the European Commission the request for entrustment of budget implementation tasks for IPARD II Programme (for Measure 1 and Measure 3) with accompanying documentation. DG AGRI completed the second audit mission from 20th to 24th November 2017 for Managing and Operating structure for Measure 1 – Investments in physical assets of agricultural holdings and Measure 3 – Investments in physical assets concerning processing and marketing of agricultural and fishery products.

In February 2018, DG AGRI confirmed by letter that budget implementation tasks could be entrusted to the IPARD II Programme implementation structure and that the IPARD structure responded to the main requests made in the findings letter in a satisfactory manner.

The EC assessed that the Republic of Serbia had met both benchmarks for opening the negotiating process in the Chapter 11 and submitted its Opening Benchmark Assessment Report to the Working Party on Enlargement and Countries Negotiating Accession to the EU (COELA) on 11th February 2018.

According to the EU Progress Report for Serbia for 2019 for Chapter 11, good progress has been made with the adoption of an Action Plan for alignment with the EU acquis in the field of agriculture and rural development and with the implementation of the IPARD Programme.

The External Audit of the IPARD Managing and Operating Structure for the entrustment of the budget implementation tasks for Measure 7 – Diversification of agricultural holdings and business development and Measure 9 – Technical Assistance was conducted in the period from 15th July to 19th August 2019. On 8th November 2019, NAO submitted the request for the entrustment of budget implementation tasks (for Measure 7 and Measure 9), with the accompanying documentation, to the EC. The NAO received Audit opinion with one condition and six recommendations from the European Commission (DG AGRI) on March 31st 2020. The EC Audit findings are not blocking, but they include the conditions which have to be included in the Financial Agreement and it refers to the short-term decision on the appointment of all Assistant Directors in the IPARD Agency that should be replaced with long-term or permanent decisions. The remaining findings are intermediate and minor findings.

Preparation of Negotiation Position for the Chapter 11

MAFWM, with the support of IPA 2015 Technical Assistance Project: “Capacity building for the alignment with the acquis in the areas of agriculture, rural development, food safety, veterinary and phytosanitary policy” has started activities on preparation of negotiation position for Chapter 11 which is described in more detail in the Chapter 6.1 Assistance provided under other IPA components.

1.3.2 Legal and Institutional Framework

The legislative framework which defines the implementation of the IPARD II Programme in the Republic of Serbia includes:

- Framework Agreement between the Republic of Serbia and the European Commission on the arrangements for implementation of Union financial assistance to the Republic of Serbia under the Instrument for Pre-Accession Assistance (IPA II) (“Official Gazette of the RS”, IA, No 19/14);

The Framework Agreement, which came into force on 30th December 2014, defines the principles of the management and implementation of IPA II assistance between the EU and the Republic of Serbia.

- Sectoral Agreement between the Government of the Republic of Serbia and the European Commission setting out provisions for the management and implementation of Union financial assistance to the Republic of Serbia under the Instrument for Pre-Accession Assistance in the policy area Agriculture and rural development (IPARD);

The Sectoral Agreement which came into force on 8th April 2016, complements the Framework Agreement and defines the specific provisions applicable for the implementation of the IPARD II Programme.

- Decision on adopting the text of the Financing Agreement 2014-2020 between the Government of the Republic of Serbia and the European Commission on behalf of the European Union for IPARD II assistance for agriculture and rural development under

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the Instrument for Pre-Accession Assistance IPA II 05 No: 48-4059/2018 of 4th May 2018;

Financing Agreement sets out the EU and the RS financial commitments for the IPARD II Programme for the period 2014-2020 and are define the provisions for the entrustment of budget implementation tasks.

- Law on Agriculture and Rural Development (“Official Gazette of the RS”, No 41/09, 10/13 and 101/16);

This Law regulates the objectives of the agricultural policy and rural development policy and the manner of their enforcement, Register of Agricultural Holdings, record keeping and reporting in agriculture, as well as monitoring the implementation of this Law. This Law also stipulates the rules of the special procedure for the implementation and control of the IPARD Programme.

- Decision on adopting the IPARD Programme for Republic of Serbia for the period 2014 – 2020 (“Official Gazette of the RS”, No 30/16, 84/17, 20/19 and 55/19);

IPARD II Programme defines measures that provide financial support to the primary agricultural production sector, the processing and marketing of agricultural products sector, as well as to support the diversification of the economic activities in rural areas of the Republic of Serbia.

- Decision on the establishment of a Working Group for the implementation of activities related to the entrustment of indirect management of the IPARD Programme (“Official Gazette of the RS”, No 5/17, 86/18 and 27/19);
- Decision on the appointment of responsible persons and bodies for the management of the programs of pre-accession assistance of the European Union within the Instrument for Pre-Accession Assistance (IPA II) for the period 2014-2020 (“Official Gazette of the RS”, No 26/19);

Those Decisions determinate responsible persons and bodies for the management of the programmes of pre-accession assistance of the European Union within the Instrument for Pre-Accession Assistance (IPA II) for the period 2014-2020: National IPA Coordinator, Technical Secretariat of the National IPA Coordinator, the National Authorizing Officer, bodies in the management structure of the National Authorizing Officer, bodies in the operating structure for the management of the action programmes, persons and bodies in the operating structure for the management of the cross-border cooperation programmes, bodies in the operating structure for the management of the IPARD Programme and the Body for the suppression of irregularities and frauds in the treatment of financial funds of the European Union.

- Rulebook on IPARD subsidies for the investments in physical assets of agricultural holdings (“Official Gazette of the RS”, No 84/17, 112/17,78/18 and 67/19);

The Rulebook prescribes in more detail the recipients of IPARD subsidies for investments in physical assets of agricultural holdings under the IPARD Programme of the Republic of the Serbia for the period 2014-2020, amount of IPARD subsidies; as well as conditions, manner and implementation procedure for IPARD subsidies under the IPARD II Programme.

- Rulebook on IPARD subsidies for the investments in physical assets concerning processing and marketing of agricultural products and fishery products (“Official Gazette of the RS”, No 84/17, 23/18, 98/18 and 82/19);

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The Rulebook prescribes in more detail the recipients of IPARD subsidies for investments in physical assets concerning processing and marketing of agricultural products and fishery products under the IPARD Programme of the Republic of Serbia for the period 2014-2020, amount of IPARD subsidies, as well as conditions, manner and implementation procedure for IPARD subsidies under the IPARD II Programme.

- Rulebook on environment protection criteria that recipients of IPARD subsidies shall meet (“Official Gazette of the RS”, No 26/19);

The Rulebook prescribes environmental protection criteria that shall be met by natural persons - recipients of IPARD subsidies under the Measure 1.

- Rulebook on the conditions to be fulfilled by animal waste storage facilities and facilities for animal waste treatment processing (“Official Gazette of the RS”, No 94/17 and 94/19);

The Rulebook prescribes technical and technological conditions that shall be fulfilled by animal waste facilities and facilities for animal waste treatment processing.

- Rulebook on methodology for determining the reference prices of goods and services within investment when calculating IPARD subsidies (“Official Gazette of the RS”, No 84/18);

The Rulebook prescribes in more details the methodology for determining the reference prices of goods and services within investment when calculating IPARD subsidies.

- Memorandum of Understanding between the Managing Authority and the IPARD Agency for the Management and Implementation of the IPARD II Programme for the period 2014-2020 in Republic of Serbia, signed on 31st October 2019;

The purpose of this Memorandum of Understanding is to regulate cooperation and establish implementing arrangements between the Managing Authority and the IPARD Agency for communication, exchange of information, including the power to require information and permission to access documents according to the procedures, the standards to be met and the procedures to be followed for effective and efficient implementation of the IPARD II Programme.

- Memorandum of Understanding between the National Authorising Officer, the Managing Authority and the IPARD Agency, signed on 31st October 2019;

The purpose of this Memorandum of Understanding is to regulate in more detail the relationship between the NAO, the Managing Authority and the IPARD Agency regarding the indirect management of IPARD II Programme once the Republic of Serbia was entrusted with budget implementation tasks.

- Agreement on the Implementation of the Technical Assistance Measure under IPARD II Programme 2014 – 2020, signed on 19th September 2019;

This Agreement establishes more closely the method and the procedure for implementation of the Measure Technical Assistance of the IPARD II Programme.

- Protocol on the manner and conditions for keeping the accounts opened at the Ministry of Finance – Treasury administration for the purpose of the management of the programme of pre-accession assistance of the European Union in the field of Agriculture and Rural

Development (IPARD II) within the Instrument for Pre-Accession Assistance (IPA II) for the period 2014-2020, entered into force on 25th June 2019;

The Protocol regulates in more detail the mutual relationship of the parties regarding the manner and conditions for keeping accounts opened with the Ministry of Finance - Treasury Directorate for the purpose of managing the IPARD II Programme in cases where the EC entrusts the budget implementation tasks of this Programme to the Republic of Serbia.

- Manual of Procedures for Implementation of the IPARD II Programme, Manual version 1.3. from 19th of August 2019;
- Current Rulebook on internal organization and systematization of working positions in the Ministry of Agriculture, Forestry and Water Management.

1.3.3 National support schemes

Subsidies in agriculture and rural development are implemented on the basis of relevant by-laws, which define the criteria for eligibility to subsidies, as well as eligibility modes.

In the reporting period, the following types of subsidies were implemented:

- direct payments,
- rural development measures,
- specific subsidies,
- credit support.

Direct payments

In terms of budget allocations, direct payments are the most important type of subsidies, and they were realized through premiums, production subsidies and recourse. The only type of premium is the milk premium, in the amount of RSD 7 per litre of cow, sheep and goat raw milk, delivered in the previous quarter. In order to be eligible for the premium for cow milk, it is necessary that the premium recipient delivers at least 3,000 litre of cow's milk per quarter to dairies, or at least 1,500 litres in areas with difficult working conditions in agriculture.

Subsidies for plant production are implemented as basic subsidies for plant production as area payment per hectare, while subsidies in livestock farming are implemented through subsidies for: quality breeding animals, animals for fattening, suckler cows, per bee hive, breeding of beef cattle for production of calves and production of fish for consumption.

The only type of regress is regress for storage costs in public storages, at a support level up to 40% of the amount of storage costs.

Measures for rural development

Subsidies for competitiveness improvement are realized through support for investments in the physical assets of the agricultural holdings, investments in processing and marketing of agricultural and food products and fishery products, as well as through the risk management measure.

Support for investments in the physical assets of agricultural holdings has an objective to improve the production structure of the holdings through measures for establishing the new perennial fruit

plantations, vines and hops and support for the improvement of primary agricultural production through the procurement of new machinery and equipment for the improvement of primary agricultural production, the procurement of new machinery and equipment for the improvement of primary livestock production, the procurement of quality breeding animals and the construction and equipment of facilities. The level of support for investments in physical assets of the agricultural holdings is 50% of the investment value or 65% of the investment value for areas with difficult working conditions in agriculture.

Support for investments in processing and marketing of agricultural and food products and fishery products is a support scheme for improvement of the quality of wine and brandy spirits and agri-food products, procurement of control and registration labels for agri-food products and wine, as well as procurement of equipment in the meat sector, milk sector, wine sector, spirits and beer production sector. Subsidies are provided in the amount of 50% of the value of the realized eligible investment excluding the amount of the added value tax or 65% out of this value in the areas with difficult working conditions in the agriculture.

The risk management measure is based on regressing part of the cost of insurance premiums for crops, fruits, perennials, nurseries and animals and is realized through reimbursement of 40% of paid insurance premiums (45% for areas with difficult working conditions in agriculture) or in the maximum amount of 70% of the paid insurance premium in the Morava, Zlatibor and Kolubara administrative districts.

Subsidies to preserve and improve the environment and natural resources includes agri-environmental measures, organic production measures, as well as measures aimed at mitigating the climate change, protection of the agricultural land and water.

Subsidies for income diversification and improvement of quality of life in rural areas include a set of measures aimed at support of non-agricultural activities related to improving the quality of life in the countryside. This measure promotes activities such as improvements of rural tourism and handicraft, preservation of traditional and artistic crafts, etc. The ultimate goal of these measures is diversification of rural economy through the development of business and economic activities in rural areas.

Subsidies for the preparation and implementation of Local Development Strategies include support for the preparation and implementation of Local Development Strategies and it is paid to the maximum aid intensity of 100%.

Subsidies for improvement of the system of knowledge creation and transfer include support for the development of technical-technological, applied, developmental and innovative projects in agriculture and rural development, as well as support for the providing advice and information to agricultural producers, associations, cooperatives and other legal entities in agriculture and rural development. These subsidies were implemented as a form of support to agricultural advisory services, with the aim of improving advisory activities in agriculture and rural development.

Specific Subsidies

This type of subsidies indirectly affects agricultural production through financing activities related to improving the quality of production and promotional activities. They include subsidies for the implementation of breeding programmes - selection measures, subsidies for promotional activities in agriculture and rural development (measures and actions in agriculture) and subsidies for production of planting material, certification and clone selection.

Credit support

Credit support is based on subsidizing a portion of the interest of the credit and can be obtained for the purpose of investment into livestock, crop production, fruit growing, viticulture, vegetable growing and floriculture, investment in agricultural machinery and equipment, as well as the procurement of animal feed. Higher aid intensity is provided to AHs which are operating in areas with difficult working conditions in agriculture, to farmers up to 40 years of age and women.

Allocated funds for subsidies in agriculture and rural development

Allocated funds for subsidies in agriculture and rural development in 2018 amounted to EUR 257.04 million. Out of that, EUR 177.56 million was allocated for direct payments, EUR 54.11 million for rural development measures and EUR 15.22 million for IPARD subsidies, while the remaining amount was allocated for credit support and specific subsidies. When it comes to 2019, the allocated funds for subsidies in agriculture and rural development amounted to EUR 344.09 million. For direct payments was allocated EUR 229.55 million, for rural development measures EUR 65.42 million, IPARD subsidies amounted to EUR 41.35 million, while the remaining amount was allocated for credit support and specific subsidies.

During 2018, EUR 239.28 million was paid for subsidies in agriculture and rural development. The largest amount of budget funds was realized on the basis of direct payments (74%), while 22% of the total realized budget funds were spent on rural development measures. Compared to 2018, in 2019 there were no significant deviations in the total realized budget funds on the basis of direct payments (75%) and rural development measures (21%). During 2019, approximately EUR 288.23 million was paid for subsidies in agriculture and rural development.

During 2018, approximately EUR 177.56 million was spent on the realization of direct payments, for almost 108 thousand requests for direct payment measures. The largest amount (46%) of funds was realized on the basis of subsidies in livestock (approximately EUR 81.17 million), while 29% of the budget for direct payments (approximately EUR 52.42 million) was allocated for subsidies in plant production. Premium for milk amounted to about EUR 44.81 million (almost a quarter of all direct payments). On the implementation of direct payments in 2019 was spent EUR 215.92 million, out of which the largest amount (44%) of funds was realized on the basis of subsidies in livestock (approximately EUR 95.63 million), while 33% of the budget for direct payments (approximately EUR 70.60 million) was allocated for subsidies in crop production. Milk premiums amounted to approximately EUR 49.69 million (23% of all direct payments).

Realized funds based on rural development measures in 2018 amounted to EUR 53.27 million (9.7 thousand applications for subsidies), with the highest share of funds realized for investments in physical assets of agricultural holdings with 68% (approximately EUR 35.51 million). For rural development measures approximately EUR 59.25 million was paid in 2019, with the highest share of funds realized for investments in physical assets of agricultural holdings with 72% (approximately EUR 42.59 million).

For credit support, during 2018, EUR 7.71 million was paid (3.2% of the total realized subsidies), while EUR 1.72 million was paid for specific subsidies (0.7% of the total realized subsidies). When it comes to 2019, EUR 5.39 million was paid for the credit support (1.9% of the total realized subsidies), while EUR 1.56 million was paid for specific subsidies (0.5% of the total realized subsidies).

2. ASSESSMENT OF THE PROGRESS ACHIEVED OF PRIORITIES AND MEASURES IN RELATION TO THE OBJECTIVES OF THE IPARD II PROGRAMME ON THE BASIS OF COMMON AND PROGRAMME SPECIFIC INDICATORS AND TARGET VALUES

2.1 General framework

Priorities of the EU financial assistance to the Republic of Serbia, for the period 2014–2020, are related to fulfilling of the accession criteria. One of the key supporting areas, within the IPA II, is agriculture and rural development - IPARD aimed at strengthening the competitiveness of the agri-food sector and gradually adjusting to the EU standards for hygiene, food safety, animal welfare and environmental protection.

Assistance within the IPARD II Programme will contribute to achieving the following objectives:

- development of human and physical resources, food safety increase by IPA II recipients and the capacity of the agro--food sector to deal with the competitive constraint, as well as gradual alignment of the sector with the EU standards, particularly with those relating to the hygiene and environmental protection, with a concern for a balanced territorial development of rural areas,
- directing investment support through the management and control system which is in accordance with good standards of modern public administration management, where relevant state structures apply standards identical to those applied in similar organisations in EU member states.

Specific objectives of the IPARD II Programme are defined in each IPARD measure.

Measure 1 - Investment in the physical assets of agricultural holdings

The objectives of this measure include providing support to primary agricultural producers in the process of alignment with rules, standards, policies and practices of the EU; ensuring support for economic, social and territorial development, for the purpose of smart, sustainable and inclusive growth, through a development of physical capital; ensuring answer to climate change challenges by promoting efficient utilisation of resources; productivity increase and the quality of products together with a reduction of production costs; improvement of competitiveness of local producers with the adjustment to the requirements of the domestic and foreign market.

Eligible sectors for investment in realization of the aforementioned objectives are Milk, Meat, Egg, Fruit and Vegetable, Viticulture sector, as well as Other crops sector (cereals, oil crops, sugar beet).

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

Objectives of this measure include strengthening of the agri-food sector competitiveness by investing in its modernisation, for the purpose of a more efficient production, progressive alignment with the EU rules and standards related to environmental protection, food safety and product quality, animal welfare and traceability in the food chain and waste management, strengthening of the competitiveness of the agri-food industry in selected sectors through adjustment to the requirements of national and foreign markets and technical and technological improvement of the sector and ensuring answer to climate change challenges by promoting energy

from renewable sources. Eligible sectors for investments are Milk processing, Meat processing, Egg processing, Fruit and Vegetable processing sector, as well as the Wine sector.

2.2 Review of the progress achieved and quality analysis of meeting the measures objectives

From the beginning of the IPARD II Programme implementation up to 31st December 2019, seven public calls have been announced and closed, while the Eighth Public Call was announced on 26th November 2019 and closed on 24th February 2020.

Under **Measure 1**, five public calls have been announced:

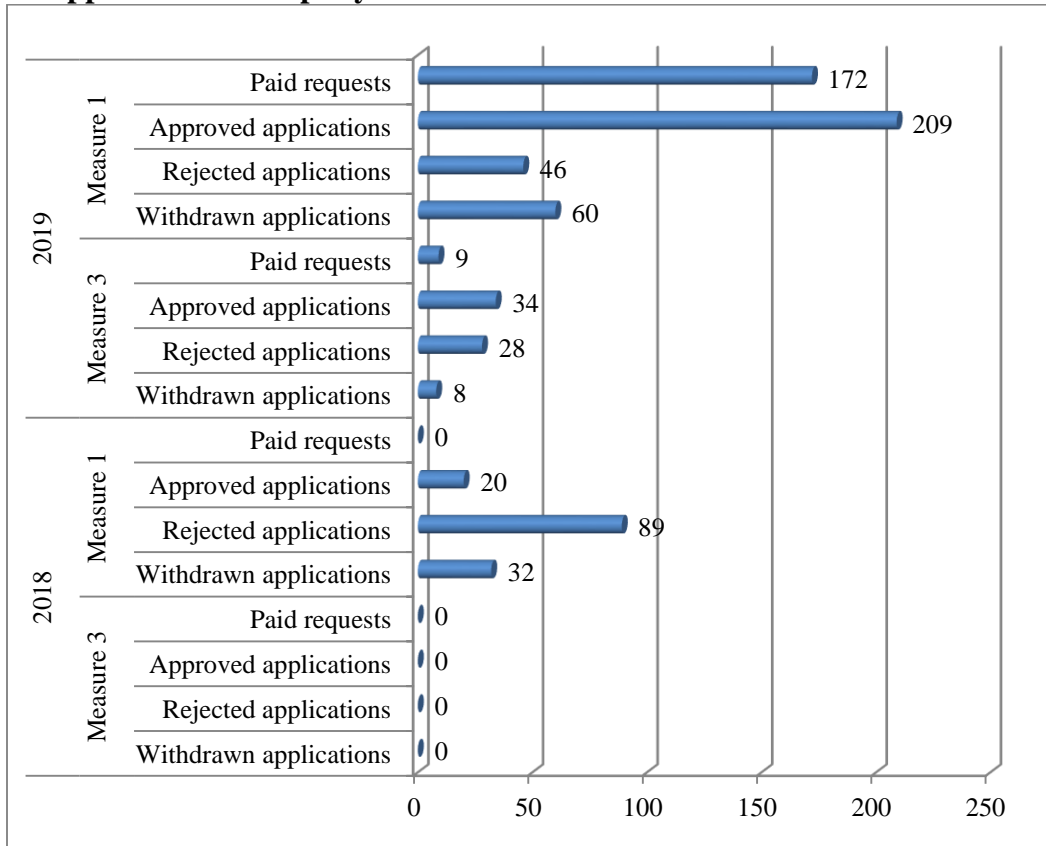
- *The First Public Call* for investments in physical assets of agricultural holdings for the purchase of new equipment machinery and mechanisation, was announced on 25th December 2017 and closed on 26th February 2018 with allocated funds in the amount of EUR 8,368,901 out of which EU contribution was EUR 6,276,676;
- *The Second Public Call* for investments in physical assets of agricultural holdings for the purchase of a new tractor was announced on 4th January and closed on 26th February 2018 with allocated funds in the amount of EUR 4,653,363, out of which EU contribution was EUR 3,490,023;
- *The Third Public Call* for investments in physical assets of agricultural holdings for construction and equipping of facilities and purchase of new equipment, machinery and mechanisation (excluding tractors) was announced on 22nd October 2018 and closed on 9th January 2019 with allocated funds in the amount of EUR 25,502,411, out of which EU contribution was EUR 19,126,808;
- *The Fourth Public Call* for investments in physical assets of agricultural holdings for the purchase of a new tractor was announced on 24th September and closed on 25th November 2019 with allocated funds in the amount of EUR 10,280,718, out of which EU contribution was EUR 7,710,519;
- *The Fifth Public Call* for investments in physical assets of agricultural holdings for the construction and purchase of new equipment, machinery and mechanisation (excluding tractors) was announced on 24th September and closed on 23th December 2019 with allocated funds in the amount of EUR 33,036,730, out of which EU contribution was EUR 24,777,485;

Under **Measure 3**, three public calls have been announced:

- *The First Public Call* for investments in physical assets concerning processing and marketing of agricultural and fishery products for purchase of new equipment, was announced on 27th March and closed on 28th May 2018 with allocated funds in the amount of EUR 7,405,712, out of which EU contribution was EUR 5,554,284;
- *The Second Public Call* under this measure, for investments in construction and purchase of new equipment, was announced on 18th December 2018 and was closed on 11th March 2019, with allocated funds in the amount of EUR 29,749,633, out of which EU contribution was EUR 22,312,225;
- *The Third Public Call* under this measure was announced on 26th November 2019 and closed on 24th February 2020 with allocated funds in the amount of EUR 46,039,335, out of which EU contribution was EUR 34,529,501.

The results of the analysis presented in the Report were obtained on the basis of data from the monitoring tables for the implementation of the IPARD II Programme submitted by the IPARD Agency, attached to the Report (Annex 1). Within an analytical overview of this report the preliminary data of the IPARD Agency for the First, Second, Third and Fourth Public Call for Measure 1 and the First and Second Public Call for Measure 3 were used, given that no data concerning the Seventh and Eighth Public Call were available at the time of the drafting the Report. All presented data relate to processed applications and applications in a process (decisions on rejection of applications, withdrawal, approval and payment), while the final amount of eligible expenditures is indicated for the approved and paid applications.

Graph 1: Application status per year of submission* Measure 1 and Measure 3



* Includes adopted decisions and applications in processing phase

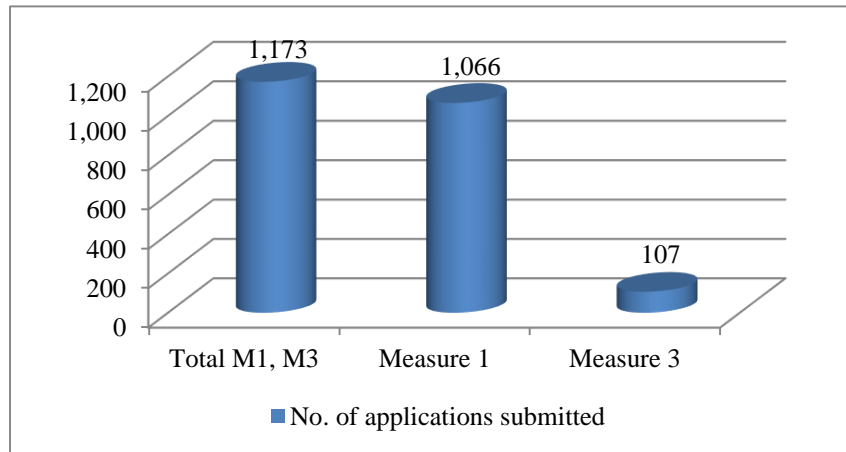
Observed per years, in 2018, 141 decisions were adopted, all related to Measure 1, i.e. 12% of the total number of submitted applications for project approval. In 2019, 566 decisions were adopted (487 for Measure 1 and 79 for Measure 3), i.e. 48% of the total number of submitted applications for IPARD subsidies. The total number of processed applications and applications in a process was 707 applications, i.e. 60% of the total number of submitted applications for project approval for IPARD subsidies. Compared to 2018, in 2019, the total number of adopted decisions on rejecting applications was reduced, and at the same time, the total number of approved and paid applications increased, as well as the total number of adopted decisions on withdrawal (Graph 1). More detailed data are presented in Table 2, and within Annex 2 of this Report. The largest number of

applications for Measure 1 was in the Other crops sector (353) and Fruit and Vegetable sector (173) than under the Meat sector (51) and the lowest in the Milk sector (42) (Table 6, Annex 2).

As regards Measure 3, the majority of applications concerned the Fruit and Vegetable sector (51), while a considerably lower number is in the Milk sector (11) and in the Meat sector (8) (Table 7, Annex 2).

For Measure 1 and Measure 3, 1,173 applications for project approval were submitted, out of which 1,066 applications for Measure 1 (91% of the total number of submitted applications) and 107 applications (9%) for Measure 3 (Graph 2). Within the Fifth Public Call for Measure 1, 169 applications were submitted with a total amount of EUR 68,366,760.13, while under the Third Public Call for Measure 3, 95 applications were submitted with a total amount of EUR 57,712,660.96.

Graph 2: Total number of applications submitted (Measure 1 – the first four calls, Measure 3 – the first two calls)

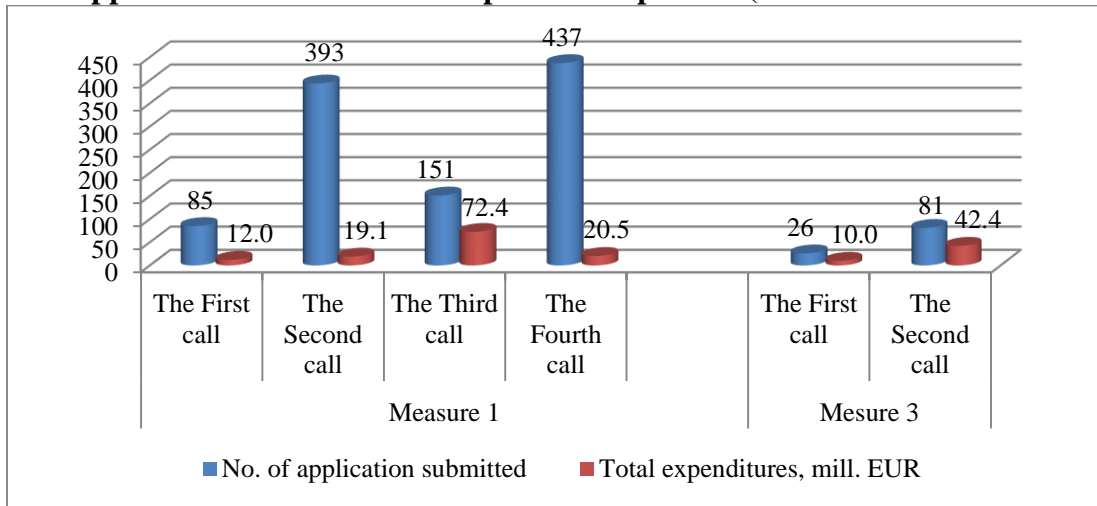


Out of the total number of submitted applications under Measure 1, a total of 95 were unclassified applications, out of which 5 unclassified applications were in the Other crops sector, and these applications were without a submitted business plan or any data on the type of production, in the total amount of EUR 408,645. and 87 applications have no indicated sector, sub-sector and no indicated total/eligible investment expenditures. A total of 107 applications are without an indicated requested amount of investment. Under Measure 3, 18 applications are unclassified (with no indicated sub-sector), out of which 10 applications have no indicated either sector or sub-sector. There is a notable increase of unclassified applications under Measure 1 (by 3 percentage points) and decrease of unclassified applications under Measure 3 (by 9 percentage points).

Viewed by **calls** under **Measure 1**, the largest numbers of applications were submitted within calls concerning the procurement of tractor (437 applications for the Fourth Public Call and 393 for the Second Public Call), followed by the Third Public Call (151) and First Public Call (85). In terms of eligible expenditures per calls, under the Measure 1 the largest requested expenditures relate to the Third Public Call, in view of the fact that this call, in addition to investments for the purchase of equipment and machinery, includes investments for construction of facility. Under **Measure 3** there is notable growth in the Second Public Call compared to the First Public Call, both in terms of the number of applications and in terms of the amount of requested expenditures. In the total

number of submitted applications for Measure 3, 26 applications are submitted under the First Public Call (24%), and 81 applications were submitted under the Second Public Call (76%). For 107 applications, the total amount of requested expenditures is EUR 52.4 million, out of which EUR 10 million (19%) concerned the First Public Call, while EUR 42.4 million (81%) concerned the Second Public Call (Table 1, Annex 2). The above mentioned ratio of total requested expenditures per calls is expected, in view of the fact that under the Second Public Call is allowed the submission of applications for project approval for construction (Graph 3).

Graph 3: Applications submitted and expenditures per call (Measure 1 and Measure 3)

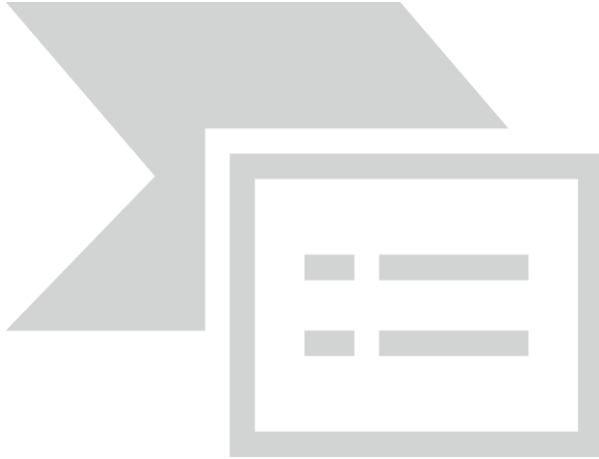


The highest number of the applications for project approval has been submitted for the purchase of tractors under the Fourth Public Call for Measure 1 (437 applications), while the largest amount of requested expenditures concerned investments for construction and equipping of facilities and purchase of new equipment, machinery and mechanisation (excluding tractors) under the Third Public Call for Measure 1 (EUR 72.4 million).

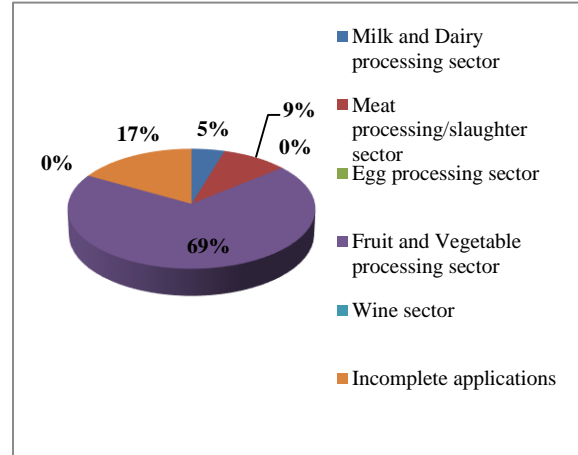
On the basis of the total number of submitted applications for project approval for IPARD subsidies, dominant share has the Other crops sector under Measure 1 and the Fruit and Vegetable sector under Measure 3 (Graph 4).

Graph 4: Structure of applications submitted per sector

Measure 1



Measure 3



Under **Measure 1**, in the total number of submitted applications (1,066) the Other crops sector (cereals, oil crops, sugar beet) has the largest share with 53% (565 applications), followed by the Fruit and Vegetable sector with 26%, i.e. 273 applications (out of which 238 applications for fruit – and 35 applications for vegetables), the Meat sector participates with 8% (85 applications) –and the Milk sector participates with 4% (41 applications). Out of the total number of submitted applications, 95 applications (9%) are classified as unclassified.

In the Other crops sector, the sub-sector cereals with 476 submitted applications shows the largest share (84%); in the Fruit and Vegetable sector the largest number of applications was submitted by the subgroup of fruit – 238 applications, i.e.87%, while the Meat sector has a more balanced distribution of submitted applications per subgroups: pigs – 36 applications (42%), cattle – 28 submitted applications (33%).

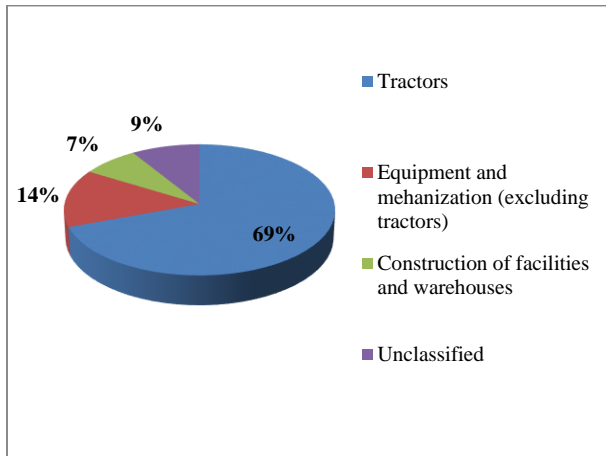
As regards **Measure 3**, the largest share has submitted project proposals for processing of fruit and vegetables, 69% of the total number of submitted applications (74 applications) while other sectors have significantly lower share.

In terms of the **type of investment**, under **Measure 1** of the total number of submitted applications (1,066), the largest number of applications concerns **tractors** (740 applications, i.e. 69%), while the other groups of investments have considerably lower share of the total number of submitted applications: equipment and machinery excluding tractors – 14%, construction of facilities – 7% (Graph 5).

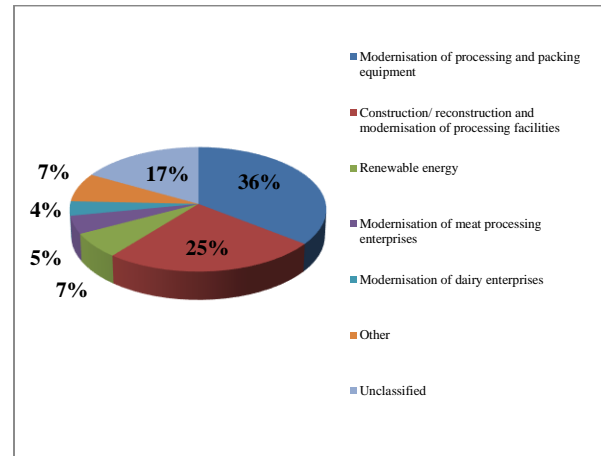
Most of the submitted applications for project approval for IPARD subsidies for the procurement of tractors were in the Other crops sector (529, i.e.71%), followed by the Fruit and Vegetable sector (150, i.e.20%), while Milk, Meat and Viticulture sectors constituted much smaller share (40 applications or 5%, 14 applications or 2%, respectively 7 applications or 1%,).

Graph 4: Structure of submitted applications per type of investment*

Measure 1



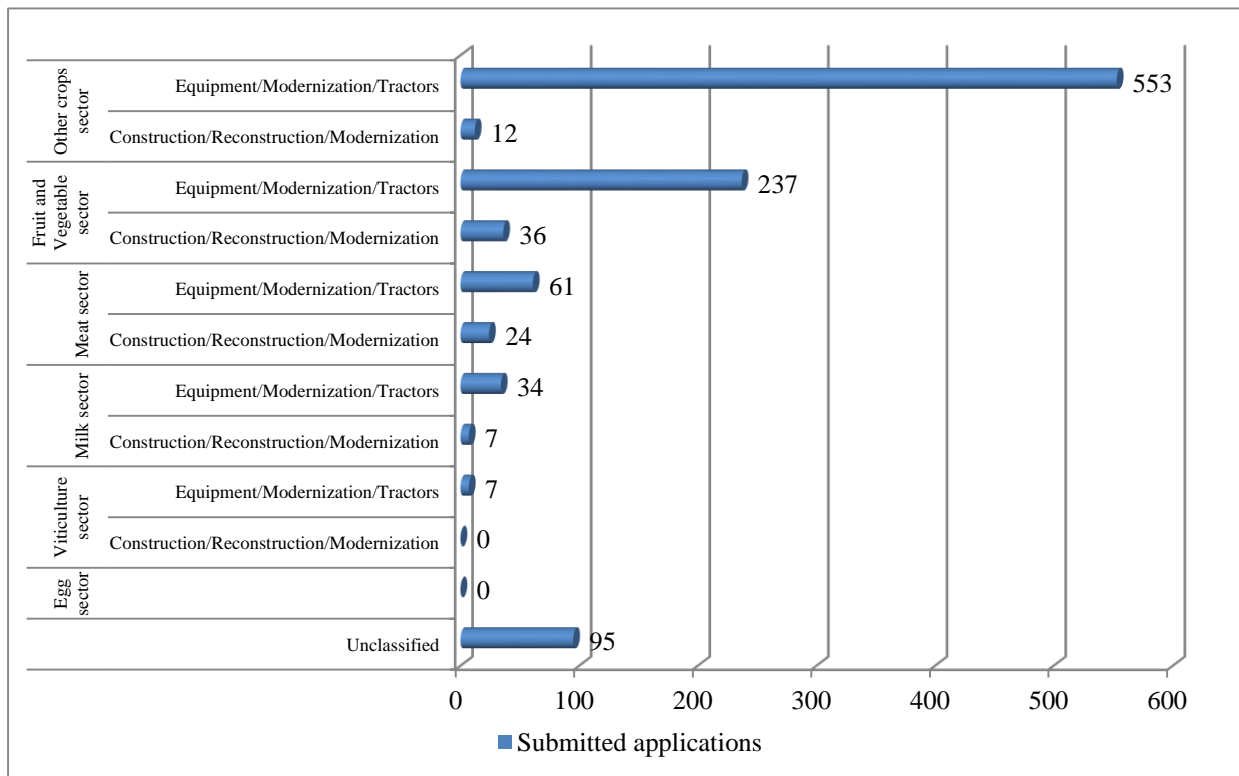
Measure 3



*In case that a potential recipient of IPARD subsidies submits an application for project approval for more investments, the dominant group of investments is determined on the basis of the financially dominant investment.

In addition to tractors, under **Measure 1**, potential recipients expressed a considerable interest in the purchase of new equipment for harvesting, sorting, packing and storing (Fruit and Vegetable sector), construction of new administrative buildings and storages (all sectors), as well as for equipment and machinery for the crop care during the growing season. The share of mentioned group investments amounts to 48%.

Graph 5: Submitted applications for project approval per group of investments and per sector - Measure 1



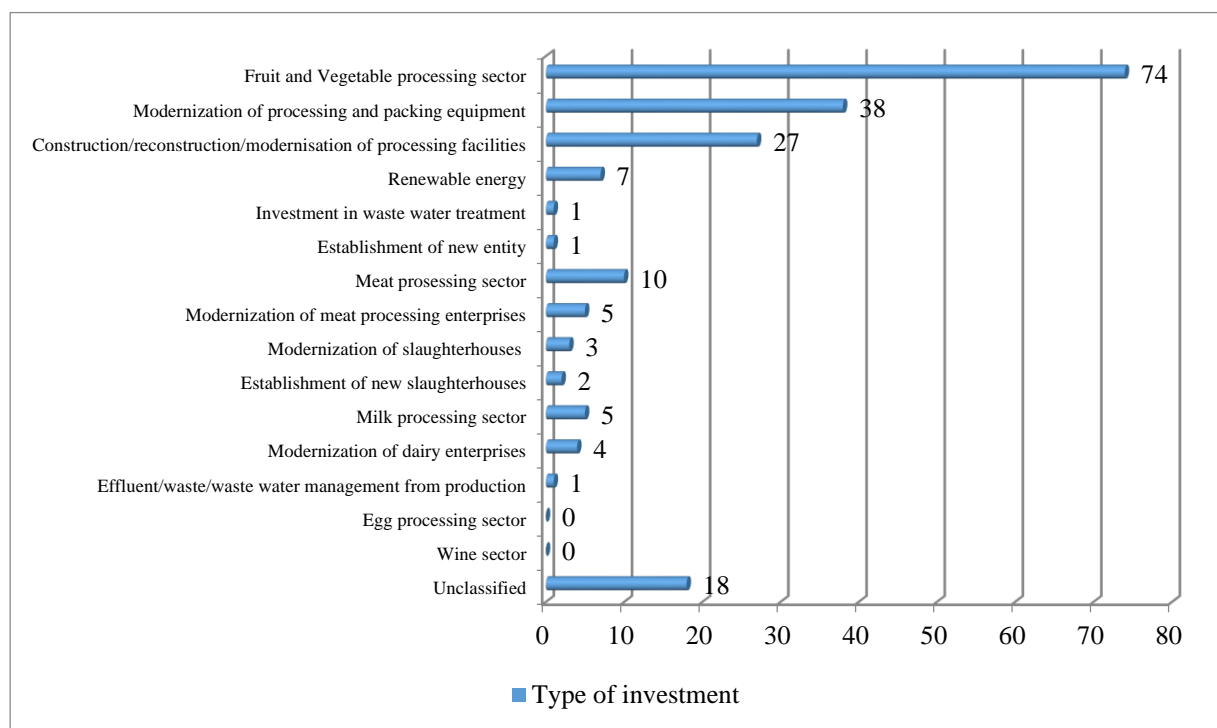
The largest number of requested investments was in the field of plant production. On the other hand, IPARD recipients showed the less interest for investments in livestock production, particularly for investments in the purchase of equipment for stables, milking and feeding livestock. According to the results of the on-going evaluation of the IPARD II Programme, the reason for the small number of project proposals in the field of livestock production (meat and milk sector) is due to insufficient knowledge of potential recipients regarding requirements in meeting the environmental protection standards (minimum national and EU standards) as well as insufficient knowledge of the possibility of utilisation the IPARD Programme for this type of investment, although, on the other hand, the livestock sector needs for this type of investment are expressed (recommendations 8-11, 34 and 35, Chapter 4. Conclusions and recommendations, Evaluation of the IPARD II Programme in the Republic of Serbia for the period 2017-2019, final report, Institute of Agricultural Economics, Belgrade, 2020).

Within the group of investments concerning the **equipment and mechanisation (excluding tractors)**, the largest number of submitted applications for project approval was for the purchase of equipment for harvesting, sorting, packing and storing in the Fruit and Vegetable sector (40 applications). In the group of **investments for construction**, potential recipients expressed the most interest for construction of new storage buildings in the Fruit and Vegetable sector (24 applications) and in the Other crops sector (12 applications), while in the livestock production interest was shown in the construction of new administrative buildings (Meat sector – 19 applications and Milk sector – six applications).

For investments from the area of environmental protection, 20 applications for project approval were submitted for: storage of manure and equipment for handling manure (ten applications in the Meat sector and five applications in the Milk sector) and for investments in renewable energy sources (Fruit and Vegetable sector -three applications, Meat sector -two applications).

As regards **Measure 3** (Graph 7), out of the total number of submitted applications for project approval (107), over 2/3 of submitted applications concerned applications under the Fruit and Vegetable sector (74 applications), primarily for investments in modernisation of equipment for processing and packing (38 applications) and for construction/reconstruction/modernisation of processing facilities (27 applications). Other types of investments have lower share in the total number of submitted applications under Measure 3.

Graph 6: Submitted applications for project approval per type of investment and per sector - Measure 3



Nine applications concerned environmental protection area, out of which seven applications were submitted for investments in renewable energy sources (the Fruit and Vegetable sector), while two applications were submitted for investments into wastewater treatment (the Fruit and Vegetable sector and in the Milk sector). There is notable decrease of the number of unclassified applications compared to the previous reporting (from 28 to 18).

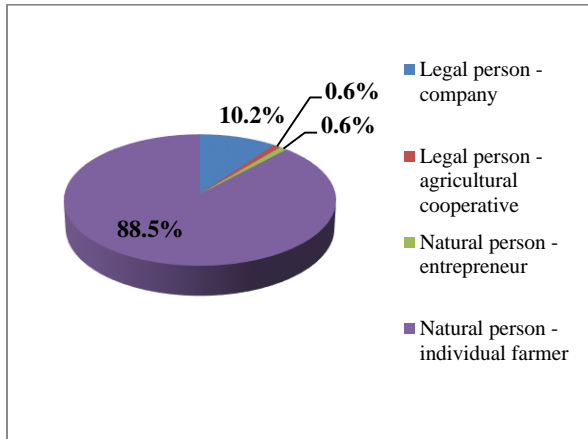
According to the **type of recipient (Graph 8)**, in the total number of submitted applications for Measure 1 and Measure 3, natural persons (individual farmers and entrepreneurs) account for 82% (which is an increase by 8 percentage points compared to the previous reporting), while legal entities (companies and agricultural cooperatives) constitute 18%.

Out of the total number of submitted applications under **Measure 1**, individual farmers make up the majority of 88.5%, companies make up 10.2%, while agricultural cooperatives and entrepreneurs make up much smaller percentages per 0.6% (Graph 8). Observed per calls, natural persons submitted the largest number of applications under the Second and Fourth Public Call (97%). For both public calls, the subject was the procurement of a new tractor.

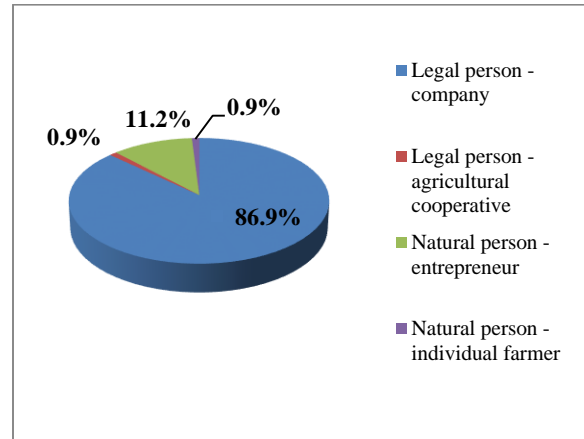
In the total number of submitted applications, natural persons constituted share of 74% under the First Public Call (74%), while under the Third Public Call they constituted share of 60%. In the structure of natural persons, the individual agricultural holdings constitute significantly higher share in the total number of applications compared to entrepreneurs (from 97% to 100%).

Graph 7: Structure of submitted applications per type of recipient (%)

Measure 1 –



Measure 3 –

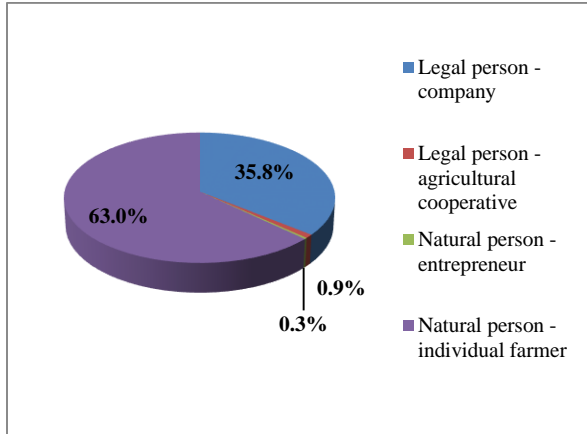


Although the share of natural persons, in the total number of submitted applications for Measure 1, is dominant (89%), the share of this category of recipients in the total requested expenditures is considerably lower (63%) but still has a growing tendency compared to the previous reporting (by 7 percentage points). This refers in particular to the First Public Call, where natural persons make up 40% of total requested expenditures, while, their share in the total number of submitted applications is 74%. As regards **Measure 3** ratios were reversed: out of the total of 107 submitted applications, 94 were submitted by legal entities (88%), and 13 by natural persons (12%). Same as for Measure 1, natural persons make up a lower share in total requested expenditures (11%) compared to their share in the total number of submitted applications 12% (Graphs 8 and 9).

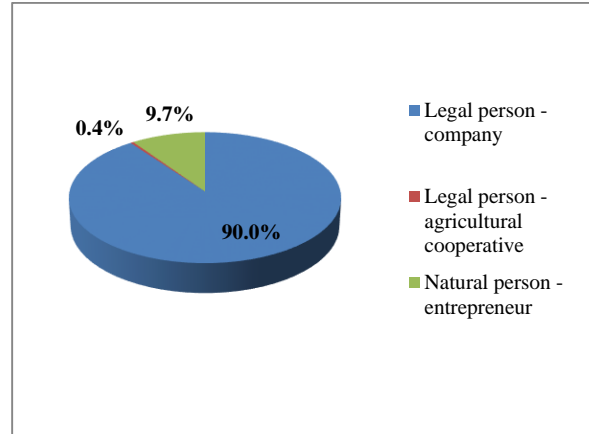
Viewed by calls, individual farmers have most significant share in the total requested expenditures under the Second Public Call and the Fourth Public Call. This category of potential recipients makes up the lowest percentage of the requested expenditures in the First Public Call (39%). Agricultural cooperatives make up share of 0.9% in the total requested expenditures (with the largest amount under the Third Public Call).

Graph 8: Structure of requested support by type of recipients

Measure 1



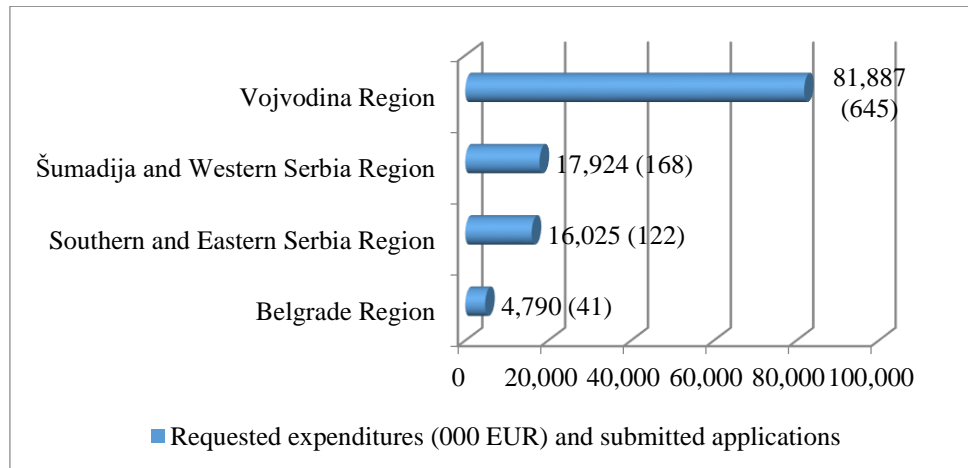
Measure 3



In the total number of submitted applications and requested expenditures under **Measure 3** for both calls, companies have dominant share, in terms of submitted applications - 86.9% (Graph 8), and in terms of the share in the total requires support – 90% (Graph 9). There was a considerable increase in the number of submitted applications and the amount of requested expenditures by companies under the Second Public Call, compared to the First Public Call from 23 to 70 applications, i.e. from EUR 9.7 to 37.7 million (Annex 3 of this Report).

By region under Measure 1 (Graphs 10 and 11), the Vojvodina Region makes up the largest share in the number of submitted applications for project approval and in the amount of requested expenditures. The Vojvodina Region makes up 66% (645 applications) of submitted applications under Measure 1, which constitutes an increase by six percentage points compared to the previous reporting period, while the share of this region in the requested expenditures is 68% (EUR 82 million), which constitutes an increase by seven percentage points.

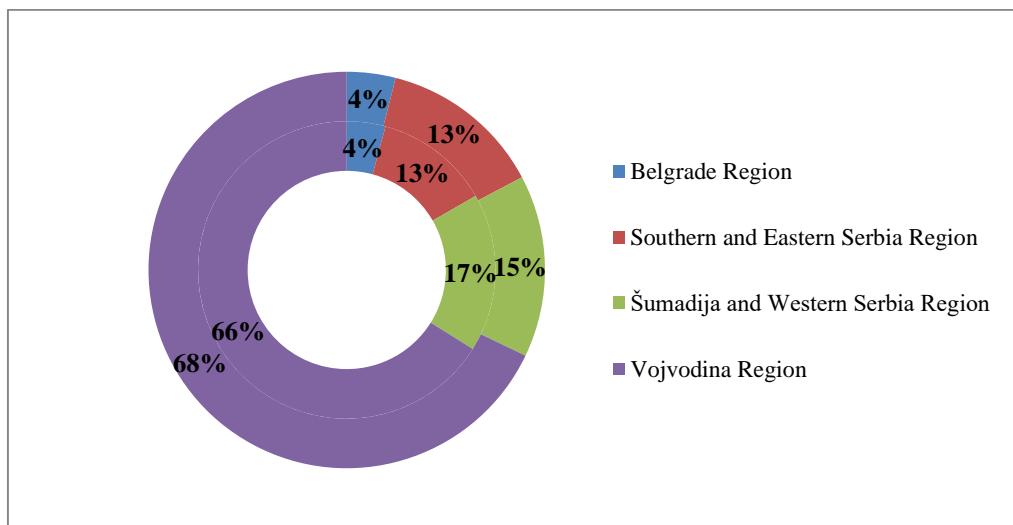
Graph 9: Requested expenditures and number of submitted applications per region for Measure 1



The Šumadija and Western Serbia Region makes up 17% (168 applications) out of the total number of submitted applications for project approval, and 15% out of total requested expenditures (EUR 18 million). The Southern and Eastern Serbia Region constituted 13% of the total number of submitted applications for project approval and in the total amount of requested expenditures (122 applications, i.e. EUR 16 million), while the Belgrade Region makes up 4% of the total number of submitted applications and the total amount of requested expenditures (41 applications, i.e. EUR 4.8 million)

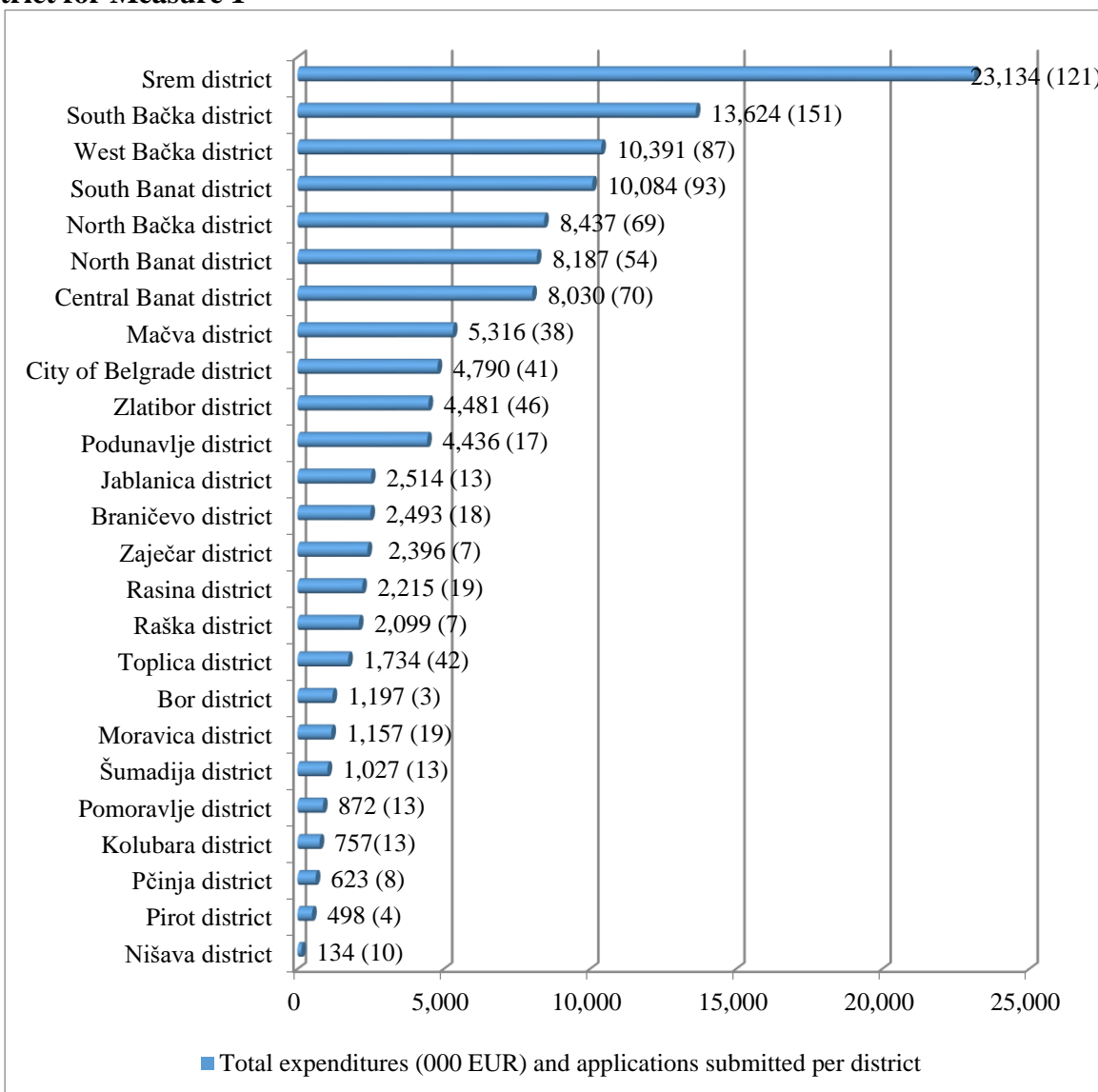
Compared to the previous semi-annual report, all regions, except the Vojvodina Region, had a decrease of the share in the total number of submitted applications for project approval and in total requested expenditures. The Vojvodina Region makes up a larger share in the total amount of support compared to the share in the total number of applications, whereas the Šumadija and Western Serbia Region has the higher share in submitted applications compared to share in total requested expenditures). The Southern and Eastern Serbia Region and the Belgrade Region made up identical share in both indicators (13% each, i.e. 4% each respectively). Total requested expenditures under Measure 1 for the Vojvodina Region (EUR 81.9 million) is still significantly larger than the Šumadija and Western Serbia Region (EUR 17.9 million), with a tendency of increasing the difference between these two regions in the amount of total requested expenditures (from EUR 35.7 million to EUR 64 million).

Graph 10: Share of regions in total requested expenditures and in the total number of submitted applications for Measure 1* (%)



*Outer ring: Share in total requested expenditures; Inner ring: Share in total number of submitted applications

The average value of investments per submitted application for project approval is EUR 124 thousand. The highest average value of investments per submitted application belongs to the Southern and Eastern Serbia Region (EUR 131 thousand) and the Vojvodina Region (EUR 127 thousand). Although the Šumadija and Western Serbia Region holds the second place in terms of total requested expenditures, it is in the last place in terms of average value of investments per submitted application (EUR 107 thousand).

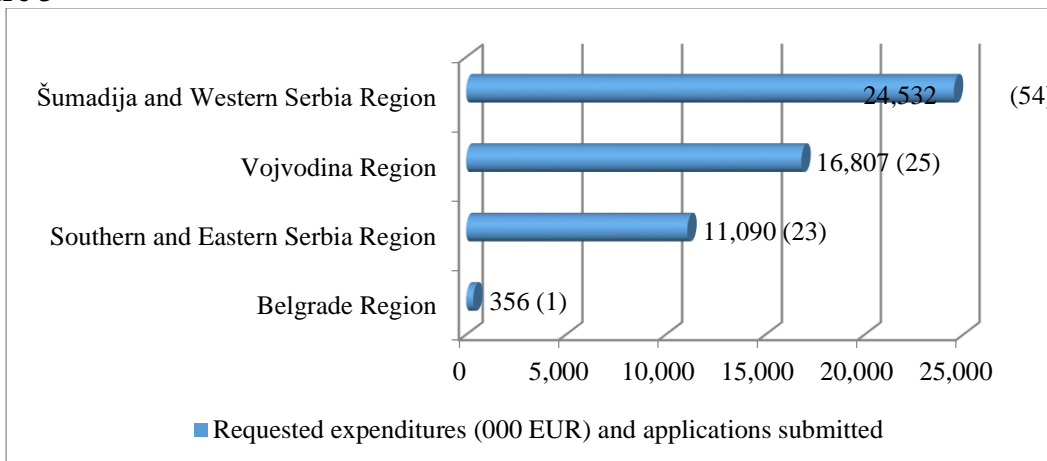
Graph 11: Requested expenditures and number of submitted applications per administrative district for Measure 1

The largest number of submitted applications for project approval had two **administrative districts** of the Vojvodina Region: South Bačka (151) and Srem (121). The first seven positions in the total amount of requested expenditures belong to the administrative districts of the Vojvodina Region, where the Srem District is in the first place (EUR 23 million). On the other hand, the lowest amount of requested expenditures relates to three administrative districts of the Southern and Eastern Serbia Region – Nišava, Pirot and Pčinja (Graph 12). It is interesting to note that administrative districts with the highest average value of investments per submitted application (over EUR 300 thousand) also belong to the Southern and Eastern Serbia Region (Bor District EUR 399 thousand –and Zaječar District EUR 342 thousand).

Within **Measure 3**, the highest share in the total number of requested expenditures has the Šumadija and Western Serbia Region (EUR 24.5 million), as well as in the submitted applications for project approval (54), followed by the Vojvodina Region, with an amount of requested

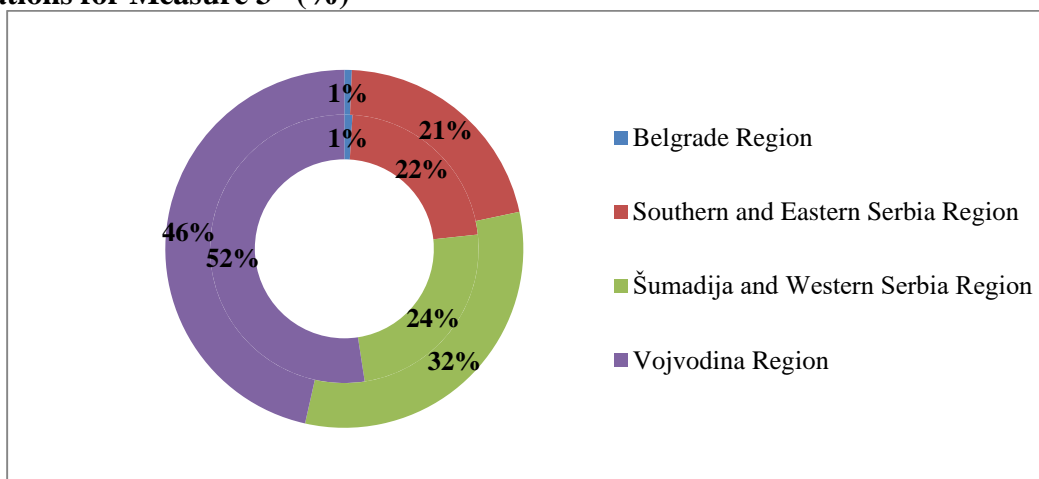
expenditures of EUR 16.8 million for 25 submitted applications, the Southern and Eastern Serbia Region with EUR 11 million of requested expenditures for 23 submitted applications, and finally, the Belgrade Region, with the lowest values for analysed indicators (Graph 13).

Graph 12: Requested expenditures and number of submitted applications per region for Measure 3



The Šumadija and Western Serbia Region has a significant share in the number of submitted applications (52%), as well as in the share of the total amount of requested expenditures (46%). In terms of the share for mentioned indicators, it is followed by the Vojvodina Region and the Southern and Eastern Serbia Region while the Belgrade Region has the lowest share.

Graph 13: Share of regions in total requested expenditures and in total submitted applications for Measure 3* (%)



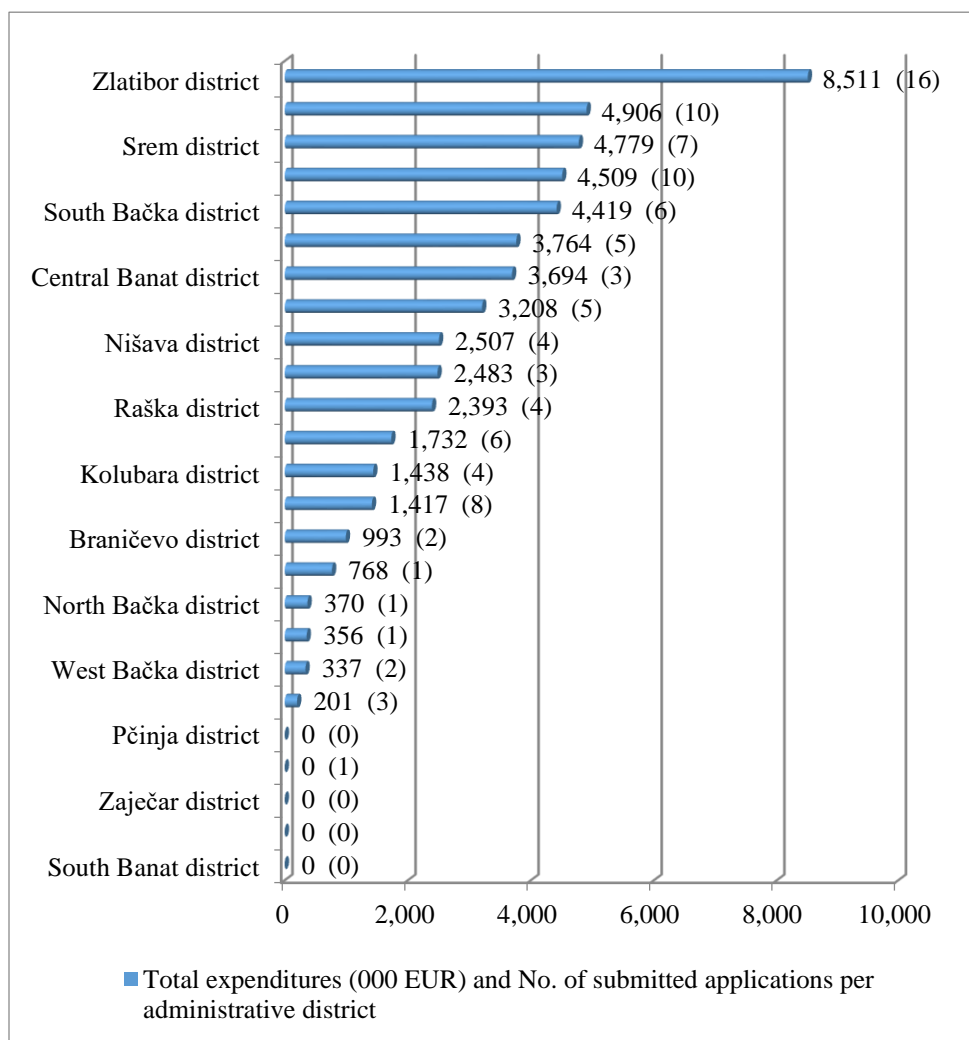
*Outer ring: Share in total requested expenditures; Inner ring: Share in total number of submitted applications

The average amount of investments for submitted applications for project approval, within Measure 3 (EUR 512 thousand), is considerably higher than for derived indicator for Measure 1 (EUR 127 thousand). Although the Šumadija and Western Serbia Region made up the highest share in the total number of submitted applications for project approval and in the amount of total requested expenditures, the Vojvodina Region had the highest average value of investments per submitted applications (EUR 672 thousand). At the same time, the other three regions had lower average values of investments per submitted application compared to the overall average for this

indicator: the Southern and Eastern Serbia Region – EUR 482 thousand, the Šumadija and Western Serbia Region – EUR 454 thousand, and the Belgrade Region – EUR 356 thousand. The largest share of the Šumadija and Western Serbia Region in the total amount of requested expenditures is certainly caused by the dominant position of the Zlatibor administrative district, which has an amount of EUR 8.5 million, in the total amount of requested expenditures, (16%). In addition to Zlatibor administrative district, Jablanica, Srem, Rasina and South Bačka administrative districts realize the amount of requested expenditures for project approval above EUR four million. The Southern and Eastern Serbia Region has largest number of administrative districts, with no applications for project approval submitted under Measure 3 (Graph 15).

Note: In the part of the Report concerning regions and administrative districts, applications for project approval, with no indicated location of the investment, were not included (90 applications under Measure 1 and four applications under Measure 3).

Graph 14: Requested expenditures and number of submitted applications per administrative district for Measure 3



2.3 Achievement of the proposed objective

Out of the total number of submitted applications for Measure 1 and Measure 3, 263 decisions on project approval were adopted, 263 applications were rejected and withdrawn and 145 payment requests were paid (Table 4).

Table 4: Overview of submitted, rejected, approved, withdrawn*applications and paid requests for Measure 1 and Measure 3

Measure	Processed applications				
	Submitted	Rejected	Approved	Withdrawn	Paid
1	1,066	135	229	92	145
3	107	28	34	8	0
Total	1,173	163	263	100	145

* Withdrawn applications due to a withdrawal of the applicant

Out of the total number of submitted applications, 22.4% were approved, with a notable increase in the number of approved applications in 2019 (92%) compared to 2018 year (8%). In spite of an increased rate of applications approval per years, there is still a problem of the high rate of rejected/withdrawn applications compared to the total number of submitted applications (14% applications rejected through a decision and 9% applications withdrawn, due to the applicant).

The progress in the achievement of target values of output indicators, as well as targets for Measure 1 and Measure 3, are shown in Tables 5 and 6.

Table 5: Output indicators and targets for Measure 1

Type of indicator	Indicator	Realization in 2018	Realization in 2019	Realized in total from 2014-2020	Target value 2014-2020
Output indicator	Number of project supported	0	145	145	720
	Amount of investment (EUR)	0	9,645,783	9,645,783	168,977,778
Targets	Number of holdings performing modernization projects	0	145	145	600
	Number of holdings progressively upgrading towards EU standards	0	145	145	380
	Number of holdings investing in renewable energy production	0	0	0	60

Table 6: Output indicators and targets for Measure 3

Type of indicator	Indicator	Realization in 2018	Realization in 2019	Realized in total from 2014-2020	Target value 2014-2020
Output indicator	Number of project supported	0	0	0	463
	Amount of investment (EUR)	0	0	0	165,893,333
Targets	Number of holdings performing modernization projects	0	0	0	463
	Number of holdings progressively upgrading towards EU standards	0	0	0	463
	Number of holdings investing in renewable energy production	0	0	0	46

Regarding that it is the starting year of the IPARD II Programme implementation, during 2018, there were no approved decision on payment of IPARD support. In 2019, a total of 145 decisions on payment of IPARD support were adopted, for Measure 1, which indicates 20% execution of the outcome indicator “Number of projects supported” for Measure 1. The execution rate for the indicator “Amount of investment” for Measure 1 is 5.7%. A higher execution rate by the end of 2019 was achieved for target indicators concerning modernisation of production and monitoring of the progress in the achievement of the EU standards. Target indicators concerning investments in the production of energy from renewable sources and investments in manure storage were not realized from the point of view of the adopted decisions on payment of IPARD support, although both the submitted and approved requests for the mentioned types of projects are evident.

In terms of sectors, within Measure 1, according to the execution rate, the Other crops sector absolutely dominates in the total number of adopted decisions on payment of IPARD support with 101 decisions (70%), followed by the Fruit and Vegetable sector with 28 adopted decisions on payment of IPARD support and a share of 19%, while other sectors have considerably lower number of approved decisions on payment of IPARD support (ten decisions in Meat sector and six decisions in Milk sector).

In terms of the realization on the programme level (Table 6.4 of the IPARD II Programme), the total execution rate for the indicator “Number of projects having received IPA support in agri-food sector and rural development” is 10%, while the execution of the programme indicator “Total investment generated via IPA in agri-food sector and rural development” was 2.6% in the same period.

3. FINANCIAL COMMITMENTS AND EXPENDITURE BY MEASURE, SUMMARY OF THE ACTIVITIES UNDERTAKEN IN RELATION TO THE EVALUATION PLAN

The IPARD II Programme defines the total indicative EU contribution for the period 2014-2020, amounting to EUR 175 million. According to NF data, interest earned on an IPARD II Euro account, opened in the NBS since the beginning of the IPARD II Programme, is EUR 0.00.

Table 7: Maximum indicative EU contribution* for IPARD funds for period 2014-2020 (EUR)

Year	2014	2015	2016	2017	2018	2019	2020	2014 – 2020
Total (EUR)	-	15,000,000	20,000,000	25,000,000	30,000,000	40,000,000	45,000,000	175,000,000

Source: IPARD II Programme, 2019

* Contributions are indicative, as amounts are defined annually within the EU budget.

Within the total public assistance for entrusted measures, 75% of the amount concerns EU contribution, while the national contribution constitutes 25% of the public assistance (Table 8). The largest amounts of both the total public assistance and EU contributions were allocated after receiving the entrustment of budget implementation task for Measure 1 and Measure 3. Measure 1, with the amount of total public assistance of EUR 101,386,667 (44%) makes up the largest percentage in the total allocated IPARD funds, while the amount of the EU contribution is EUR 76,040,000. Measure 3 makes up 36% share in the IPARD fund.

Table 8: Financial plan per measure in EUR, 2014-2020

Measure	Total public assistance (EUR)	EU contribution (EUR)	EU contribution (%)	National contribution (EUR)	National contribution (%)
Investment in the physical assets of agricultural holdings	101,386,667	76,040,000	75	25,346,667	25
Investments in physical assets concerning processing and marketing of agricultural and fishery products	87,346,667	65,510,000	75	21,836,667	25
Agri-environment-climate measures and organic farming measure	10,294,118	8,750,000	85	1,544,118	15
Implementation of Local Development Strategies - LEADER approach	5,833,333	5,250,000	90	583,333	10
Farm diversification and business development	20,000,000	15,000,000	75	5,000,000	25
Technical assistance	5,235,295	4,450,000	85	785,295	15
Total	230,096,080	175,000,000		55,096,080	

Source: IPARD II Programme, 2019

From the beginning of the IPARD II Programme implementation, decisions on project approval were adopted with EU contribution of EUR 14,993,126, which is 8.6% of the EU share in the indicative financial plan of the IPARD support. Out of the above approved amount of EU contribution, 52.5% concerned Measure 1 and 47.5% Measure 3. Although the approved amount of support concerning EU contribution was, in its absolute amount, larger for Measure 1 (EUR 7,867,553) compared to the Measure 3 (EUR 7,125,573), a larger percentage of execution of the indicative budget of EU contribution was achieved for Measure 3 (10.9%) compared to the rate of budget execution for Measure 1 (10.3%) (Table 9).

Table 9: Financial implementation per IPARD measure considering EU contribution (EUR)

Measure	Total public assistance	EU contribution				
		indicative financial plan	approved amount	paid amount	Approved (%)	Paid (%)
1	101,386,667	76,040,000	7,867,553	4,577,520	10.3	6.0
3	87,346,667	65,510,000	7,125,573	0	10.9	0
4	10,294,118	8,750,000	0	0	0	0
5	5,833,333	5,250,000	0	0	0	0
7	20,000,000	15,000,000	0	0	0	0
9	5,235,295	4,450,000	0	0	0	0
Total	230,096,080	175,000,000	14,993,126	4,577,520	8.6	2.6

Source: IPARD II Programme, 2019

By the end of 2019, EU support in the total amount of EUR 4,577,520 was paid (total payment was made under Measure 1), which contributed to the execution rate of 6.0% out of the total EU contribution for Measure 1, i.e. 2.6% out of the total EU contribution envisaged in the indicative financial plan of IPARD support (Table 9).

Compared to the previous year, considerable progress was made in the financial implementation concerning support in the portion of EU contribution in 2019 (Table 10).

Table 10: Utilisation of financial resources for Measure 1 and Measure 3 considering EU contribution per years (EUR)

Measure	Indicative financial plan	2018				2019			
		Approved amount	%	Paid amount	%	Approved amount	%	Paid amount	%
1	76,040,000	1,471,735	1.9	0	0	6,395,818	8.4	4,577,520	6.0
3	65,510,000	0	0	0	0	7,125,573	10.9	0	0
Total	175,000,000	1,471,735	0.8	0	0	13,521,391	7.7	4,577,520	2.6

Source: IPARD II Programme, 2019

Per year of the IPARD II Programme implementation, in 2019, decisions were adopted both on project approvals and on payment of IPARD support, by which the amount of EUR 13.5 million of EU contribution was approved and EUR 4.6 million of EU contribution was paid. This may be considered a positive tendency considering 2018. Considerable progress was made in terms of the timetable of adopting decisions on approvals and payments for projects in 2019, compared to the previous year, 2018. The average amount of approved EU contribution for Measure 1 until the end of 2019 was EUR 34,356, while this amount for Measure 3 was much higher (EUR 209,576) and the average amount of paid support of EU contribution for Measure 1 was EUR 31,569. As regards

Measure 1, there was a notable decrease of the average amount of approved EU contribution in 2019, compared to 2018.

In 2018, five public calls were announced for submission of applications for project approval and four public calls were closed: two for Measure 1 and two for Measure 3. During the same year, 20 applications were approved, with public support in the total amount of EUR 1,962,313 and EU contribution of EUR 1,471,735. 89 decisions on rejections were adopted, with the necessary amount of support of EUR 1.9 million, as well as 32 decisions on withdrawals of applicants were adopted, with the necessary EU support in the amount of EUR 0.6 million. Not a single decision on payment of IPARD support was adopted. All applications processed in 2018, including 20 approved applications, concern Measure 1 (Table 2, Annex 2).

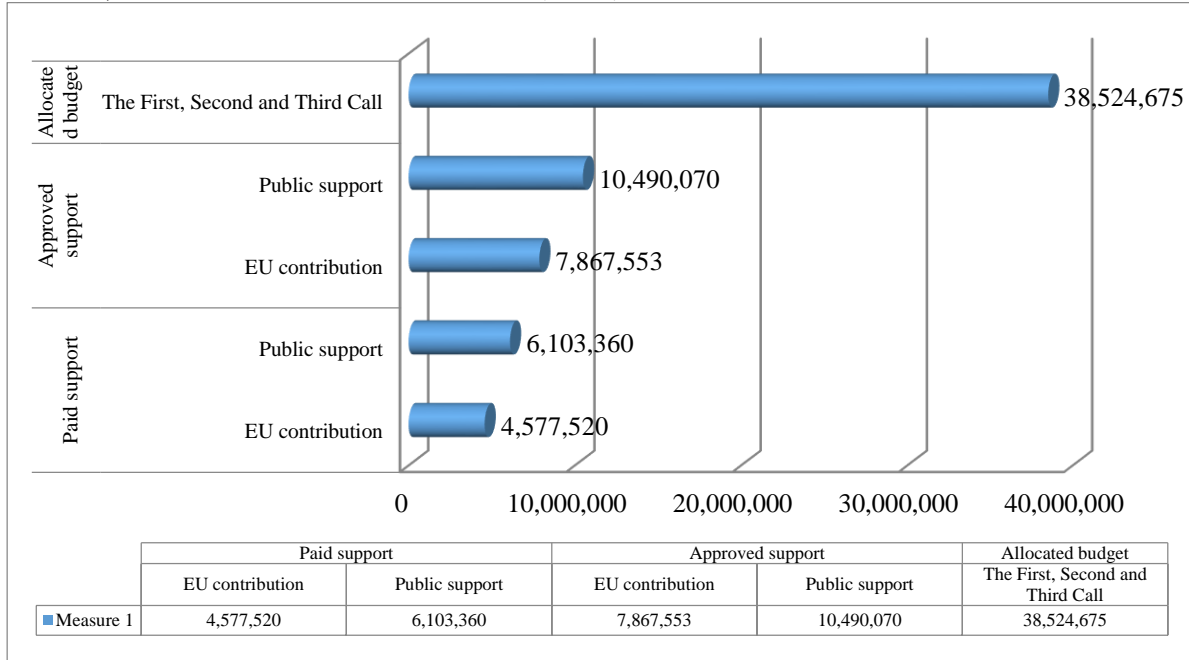
In 2019, the Second Public Call for Measure 3 was closed and three public calls were announced for submissions of applications for project approval: two for Measure 1 and one for Measure 3. A total of 243 applications were approved, with the total public support in the amount of EUR 18 million and EU contribution in the amount of EUR 13.5 million. For Measure 1, 209 applications were adopted, with a public support in the total amount of EUR 8,527,757 and EU contribution in the amount of EUR 6,395,818, and for Measure 3, 34 applications were adopted with total support in the amount of EUR 9.5 million and EU contribution in the amount of EUR 7 million concern Measure 3. 46 applications were rejected with the EU contribution in the amount of EUR 4,618,403. Compared to the previous year, 2018, there was also an increase of the number of withdrawals of applicants (60 applications, with the necessary support of EU contributions in the amount of EUR 3 million). In 2019, 145 applications were paid, with public support in the total amount of EUR 6,103,360 and EU contribution in the amount of EUR 4,577,520. All applications paid in 2019 concern Measure 1 (Tables 2 and 3, Annex 2).

Table 11: Allocations and payments per year for Measure 1 (EUR)

Year	EU contribution							
	2014	2015	2016	2017	2018	2019	2020	2014 – 2020
Total public support	-	7,535,248	9,900,325	10,622,224	11,199,743	17,002,434	19,780,025	76,040,000
EU	-	5,651,436	7,425,244	7,966,668	8,399,807	12,751,826	14,835,019	57,030,000
RS	-	1,883,812	2,475,081	2,655,556	2,799,936	4,250,609	4,945,006	19,010,000
Paid public support	-	0	0	0	0	6,103,360		
EU	-	0	0	0	0	4,577,520		
RS	-	0	0	0	0	1,525,840		

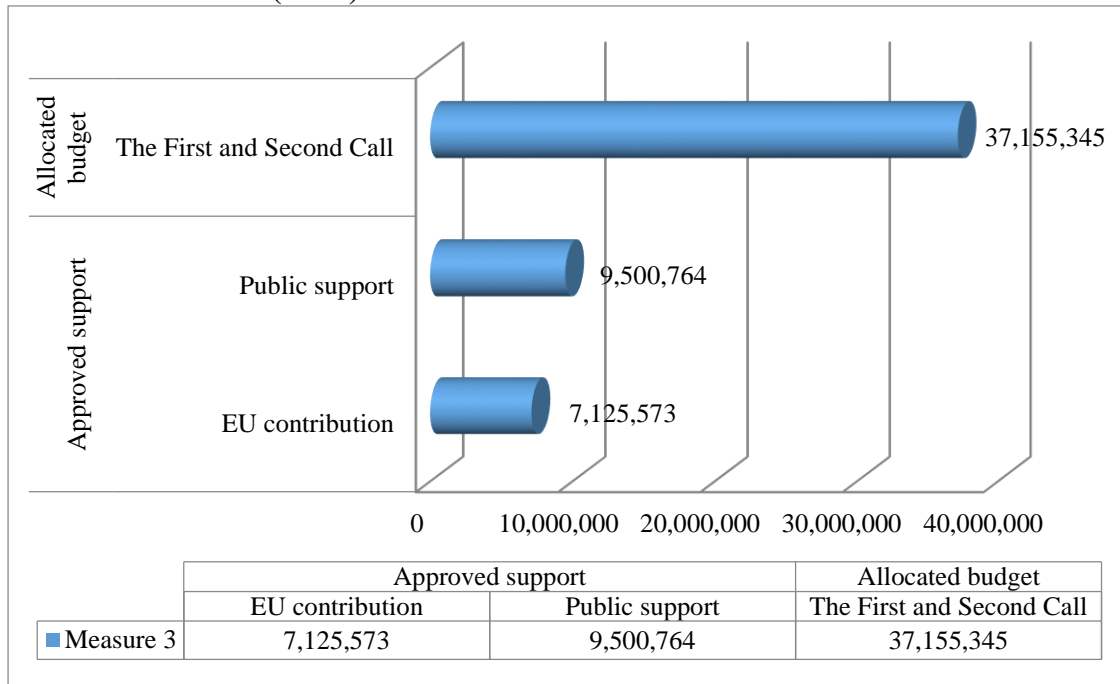
For the first three calls for Measure 1, it was approved 27% of the total public support (EU contribution of 20.4%) and paid 15.8% of the total public support (EU contribution 11.9%) – from the IPARD allocation for 2016 (Graph 16).

Graph 15: Approved and paid support in relation to the allocated budget for Measure 1 – The First, Second and Third Public Call (EUR)



By the end of 2019, within the First and the Second Public Call for Measure 3, 26% of total allocated public support was approved (EU contribution 19.2%), which represent higher amount of approved support compared to Measure 1. In Measure 3, in 2019, no applications were paid, compared to Measure 1. (Graph 17).

Graph 16: Approved support in relation to the allocated budget for Measure 3 – The First and Second Public Call (EUR)



4. MEASURES TO IMPROVE THE QUALITY AND EFFICIENCY OF THE IPARD PROGRAMME IMPLEMENTATION

During the reporting period, there were four personal changes in the Managing and IPARD Operating Structure. In 2018, two personal changes were made, one in the Managing and one in the IPARD Operating Structure. In regard to the Managing Structure, Slavica Savičić was appointed on the position of the National Authorizing Officer, which was formally confirmed at the Government session, held on 6th September, 2018. The second personal change was related to the IPARD Operating Structure, where Jasmina Miljković was appointed as Head of the Managing Authority on 20th September 2018.

In 2019, there were personal changes in the Managing and IPARD Operating Structure. Gojko Stanivuković was appointed on the position of the National Authorizing Officer by Government Decision No. 119-418/2019 from 18th January, 2019. When it comes to the IPARD Operating Structure, as new Acting Director of the IPARD Agency Biljana Petrović was appointed in February 2019.

Personal changes in the Managing and IPARD Operating Structure in the previous period had no negative impact on the stability of the Managing and IPARD Operating Structure, on the contrary, IPARD implementation is ongoing and entrustment for two additional measures (M7 and M9) is obtained. Furthermore, in the view of retention policy the Head of the Managing Authority is permanently employed senior civil servant.

4.1 Managing Authority Activities

The Managing Authority is responsible for preparing and implementing the IPARD II Programme, as follows:

- drafting the IPARD II Programme and any amendments to it;
- the controllability and verifiability of the measures defined in the IPARD II Programme;
- the selection of measures under each call for submission applications, the eligibility conditions and the financial allocation per measures and per calls;
- development and updating of the appropriate national legal basis for IPARD II Programme implementation;
- assisting and supporting the IPARD II Monitoring Committee work.

The Managing Authority is responsible for establishing a reporting and information system to gather financial and statistical information on progress of the IPARD II Programme, on the basis of information provided by the IPARD Agency. The reporting and information system shall contribute to the compilation of annual and final reports on IPARD II Programme implementation, which the Managing Authority shall submit to the IPARD II Monitoring Committee, NAO, NIPAC and EC.

The Managing Authority shall prepare an Annual Action Plan for the envisaged activities under the Measure 9, Report on the progress of the Evaluation plan, as well as Report on the progress of the Plan of Visibility and Communication Activities. All documents shall be submitted to the IPARD II Monitoring Committee for approval.

Risks encountered in implementing the IPARD II Programme and actions taken

In the reporting period, the Managing Authority, in coordination with the IPARD Agency, undertook activities in order to identify and eliminate risks and deficiencies affecting the implementation of the IPARD II Programme with the aim of IPARD II Programme improvement. The activities stated in the Table 12 are related to three modifications of the List of eligible expenditures and modifications of the rulebooks for Measure 1 and Measure 3 undertaken after modifications of the IPARD II Programme (more about it in the point 4.6. of this Report).

Table 12: Activities in risk mitigation and deficiencies in the implementation of the Measure 1 of the IPARD II Programme

Risks in the implementation of the measure (verifiability and controllability)	Mitigating Actions	Overall assessment
1. Potential risk for the Implementation of the two new sectors in IPARD Programme (grape and egg production)	Meetings with experts who worked on the preparation on sectoral analyses for Grape sector and Egg sector, communication process with stakeholders, MC members and DG AGRI	Prepared: <ul style="list-style-type: none"> • sectoral analyses; • the Third modification of the IPARD II Programme
2. Potential risk to define specific eligibility criteria for the egg sector and grape sector	Following the elaboration of sectoral analyses and communication process, specific criteria have been defined in cooperation with all representative stakeholders. The specific criteria were further agreed at the regular MA and IA meetings. Operating structure meetings are held every week.	Harmonized specific eligibility criteria for two new sectors (egg sector and grape sector)
3. Need for new definition of specific eligibility criteria for the nursery production in fruit and viticulture sector, because producers engaged in nursery production cannot meet the specific criteria as fruit producers.	Following the elaboration of sectoral analyses and communication process, specific criteria have been defined in cooperation with all representative stakeholders. The specific criteria were further agreed at the regular MA and IA meetings.	Harmonized specific eligibility criteria in nursery production
4. Potential risk for implementation of Measure 1 due to introduction of new group of investments in fruit sector (investment in establishing and restructuring of fruit plantations (purchase of perennial planting material - except annual plants), including soil preparation)	Regular MA and IA meetings. Meetings with representatives of agrarian policy sector and consultations with MC members and DG AGRI	Amendment to the Rulebook on IPARD subsidies for the investments in physical assets of agricultural holdings ("Official Gazette of the RS", No 84/17, 112/17,78/18 and 67/19)
5. a) During application processing, a risk was identified in defining the location of investment, so the definition of the location of investment was specifically indicated in the	Regular MA and IA meetings.	Amendment to the Rulebook on IPARD subsidies for the investments in physical assets of agricultural holdings ("Official Gazette of the RS", No 84/17, 112/17,78/18 and 67/19)

<p>rulebook, which is stated in the application for project approval.</p> <p>b) Risk was identified in determining the size of legal entities.</p> <p>c) The risk is identified for potential recipients who will invest in the procurement and installation of equipment in already existing facilities to submit application for project approval with building permit enclosed, issued by local self-governments (excluding use permit in the project approval stage).</p> <p>d) The risk was identified that the potential recipients cannot submit official financial statements at the time of submission of application for the previous calendar year.</p>		<p>with technical clarifications, definitions, specific criteria, necessary application documentation and a List of Eligible Expenditures were adopted.</p>
<p>6. A risk has been identified with small producers in the fruit and vegetable sector, with mixed farms, who are not able to meet animal welfare standards.</p>	<p>Regular MA and IA meetings. Meetings with representatives of Sector for agrarian policy , technical bodies and consultations with MC members and DG AGRI</p>	<p>The Second Modification of the IPARD Programme and Amendments to the Rulebook on IPARD subsidies for the investments in physical assets of agricultural holdings (“Official Gazette of the RS”, No 84/17, 112/17 and 78/18), by which a derogation from the verification of national standards on AH up to 15 ha in the Fruit and Vegetable sector was adopted, in such a way that the standards are checked only in the sector of investment to which the application relates and not on the entire AH, as it was previously defined.</p>
<p>7. Potential risk for implementation of Measure 1 due to introduction of new group of investments in Meat sector, (keeping/breeding of heavy lines parent flocks)</p>	<p>Regular MA and IA meetings. Meetings with representatives of agrarian policy sector and consultations with MC members and DG AGRI</p>	<p>Amendment to the Rulebook on IPARD subsidies for the investments in physical assets of agricultural holdings (“Official Gazette of the RS”, No 84/17, 112/17 and 78/18)</p>
<p>8. The risk was identified that applicants with small plantations could apply for large storage capacities and then after the realization of the investment they were engaged only in trade and not in their own production.</p>	<p>Regular MA and IA meetings and consultations with MC members and DG AGRI</p>	<p>Amendments to the Rulebook on IPARD subsidies for the investments in physical assets of agricultural holdings (“Official Gazette of the RS”, No 84/17, 112/17 and 78/18). Definition of Specific eligibility criteria in the</p>

		fruit and vegetable sector. (for storage facilities, however, capacities have to be met at the beginning of investment)
9. The need has been identified to enable open-field vegetable producers with more than 50 hectares and less than 100 hectares to use IPARD support to increase competitiveness	Regular MA and IA meetings and consultations with MC members and DG AGRI	The Second Modification of the IPARD Programme and Amendments to the Rulebook on IPARD subsidies for the investments in physical assets of agricultural holdings (“Official Gazette of the RS”, No 84/17, 112/17 and 78/18). Definition of specific eligibility criteria for Vegetables sector (from max 50 ha to max 100 ha)

Table 13: Activities in risk mitigation and deficiencies in the implementation of the Measure 3 of the IPARD II Programme

Risks in the implementation of the measure (verifiability and controllability)	Mitigating Actions	Overall assessment
1. Potential risk for the implementation of the Measure 3 implementation in Egg and Wine sector	Meetings with experts who worked on the preparation on sectoral analyses for Grape sector and Egg sector, communication process with stakeholders, MC members and DG AGRI	Prepared: <ul style="list-style-type: none"> • sectoral analyses; • the Third modification of the IPARD II Programme
2. Risk was identified regarding defining specific eligibility criteria for the Egg processing and Wine sector	Specific criteria have been defined in communication process with all representative stakeholders. The specific criteria were further agreed at the regular MA and IA meetings.	- Amendments to the Rulebook on IPARD subsidies for the investments in physical assets concerning processing and marketing of agricultural products and fishery products (“Official Gazette of the RS”, No 84/17, 23/18, 98/18 and 82/19) to harmonize specific eligibility criteria in two new sectors (egg and wine)
3. a) During application processing, a risk was identified in defining the location of investment, so the definition of the location of investment was specifically indicated in the rulebook, which is stated in the application for project approval.	Regular MA and IA meetings.	Amendments to the Rulebook on IPARD subsidies for the investments in physical assets concerning processing and marketing of agricultural products and fishery products (“Official Gazette of the RS”, No 84/17, 23/18, 98/18 and 82/19) with technical clarifications, definitions, specific

<p>b) Difficulties in defining related legal entities have been identified.</p> <p>c) The size of legal entities needed to be further defined. The rulebook should define specific eligibility criteria for new sectors</p>		<p>criteria, necessary application documentation and a List of Eligible Expenditures were adopted.</p>
<p>4. In 2018 budget implementation tasks for Measure 7 and Measure 9 were not entrusted and it was necessary to reallocate the budget in order to eliminate the risk of returning the funds intended for potential recipients of these measures to the EU budget (de-commitment).</p>	<p>Regular MA and IA meetings and consultations with NAO and DG AGRI</p>	<p>By the Second Modification of the IPARD II Programme the budget reallocation from 2015 and 2016 was carried out for Measure 7 and Measure 9 to the budget for Measure 3</p>

4.1.1 Statement of assurance

In accordance with the timeframe defined in internal horizontal procedures, the Managing Authority and the IPARD Agency submitted to NAO annual Management declarations and declarations regarding implemented internal audits and controls within the framework of the IPARD Operating Structure for 2018 and 2019, from the point of view IPARD II Programme implementation in the Republic of Serbia, for the purpose of reporting to European Commission.

The Managing Authority and the IPARD Agency report to NAO on all the relevant information concerning requested/approved amendments to prescribed and entrusted internal procedures, employee status and any changes in the number of employees, planned and implemented employee trainings, as well as implemented internal audits with findings, recommendations and status of implementation of corrective actions, in the form of Management Declaration with annexes. In addition, on the request of NAO, Managing Authority and IPARD Agency shall submit, in the form of the Progress Report, other necessary relevant information, in particular concerning legal base, organisational and personal changes, the most important meetings held on the management level, including IPARD II Monitoring Committee meetings, etc.

NAO has submitted Annual Management Declarations for 2018 and 2019 to the EC, regarding the IPARD II Programme implementation that covers:

- 1) the overall responsibility for the financial management of EU funds in the RS and for the legitimacy and regularity of the basic transactions;
- 2) the responsibility for the effective functioning of the management and internal control systems under IPA II.
 - The Annual Management Declaration is based on direct and continuous supervision and monitoring of the proper functioning of the Internal Control System set up for the implementation of the IPARD II Programme for the period 2014-2020, where the following

areas are emphasised for 2019: Timely implementation of IPARD II Programme for the period 2014-2020 - in order to insure timely implementation and absorption of IPARD funds, special attention is given to regular monitoring and supervising key processes and improvement of the collaboration between Management and Operating Structure. One of the tools to be used will be regular meetings in order to participate in discussions on the ongoing tasks and issues. In addition, an Action Plan for finalization of IPARD II entrustment process for Measure 7 and Measure 9 is prepared and adopted by IPARD OS.

- Staff capacity in all IPARD Bodies, focusing on:
 - further recruitment of staff in accordance with work load analysis (WLA);
 - applying different tools and mechanisms for retaining staff;
 - continuous training and improving institutional capacity.
- Implementation of Retention policy for staff within IPARD bodies - during 2020, NAO/NAO SO will work intensively to find the adequate solutions and measures for staff retention.

4.2 NAO SO and National Fund Activities

Management and Operating Structure submitted several requests for modifications of the procedures by the end of the reporting period. All proposed modifications were assessed and approved by NAO with support of NAO SO, except one that was assessed as substantial and approved by DG AGRI (Ref. Area (2019) 5128610-07/08/2019). Proposed and approved substantial modification concerns the sequence of the steps to be followed in the procedure for scoring and ranking of the applications for the future calls under Measure 1, in order to make the processing of applications more efficient. More about the National Fund (NF) activities is given in the point 4.9.

4.3 IPARD Agency Activities

According to the Rulebook on Internal Organisation and Systematization of Work Posts in the MAFWM from 2019, the number of systematized work posts within the Directorate for Agrarian Payments is 180, out of which 150 are working on implementation of the IPARD II Programme

The total number of employees in the DAP was 227 on 31st December 2019 (142 permanent employees and 85 contracted employees), out of which 124 IPARD staff (116 permanent employees and 8 contracted employees). Public competition for the recruitment of 31 employees, out of which 28 IPARD staff, has been announced in August 2019. Finalisation of the public competition is expected in the first half of 2020.

An amendment to the Rulebook on Internal Organization and Systematization of Work Posts in the MAFWM was prepared at the end of 2019, which entered into force on 22nd January 2020, and the number of systematized working positions within the DAP increased to 282 (102 new working positions), out of which 234 are IPARD staff.

When it comes to **exceptional situations**, in total ten requests for approving exceptional situation were submitted, out of which six requests were approved, one request was partially approved, two

requests were rejected and for one request the NAO estimated that the situation described in the request should not be considered as exceptional.

IPARD Registry Office

In the IPARD Registry Office Unit, the principle of “4 eyes” control was introduced into the work process on 19th August 2019, by which the procedure for opening and recording mail is defined in more detail, the way of submitting files from IPARD Registry Office to the other organizational units is simplified, registered mail with electronic tracking is introduced and archiving is more closely regulated. The above changes were harmonized with the Decree on Office Management of the State Administration Authorities, technical compliance of procedures and harmonization with key criteria for entrustment.

Sector for On-the-spot control

Modification of Sector for On- the-spot control procedures, accepted by NAO on 19th August 2019, referred to modifications due to introduction of the new sectors in Measure 1, more specified mechanisms of on-the-spot controls, corrections in accordance with action plan, technical corrections and introduction of a new document (DAP04-03.02 Request for verification of compliance with national and EU standards) as part of preparations for implementation of ex post controls. All aforementioned resulted in increasing efficiency in implementation of on-the-spot controls. Furthermore, continuous education of controllers significantly contributes to realisation of all goals of the Sector for On-the-spot control.

Sector for Payment Approval

During the application processing Sector for Payment Approval encountered challenges related to the verification of double financing in the Department for Contracting and Financing of European Union Funded Programmes of the Ministry of Finance, informing about deadlines and domestic origin of goods for investments in construction.

When it comes to the verification of double financing in the Department for Contracting and Financing of European Union Funded Programmes of the Ministry of Finance, by modifying the procedures, Version 1.2 from 11th January 2019, access to the concluded contracts register, where the check of recipients is done, was enabled.

The second modification, Versions 2.1 from 19th August 2019, was related to the removal of document “UAP03-01.03 Deadline Notice” due to it was unable to deliver the document to recipients on time, whose rights were not affected by this modification.

Since there is not an official document confirming that some object is of domestic origin, with the aim of proving the domestic origin of goods for investments in construction, it is necessary to require the origin of the goods for each investment item. This slowed down the work of the processors and recommendation is to come to an agreement with the competent institution on issuing this type of certificate.

The Department for Project Approval

The challenges of the Department for Project Approval, as well as the ways for overcoming them relate to:

- Insufficient knowledge of the methodology for analysing the business plan and comparing offers- this is resolved by continuous trainings of employees in the Department for Project Approval;
- Long time spent on business plan analysis – which is overcome through procedural simplification of business plan that reduces the possibility of error;
- Insufficient number of employees - it is resolved by new employments;
- Incompleteness of submitted applications - it is decreased by series of additional training of consultants and applicants by MA which resulted in submission of better quality applications;
- Submission of blank applications – it is stopped by public indicating of Operating Structure to the consequences of such actions and the mentioned situation is overcome by Urgent Submission of a Call for Correction of the Submission with clearly defined deadline for supplementation;
- Long and complex period of application processing in situations when the procedure of scoring and ranking is carried out - it is partially overcome by a substantial modification of procedure;
- Large number of applications for extension of deadline which delays a payment period - it is partially overcome by adjusting the deadline to each specific request and project.

The challenge that the Department for Project Approval faces with is obligation of acting according to the Law on General Administrative Procedure, which allows the applicant to change his/her application by the time the decision is delivered, which results in significant extension of the administrative application processing.

4.3.1 Controls carried out per measures and irregularities detected

On-the spot controls carried out

IPARD Agency has carried out a total of 237 on-the spot controls in 2018 and 273 on-the spot controls in 2019. When it comes to on-the-spot controls on the basis of which decisions on project approvals were adopted, IPARD Agency has carried out 263 controls. Observed per measures, 229 controls in Measure 1 (87%) 34 controls in Measure 3 (13%) have been conducted. Until the end of reporting period, no ex-post control has been conducted (Tables 10 and 11, Annex 2).

The first on-the-spot controls, with the aim of controllers' education, were carried out under supervision. On-the –spot controls, before project approval, carried out for the First Public Call, had as a challenge a lack of technical equipment for field work.

Applicants withdrawal is recorded during the on-the spot controls performance and on-the-spot control announcements. Also, projects were rejected in the case of failure to meet specific eligibility criteria and non-compliance with application data. Controllers often encountered changes of location for control of investment.

Identified irregularities

During 2018, two signals of irregularities were reported to the IPARD Agency. One signal was reported by an anonymous applicant and the other by the employee of the Directorate for Agrarian

Payments. The procedure for both reported signals was terminated by a decision that the reported irregularities were not irregularities within the meaning of Article 51, Paragraph 5, Point b) of the Framework Agreement. Both reported irregularities were related to the irregularities in the approval phase of the IPARD project.

During 2019, a total of eight signals of irregularities were reported to the IPARD Agency. One signal was reported by an anonymous applicant and the others signals were reported by the employees of the DAP. Five reported irregularities were related to irregularities that occurred during the approval phase of the IPARD project and two reported irregularities were related to irregularities that occurred after the project approval and before the payment of the IPARD subsidies. One reporting on irregularity concerned the taking advantage of the appointed persons position. There was no reporting on irregularities incurred after the payment of IPARD subsidies.

One of reported irregularities signals, due to the nature of signal, was forwarded to the NAO for a further consideration. The procedure for this signal has not yet been completed. For the six reported irregularity signals, the procedure was terminated by the decision that the reported irregularities were not irregularities.

For one reported irregularity signal, the procedure was terminated by the decision of the DAP Director that it constitutes irregularities within the meaning of Article 51, Paragraph 5, Point b) of the Framework Agreement. Considering that the confirmed irregularity appeared during the approval phase of the IPARD project and it was an irregularity that had no financial effects, no refund procedure was initiated regarding the suspicion of fraud.

No irregularities have been identified through on-the-spot controls until now.

4.3.2 Audit Missions

Since the beginning of the IPARD II Programme implementation, EC auditors have not conducted audits, for exception of audits related to the submitted requests for entrustment of the budget implementation tasks for the IPARD II Programme.

The Audit Authority conducted one system audit in 2018. Key findings are related to:

- non-compliance with the procedure for project approval,
- lack of full compliance of ISMS with ISO27002,
- failure to consider potential risk of fraud and irregularities when performing risk assessment,
- lack of ongoing monitoring by management,
- insufficient number of staff,
- lack of overall Staff retention policy,
- inadequate risk methodology,
- risk of business interruption due to the lack of permanent IPARD II senior management,
- lack of risk assessment for IPARD II Programme,
- lack of Mission statement,
- lack of updated staff overview.

All of the mentioned findings have been subject to appropriate corrective actions by the IPARD Management and Operating Structure.

4.4 Monitoring Committee activities

Examining the achieved results of IPARD II Programme, as well as meeting the objectives defined for certain measures and progress in usage of the financial resources present some of the functions performed by the Monitoring Committee.

The IPARD II Monitoring Committee is composed of representatives of the competent state authorities and bodies, relevant economic, social and environmental partners and it is chaired by a senior representative of the MAFWM with the voting right. On the other hand, the EC, NIPAC, the NAO and the Operating Structure participate in the work of the IPARD II Monitoring Committee without voting rights. IPARD II Monitoring Committee sessions are held at least twice a year. The Managing Authority acts as a Secretariat of the IPARD II Monitoring Committee and in accordance with it, prepares information, analyses and reports on the implemented activities about what it reports the IPARD II Monitoring Committee. The successful functioning of the Monitoring Committee is achieved by providing a quorum, i.e. by the presence of 2/3 members of the IPARD II Monitoring Committee at regular sessions.

The First Session of the IPARD II Monitoring Committee was held on 11th February 2016, by adoption of the Monitoring Committee's Rules of Procedure, where more closely were described: the appointment of members and structures, Secretariat, responsibilities and tasks, functioning, participation at meetings, voting, ancillary bodies, the drafting of minutes, as well as the Code of Conduct. The members of the Monitoring Committee were further informed about submitting of the entrustment package for the four IPARD measures (Measure 1, Measure 3, Measure 7 and Measure 9) and about the entrustment progress. In addition, the Plan of Visibility and Communication Activities is adopted on the First Session of the Monitoring Committee, with the aim of increasing public awareness of the EU contribution role to the rural development in Serbia, transparency of information on possibilities provided by the IPARD II Programme for all target groups, visibility of the results achieved by the IPARD II Programme, as well as the Action Plan for Technical Assistance for 2016. An Evaluation Plan with listed evaluation activities was also presented and unanimously adopted.

The Second Session of the IPARD II Monitoring Committee was held on 3rd October 2017, members of the Monitoring Committee were informed about the progress of the entrustment of budget. As the first findings of EC's auditors from May 2016 were not satisfactory, i.e. four blocking findings were found, and therefore no entrustment of budget implementation tasks could be approved. Regarding that, the Republic of Serbia prepared Action Plan for finalization of IPARD II entrustment process, so there were two measures in entrustment package (Measure 1 and Measure 3).

The Decision for approval on Amendments to the IPARD II Programme was made in a written procedure and was approved by the EC in July 2017. After the first Programme modification, the First Plan for Calls was presented, with the focus on investments for procurement of equipment and mechanisation (including tractors for Measure 1). Regarding the planned and implemented visibility and communication activities, until the end of 2017 three workshops were held within the Platform for Coordination of Rural and Regional Development Policy in the Republic of Serbia and two educative modules were implemented within the AAS activities, which were related to Rural Development Policy in the EU and RS, development of a business plan and application for project approval.

The Third Session of the IPARD II Monitoring Committee was held on 5th June 2018 and on that occasion it was reported that the EC had given a positive response to the entrustment package for budget implementation tasks which was sent in October 2017. Members of the Monitoring Committee were informed about the implementation of public calls for Measure 1 and Measure 3. The List of Eligible Expenditures was amended, to which the consent for the Amendments was provided by the EC on 4th June 2018. An IPARD page on the MAFWM website and a DAP website had been activated, containing all relevant information related to IPARD recipients and applicants, as well as answers to frequently asked questions. In November 2017, an e-mail, for all potential recipients who want to contact and ask questions, was activated. Guides for Measure 1 and Measure 3 with information on the necessary conditions to be met by applicants had also been prepared. The leaflets and the publication “To IPARD support in 10 steps” were issued.

The Fourth Session of the IPARD II Monitoring Committee was held on 20th November 2018, when the Second Modification of the IPARD II Programme was adopted. Suggested modifications concerned the derogation for small producers up to 15 ha in Fruit and Vegetable Sector in Measure 1. A list of settlements outside of rural areas was defined, in order to implement Measure 7 only in the rural areas. Also, funds from Measure 7 and Measure 9 were reallocated to Measure 3 for the same calendar years. The first request for pre-financing was submitted to the EC and EUR 22.5 million was approved. The Fourth Public Call was launched and the biggest challenge in implementation of the IPARD Programme was related to large number of incomplete applications. In terms of the Plan of Visibility and Communication Activities implementation, over 30 different events took place since June 2018. Six info events were held until the date of the Fourth Session, out of planned nine as part of the MAFWM Campaign for better implementation of the IPARD II Programme.

The Fifth Session of the IPARD II Monitoring Committee was held on 14th May 2019 at the premises of Agricultural Fair in Novi Sad, where the following topics were presented: proposal of amendment to the IPARD II Programme, the launching of the Fifth Public Call, the publication of the Plan for Public Calls for 2019, the preparation of a package for entrustment of budget implementation tasks for Measure 7 and Measure 9, implementation of the Plan of Visibility and Communication Activities. The proposal for the Third Modification of the IPARD II Programme involved the introduction of two new sectors (the egg sector and the viticulture/wine sector) at the initiative of the producers and sectoral analyses, whose results were discussed with interested stakeholders. The next steps included modification of the List of Eligible Expenditures. Members were informed about initiation of procedure for ongoing evaluation, in order to monitor the IPARD II Programme implementation. Also, a process for development of sectoral analyses was initiated, as part of the preparation for the next programming period.

The Sixth Session of the IPARD II Monitoring Committee was held on 28th November 2019, when members were informed about implemented activities: adoption of the Third Modification of the IPARD II Programme, launching of new public calls (Fourth and Fifth Public Call for Measure 1 and Third Public Call for Measure 3), adoption of the Amendments to the Rulebook on Measure 3, an entrustment package for budget implementation tasks for Measure 7 and Measure 9 was submitted. The preparation of an entrustment package included a number of activities: preparation of the Draft Rulebook on subsidies for farm diversification and business development (Measure 7), conduction of external and internal audits, case simulations for Measure 7 and Measure 9, signing Agreement on Implementation of the Measure Technical Assistance between the IPARD Agency and the Managing Authority, signing of the Memorandum of Understanding

between the IPARD Agency and the Managing Authority, as well as the signing of the Agreement between NAO, Managing Authority and IPARD Agency. The Draft version of Action Plan for Technical Assistance for 2020 was presented and adopted at the IPARD II Monitoring Committee session. An initiative has been launched to appoint relevant representatives of the egg and viticulture/wine sector to the IPARD II Monitoring Committee.

4.5 Monitoring and Evaluation systems

The Managing Authority and the IPARD II Monitoring Committee monitor the efficiency and quality of the IPARD II Programme implementation, about which they inform EC. The programme is monitored through operational and financial indicators presented in the IPARD II Programme. The Managing Authority is responsible for the process of organisation and management of the monitoring and reporting system related to the IPARD II Programme implementation. Information collected after a previous consultation with the IPARD Agency and EC, is presented to the members of the IPARD II Monitoring Committee in the form of the Annual Report on the implementation of the IPARD Programme. The IPARD Agency delivers data timely to, the Management Structure (NAO SO and NF) and the Managing Authority. Also, the IPARD Agency prepares reports on a regular basis and at requests.

4.5.1 Ensuring and coordinating the monitoring activity

In accordance with duties undertaken pursuant to the Memorandum of Understanding concluded between the IPARD Agency and the Managing Authority¹, IPARD Agency has been regularly reporting to the Managing Authority on the implementation of the IPARD II Programme. Data are delivered on the basis of Common Indicator Tables for monitoring and evaluation of the IPARD II Programme and other reports prepared.

Common indicator Tables for monitoring and evaluation of the IPARD II Programme include all relevant information presented as operational and financial indicators. Also, IPARD Agency provides information on conducted checks, detected irregularities, as well as additional information and data on the implementation of the IPARD II Programme. Annex 1 of this Report contains cumulative Tables for monitoring and evaluation of the IPARD II Programme, with cut-off date 31st December 2019.

Data collection and reports preparation are performed in an Excel documents form. In order to improve the efficiency and quality of work, during 2019 the IPARD Agency started preparation of a software for data collection for producing of reports. Introduction of a software solution for electronic submission of documents is planned, that will decrease, significantly the possibility of human error, prevent submission of incomplete applications and considerably improve the efficiency and quality of work.

4.5.2 Programme Evaluation Activities

The obligation to implement the IPARD II Programme Evaluation is prescribed by the Sectoral Agreement. During 2019, the Managing Authority, undertook necessary activities for recruiting

¹ Memorandum of Understanding between the Managing Authority and the IPARD Agency about the management and implementation of the IPARD II Programme 2014-2020 in Serbia, signed on 31st October 2019.

independent experts for evaluation of the IPARD II Programme during its implementation (ongoing evaluation). The priority objective of the evaluation concerns the improvement of quality, efficiency and consistency in the Programme implementation.

The public procurement procedure for awarding the service contract – for recruiting an independent expert for evaluation of the IPARD II Programme, was initiated on the basis of the Law on Public Procurement (“Official Gazette of the Republic of Serbia”, No. 124/2012, 14/15 68/15 and 91/19), by launching of an open public procurement procedure. Funds for the execution of the contract were provided from national budget, and the contract with the winning bidder, the Institute of Agricultural Economics Belgrade, was signed on 30th September, 2019. Team for evaluation of the IPARD II Programme delivered timely to the Managing Authority, an initial report/work plan with a list of activities and sub-activities and the timeframe for the execution with the description of the methodology. For implementation of evaluation, the following methodological means were used: individual and group meetings, interviews with representatives of all stakeholders, as well as recipients of the IPARD II Programme, within focus groups, electronic questionnaires and available relevant databases of the IPARD Agency. Under the part of the Terms of Reference concerning the analysis of availability, data quality and methodological consistency of common context indicators prescribed in the IPARD II Programme, the project team for evaluation held a series of work meetings with relevant representatives of the Statistical Office of the Republic of Serbia and other stakeholders.

A more detailed overview of the ongoing evaluation of the IPARD II Programme submitted in final report is presented in Chapter 7 of this Report.

4.6 Activities undertaken for the solution of problems related to the IPARD II Programme implementation

The First Modification of the IPARD II Programme

The First Modification of the IPARD II Programme enabled potential recipients to meet specific criteria at the end of the investment (at the time of submitting the payment request), and not at the beginning of the investment, as it was previously defined by the Programme. In this way, potential recipients may reach the prescribed conditions during the investment realization period.

Also, by the First Modification of the IPARD II Programme in Measure 1, a specific criterion was added to read as follows: “and/or a minimum of 30 to a maximum of 400 sows” in order to enable sow producers to be eligible recipients of the IPARD II Programme and thus provide a closed system for production of pigs for fattening. This Programme modification has resulted in relevant First Modification of the List of Eligible Expenditures.

By the First Modification of the IPARD Programme, the specific eligibility criteria have been changed in the Vegetable sub-sector in a way to increase the capacity to produce vegetables in a greenhouse, from a minimum of 500 m² to 0.5 ha, respectively, the upper ceiling- from a previously defined maximum of 10,000 m² to 5 ha of vegetable production in greenhouse. In the case of open space production of vegetables, the minimum capacity of vegetable production is increased from 0.5 ha to 3 ha. These changes allow recipients with low production capacities to be supported through national scheme.

The Second Modification of the IPARD II Programme

By the Second Modification of the IPARD II Programme the budget reallocations from 2015 and 2016 was carried out for Measure 7 and Measure 9 to the budget for Measure 3. It was necessary to reallocate the budget in order to eliminate the risk of the IPARD funds recovery to the EU budget, regarding that there was no entrustment of the budget implementation tasks for Measure 7 and Measure 9 during 2018. This modification additionally provided EUR 3.3 million for Measure 3.

Regarding that Serbian agriculture is characterized by a large number of small, mixed AH that are not able to fulfil minimal national standards on the entire agricultural holding, by the Second Modification of the Programme a derogation from the verification of all mentioned standards on AH up to 15 ha for investments in the Fruit and Vegetable sector was enabled.

The Programme modifications envisage that the condition for AHs with a minimum of 2 ha and a maximum of 20 ha of berries (soft fruit) and a minimum of 5 ha and a maximum of 100 ha of other fruit is checked at the end of the investment, except in case of investments in storage facilities, where the conditions must be met at the beginning of the investment. The modifications also allowed recipients to apply for investment in the establishing and restructuring of fruit plantations (procurement of perennial planting material - except annual plants), including soil preparation.

In the Vegetable sub-sector, the upper ceiling for AHs has been increased from 50 ha to 100 ha of open space for the vegetables production which producers must reach at the end of the investment.

The IPARD II Programme has also included a new group of investments related to fattening of heavy lines in poultry production.

Eligible holdings are, after the Second Modification of the Programme, defined by the capacity of objects for keeping cattle, sheep, goats, sows, pigs, broilers, while in the previous period, eligible holdings were defined by the number of heads.

Based on the OECD criteria, in accordance with the territorial classification of the Republic of Serbia, the Second Modification of the IPARD II Programme defined that all settlements on the territory of the Republic of Serbia with population density under 150 inhabitants per km² can be considered as rural territory, which created a precondition for the implementation of Measure 7. By this definition of rural territory, territory of the city of Belgrade and 27 cities is excluded

The Third Modification of the IPARD II Programme and the Second and Third Modification of List of Eligible Expenditures

On the initiative of producers from the egg and viticulture/wine sectors to be included in the IPARD II Programme, the Sectoral analyses have been prepared. Both analyses provided arguments for justification of the introduction new sectors in IPARD Programme. By the Third Modification of the IPARD II Programme, beside the Second Modification of the LEE, the egg and viticulture/wine sectors are introduced into the IPARD II Programme in Measure 1 and Measure 3. By this Modification of the programme, the circle of potential recipients has been widened and thus greater absorption of IPARD funds has been enabled.

With additional, Third Modification of the LEE, IPARD support was further adapted to the needs of viticulture and wine producers in order to meet the objective foreseen by the Viticulture and

Wine Production Development Strategy in the Republic of Serbia for the period 2020-2030, which stipulates that areas under vineyards in Serbia, shall be increased by 750-1000 hectares annually.

Modification of the Rulebook on the conditions to be fulfilled by animal waste storage facilities and facilities for animal waste treatment processing

Upon request of representatives from egg sector, in order to reduce unnecessarily high demands for animal holders, in terms of fulfilment of standards for manure storage, Rulebook on the conditions to be fulfilled by animal waste storage facilities and facilities for animal waste treatment processing was amended (“Official Gazette of the RS” No. 94/17 and 94/19). Modifications were made in such a way that the animal waste storage and collecting facilities have enough capacity for manure storage for minimum three months (instead the previous six), i.e. at least one month, if the contract is concluded with the subject who has animal manure processing plant.

Increased awareness of potential recipients due to unequal absorption of IPARD funds per region, i.e. per IPARD measures

In order to remedy the insufficient awareness of potential recipients, which was reflected through submission of incomplete applications, insufficient number of applications in certain regions, as well as negative attitude towards the IPARD subsidies, an additional effort was put into promotional and educational activities. The number of informative days for potential recipients (especially in the Southern and Eastern Serbia Region) and the number of trainings for advisers and consultants were increased. A new advisory module was prepared to enable greater involvement of AAS in supporting of IPARD II Programme implementation. This module includes education of potential recipients by advisers and a special approach of advisers in identifying potential recipients and working closely with them on completing applications and meeting the requirements for obtaining IPARD subsidies.

During reporting period, the IPARD Managing Authority paid great attention to creating and distribution of promotional material and implementation of promotional activities, in order to increase the visibility of the IPARD II Programme in the Republic of Serbia. A detailed overview of the implemented promotional activities is given in Chapter 8 of this Report.

Overcoming the risk of de-commitment

On 24th October 2019, a meeting was held in Brussels, the possibilities for overcoming the risk of de-commitment were discussed. As result of the meeting, in December 2019 the letter requesting an extension of the deadline for absorption of IPARD funds from allocation for 2016, from $n + 3$ to $n + 4$, with an Action Plan for improvement of the absorption of IPARD funds in the forthcoming period, was sent to the European Commission by MAFWM. On 12th December 2019 the European Commission approved the amendment to the Financial Agreement, which enabled the funds planned by the IPARD II Programme for implementation by the end of 2019, to be used by the end of 2020.

The Action Plan, which foresees activities that will contribute to improving the absorption of IPARD funds, is referring to:

- Additional employment and opening new working posts in in the Managing Authority and the IPARD Agency;
- Simplification of the IPARD Agency’s procedures and digitalization of the administrative procedure;

- to Law on Agriculture and Rural Development;
- Beginning of the implementation of Measure 7 and Measure 9;
- Increased cooperation with the AAS and the Chamber of Commerce and Industry of Serbia;
- Increased educational and promotional activities.

4.7 Utilization of Technical Assistance within the IPARD II Programme

Entrustment of budget implementation tasks for Measure 9 -Technical Assistance was envisaged for the second phase of IPARD II Programme implementation. One of the major goals for the IPARD OS in the period 2018-2019 was the preparation of entrustment package for Measure 9 and training of the Managing Authority and the IPARD Agency staff. This was obtained by implementing of Action plan for finalisation of IPARD II entrustment process for Measure 7 and Measure 9, prepared by Management and Operating Structure, which were communicated in regular basis with the EC (DG AGRI).

At the end of 2018 MAFWM established the Working Group for drafting amendments to the Law on Agriculture and Rural Development and the Working Group for drafting acts regulating the relations and procedures within the IPARD Management and Operating Structures for the implementation of Measure 9. As the result, Proposal for amendments to the Law on Agriculture and Rural Development was prepared. Also, the Agreement for the implementation of Measure 9, under IPARD II Programme for period 2014-2020 between Managing Authority and IPARD Agency was prepared.

With the assistance of experts provided by IPA 2013 project: “Support to the IPARD Operating Structure (Managing Authority, IPARD Agency and Advisory Service)”, in the period 2018-2019, entrustment package for Measure 9 was prepared and relevant MA and IPARD Agency staff was trained trough following trainings:

- On the-job trainings on the preparation of the Agreement on Implementation of the Technical Assistance measure, under IPARD II Programme 2014-2020, between MA and IPARD Agency, with all related procedures and Annual Action Plan for Technical Assistance for 2020;
- Four modules on PRAG procurement procedures;
- Case simulation for testing of prepared procedures;
- Study visit to the Managing Authority and IPARD Agency in Turkey on implementation of the Technical Assistance measure.

The Managing Authority and IPARD Agency staff members obtained PRAG rules certificates through online training.

For better understanding of needs associated with the LEADER approach activities related to establishing and capacity building of future Local Action Groups (LAGs) through Measure 9, TAIEX Workshop was prepared and organized in October 2019, in Kragujevac. The workshop was addressed to the civil servants from the Managing Authority, IPARD Agency, NAO SO, local public authorities and members of existing potential LAGs.

MA has prepared Proposal of the Annual Action Plan for implementation of Measure 9: Technical Assistance for 2020, that was adopted on the Sixth Session of IPARD II Monitoring Committee.

4.8 Steps taken for involving the local authorities in the implementation of the IPARD II Programme

Local authorities of the RS, in particular autonomous province and local self-governments (towns and municipalities), were very involved in the drafting of IPARD II Programme and in communication phase before it was sent to EC for approval. Specifically, they were involved in solving the problem of demarcation and overlapping of IPARD II Programme with programmes of support measures for the implementation of agricultural policy and rural development policies for the territory of the Autonomous Province of Vojvodina and local self-governments.

Funds for the implementation of the programmes are provided in the budget of the AP and local self-governments. These programmes are adopted by the competent authority of the AP, i.e. local self-government, with the previous approval of the MAFWM.

Managing Authority gives approval to the form and content of the programmes of support measures for the implementation of agricultural policy and rural development policies for the territory of the autonomous province and local self-governments, as well as the form of the report on the implementation of agricultural and rural development measures, according to the Rulebook on the form and content of the support programmes for the implementation of agricultural policy and rural development policies and the form of the report on the implementation of agricultural and rural development measures (“Official Gazette RS” No. 24/15, 111/15, 110/16, 16/18 and 87/19).

Compliance with the legal provisions is determined by the MAFWM through the procedure of issuing the Decision on granting prior approval to the programmes of support measures for the implementation of agricultural policy and rural development policies for the territory of the autonomous province and local self-governments.

During 2018, 120 local self-governments included AP authorities, submitted programmes of support measures and approval was given for support programmes worth approximately EUR 23 million. In 2019, approval was given for 122 support programmes worth over EUR 25 million.

During the implementation of IPARD II Programme, AP Vojvodina and local self-governments have active roles as IPARD II Monitoring Committee members and until now they have participated in all sessions. In that respect they are regularly and timely informed on state of play in implementation and amendments of IPARD II Programme and relevant rulebooks.

According to the approved Plan of Visibility and Communication Activities (PVCA) local authorities are foreseen to take part as supporting services to the implementation of IPARD II Programme. AP Vojvodina and local self-governments have to supply the potential recipients with all needed and relevant information on project opportunities, requirements, management procedures and, from the other side, they also need to build their capacities to support potential recipients to prepare application for project approval and business plans. They are involved in all national and regional information events organized by IPARD OS and updated with the latest information related to financing opportunities, calls and implementation of IPARD II Programme, as well as on the occasion of the events organized by autonomous province and Standing Conference of Towns and Municipalities (SCTM). Promotional materials are also disseminated through electronic rural network of local self-governments.

In order to prepare for implementation of the IPARD II Programme LEADER measure, during 2019 and 2020, local authorities were involved in preparation of Local Development Strategies (LDS) through national support measure based on LEADER approach. In 2019 LDS for 22 potential LAGs were approved and supported through this measure.

4.9. Steps taken for ensuring the publicity of the IPARD II Programme

Publicity of the IPARD II Programme is ensured through different types of technical assistance. IPARD info days, printing of the promotional material, participation at the Agricultural Fair in Novi Sad, as well as organisation of the Fifth session of the IPARD II Monitoring Committee are supported in the period 2018-2019 within IPA 2013 project: “Support to IPARD Operating Structure (Managing Authority, IPARD Agency and Advisory services)”.

All promotional activities in 2019 were financed from the grant, approved from Government of Japan in May 2017, for strengthening capacities of IPARD Agency and Managing Authority. Mentioned activities related to development of three IPARD promotional videos, leasing time to broadcast IPARD promotional videos on a national TV channel, printing of promotional IPARD materials (guides, brochures, leaflets, banners and posters) and organisation of different events in order to monitor the implementation and promotion of IPARD II Programme. The second component of this grant was used for supplying the material for refurbishing of new office spaces in IPARD Agency and supplying the IT equipment, with the aim of enabling the facilities to function in accordance with the IPARD II entrustment criteria.

In order to promote the IPARD II Programme during May 2019 three videos with a total value of EUR 8,170.00 were created: animated video 1- “How to IPARD subsidies” (2'15"), video 2 – “Announcement of IPARD public call for Measure 1” (17"), video 3 – “Announcement of IPARD public call for Measure 3” (22") and 12 photos from the video shooting. The videos for the announcement of the calls were intended for broadcast through the national TV service, and the animated video was published on the official websites of MAFWM and DAP, as well as the websites of promoting partners.

For broadcasting of IPARD promotional videos on the national TV service (Public Media Institution Radio-Television of Serbia), is realized time leasing service, in the amount of EUR 25,245.00, within the IPARD promotion campaign: “Well invested IPARD returns well”.

Design and printing service for promotional IPARD materials, in amount of EUR 5,090.00, included: 5 IPARD banners, 400 IPARD posters, 10,000 IPARD leaflets, 3,400 IPARD brochures (To IPARD support in 10 steps), 1,000 Guidelines for applicants for IPARD Measure 1 and 1,150 for IPARD Measure 3. Printed materials are disseminated to the AAS, Provincial Secretariat for Agriculture, Water Management and Forestry, local self-governments and during IPARD promotional events.

Services for organisation of events related to monitoring of the implementation and promotion of the IPARD II Programme (organisation of the IPARD Monitoring Committee Session, etc.) amounted to EUR 17,000.00.

The Guides for Applicants/Recipients for IPARD Measure 1 and Measure 3 have been prepared and published on the web pages of the MAFWM and the DAP (<http://www.minpolj.gov.rs/ipard-program-2014-2020/> and <http://uap.gov.rs/ipard-ii-u-srbiji/>). The Web pages of the MAFWM and the DAP contain all relevant information for applicants and potential recipients. In the reporting

period 933,029 users visited those pages. In the year 2019 new chat application was launched on the DAP web page, through 45,254 users obtained the requested information.

Monthly bilingual newsletter “IPARD in focus” was initiated at the end of 2019 and it is being disseminated to more than 2,000 e-mail addresses. For the newest information on events, announcements, calls and rules regarding the implementation of the IPARD II Programme in Serbia, IPARD Managing Authority accounts on Instagram (@ipardnadlanu) and Facebook (IPARD na dlanu) have been opened for the general public and potential recipients.

Also, publicity of the IPARD II Programme is ensured through updated information on the Web pages of the MAFWM and the IPARD Agency.

Detailed overview of the implemented activities under the Plan of Visibility and Communication Activities of the IPARD II Programme for the period 2014-2020 is presented in the Chapter 8.

4.10 Data to demonstrate that Union funds are complementing funding available in Serbia

In the accordance with the Law on Budget System (Article 68a) and the Instruction for the Preparation of the Budget of the RS issued by the Minister of Finance, Budget beneficiaries are responsible for the proper planning of the national contribution (including the non-eligible expenditures to be financed from the national resources, such as bank charges, exchange rate losses, etc.). National contribution is not being used for any other purpose. However, Budget beneficiaries, who do not plan sufficient amount of the national contribution, make reallocations from its other appropriations and/or programmes.

The National Fund, under the responsibility of the NAO, checks and confirm that the Ministry in charge for Agriculture properly plans budget appropriations for the IPARD II programme. The IPARD Agency and the Managing Authority (only for the Measure 9), within the financial plan of the Ministry in charge for Agriculture, are responsible for planning appropriate provisions within their scope of responsibilities and in accordance with the IPARD II Financial Plan. NF provides the opinion to the Budget Department of the Ministry of Finance on the existence and correctness of the funds planned for the national public co-financing and other non-eligible expenditures to be covered from the national resources. Also, it provides the opinion on amounts planned for recovery of irregularities, financial corrections and overpayments, before the funds are included in the annual Law on Budget of the Republic of Serbia.

Starting from the year 2016, the IPARD Agency plans the necessary funds for the implementation of the IPARD II Programme in the annual Law on Budget of the Republic of Serbia while from 2020 the Managing Authority has started planning the funds necessary for the implementation (pre-financing) of the Measure 9 - Technical assistance.

5. IPARD II PROGRAMME CO-ORDINATION WITH OTHER COMMUNITY PREACCESSION INSTRUMENTS AND FINANCIAL INSTRUMENTS FROM INTERNATIONAL SUPPORT

5.1 Assistance provided under other IPA components

By the European Commission Decision (EC) S (2014) 1722 on the conferral of management for IPA component I - Transition Assistance and Institution Building of the Instrument for Pre-Accession Assistance (IPA) for the Republic of Serbia, from 20th March 2014, the EC entitled rights and obligations for the management of European Union (EU) pre-accession assistance programmes under IPA component I to accredited responsible persons and bodies in the Republic of Serbia.

Within the decentralized management system for implementation of financial assistance under IPA rules, responsible persons and bodies have been appointed to manage, implement and control IPA financial assistance in accordance with Art 3 of the Decree on the Decentralized System of Management of EU Development Assistance Funds under the IPA Instrument for Pre-Accession Assistance (“Official Gazette RS - International Treaties”, No. 124/07).

With Government Conclusion 05 No: 337-4390 / 2014 from 29th May 2014, the Action Plan for ensuring the functionality of the system for management and implementation for pre-accession assistance programs was adopted. The preparation and implementation of EU-funded projects is fully regulated by the valid legal framework.

The Law on Ministries (“Official Gazette RS”, no. 44/2014, 14/2015, 54/2015, 96/2015 - other law and 62/2017) gives a mandate to the Ministry for EU integration (MEI) to act as a central coordination body in charge of coordination, monitoring and reporting on the process of accession to the European Union; coordination of the accession negotiations with the European Union and the work of the bodies established for the purpose of the negotiations.

According to the Decision on determining the persons and bodies responsible for the management of assistance programmes of the European Union within the framework of the Instrument for Pre-Accession Assistance (IPA II) for the period 2014 - 2020 from 2015, the Government of the Republic of Serbia appointed the National IPA Coordinator (NIPAC). The NIPAC is responsible for the overall strategic planning process, coordination of programming, monitoring of implementation, evaluation and reporting on IPA II assistance and for cooperation with the European Commission regarding the use of IPA II.

The NIPAC has the support of the Technical Secretariat, whose responsibilities are defined by Regulation on IPA implementation.

The National Authorising Officer (NAO), which acts as state secretary in the Ministry of Finance, carries out activities relating to financial management of the EU funds in the Republic of Serbia and ensures the effective functioning of the internal control system as regards IPA II in terms of ensuring the legality and regularity of transactions.

IPA 2017

The overall objective of support to IPA II sector in 2017 was to improve the quality of life of citizens by raising environmental standards in Serbia to levels approximate to EU. This strategic objective is harmonized with overall objectives and priorities of the National Programme for

Environmental Protection 2010-2019, National Environmental Approximation Strategy, National Priorities for International Assistance in the RS 2014 – 2017 with the projections to 2020 and the Indicative Strategy Paper until 2020.

The above mentioned overall objective will be achieved by improvement of solid waste, water and wastewater management in line with EU requirements.

Budget of EU Support to the Environment Sector through IPA 2017 Annual Action Programme for the RS is EUR 38,740,000, out of which EU contribution is EUR 28,600,000.

Within this Action Program the Ministry of Agriculture, Forestry and Water Management is in charge for following activities: Construction and upgrading of municipal waste water collection (sewage) and treatment system in Brus and Blace; Assessment of service provision situation and development of proposal on increasing efficiency of water sector services and Support for implementation of revised cost recovery requirements and establishment of water pricing regulatory system. Total value of related project is around EUR 14 million, out of which EU contribution is EUR 10 million.

IPA 2018

Annual Action Programme for the Republic of Serbia for 2019 in the sector for agriculture envisages capacity building support to the Government of the RS in establishment of functional Integrated Administration and Control System (IACS) in line with the EU CAP requirements.

The envisaged support will contribute to the expected results, related to the establishment of the structures and systems necessary for implementation of the CAP. Furthermore, IPA II assistance will contribute to reinforcement of capacities necessary for remedy of the EC Annual Report for 2018 findings regarding IACS.

MEI in cooperation with the MAFWM identified support to establishment of carcass classification system in line with EU CAP as priority activity with aim to provide further support to establishing of harmonized system of Common Market Organization of agricultural products.

Total value of Annual Action Programme for the RS 2018 in European Integration Facility is EUR 17,272,192 with EU contribution of EUR 16,124,592, while budget for sector of agriculture is EUR 3.9 million.

IPA 2019

Annual Action Programme for the RS for 2019 related to the EU for civil protection and disaster resilience will contribute to advanced cooperation in the Sector for emergency management and civil protection structure and enable a faster, better-coordinated and more effective response to natural and man-made disasters in order to be ready for deployment to a disaster zone on short notice, as well as building resilience of agriculture.

In relation to agriculture sector, result of the three measures will support building of institutional and local capacity in agriculture sector for enhancing resilience to climate change and pilot intervention which will serve as a showcase for introduction of climate smart agriculture (CSA) and support raising awareness. Strengthening institutional and network capacities for CSA includes synchronizing mandates, enhancing coordination between sectors, stakeholders, organizations, and institutions, while supporting existing networks. Strengthening the institutional

framework at national and local level with well formulated trainings and advisory services in line with CSA is the aim of this Action.

Total value of Annual Action Programme for the Republic of Serbia for 2019 related to the EU for civil protection and disaster resilience strengthening is EUR 10 million, and budget for sector of agriculture is EUR 2.5 million.

IPA Support to IPARD OS

1. **IPA 2013 Technical assistance project “Support to IPARD Operating Structure (Managing Authority, IPARD Agency and Advisory services)”** contracted in the amount of EUR 1,358,390 started on 21st August 2017 and ended on 21st December 2019. Project was implemented through three components and included 36 activities aimed at achieving nine results.

It provided strong support to IPARD OS during entrustment of the Measure 1 and Measure 3, assistance during the modification of IPARD II Programme, update of the relevant procedures of MA and IA, the preparation of the entrustment package for IPARD Measure 7 and Measure 9, as well as development of the Rural Development IT solution. Besides it raised awareness of the IPARD II Programme in the Republic of Serbia and improved the capacity of Technical bodies.

2. **FWc SIEA 2018 – LOT 1 Technical Assistance for the IPA2018 Action “Introducing and maintenance of functioning Land Parcel Identification System in pilot municipalities in the Republic of Serbia”** The project was implemented from 22nd January 2019 to 22nd December 2019. All project objectives have been achieved.

3. Implementation of the IPA 2015 Technical Assistance Project "**Capacity building for the alignment with the EU acquis in the areas of agriculture, rural development, food safety, veterinary and phytosanitary policy**" has started on 21st January 2019, under direct contracting with the EU Delegation.

It supports negotiations for Chapter 11 and Chapter 12 all departments within the Ministry involved in this process, including IPARD OS, as well as other relevant institutions.

The project is coordinated by Department for International Cooperation and EU integration, MAFWM. Until the end of 2019 within the component for Chapter 11, following activities are realized:

- Gap analysis between current Serbian national agricultural policies and current/future EU CAP;
- Documentation collected and drafted for future preparation of Negotiation Position paper for Chapter 11;
- Roadmap for the submission of the Negotiation Position paper for Chapter 11;
- Study on the establishment of Paying Agency is in preparation;
- Report on lessons learned from previous candidate countries during their negotiation process (state case of Poland, Bulgaria, and Croatia);
- Preparation phase of the Action Plan update for Chapter 11.

Planned IPA Support to IPARD OS

1. FwC proposal “Support to IPARD Operating structure (Managing Authority and IPARD Agency) for the implementation of IPARD Programme” was sent to the EU Delegation on 21st February 2020. Proposal will be considered on the Working Group for unallocated funds. It is planned to have implementation through direct management. Project will focus on the implementation aspects of the IPARD II assistance.

Within the project, the focus is on further strengthening of the capacities of the Managing Authority and IPARD Agency and assisting in the initial phase of the implementation of IPARD Measure 7 and Measure 9. Special attention shall be put on upgrading the IT solution and support throughout the process of transition from manual to electronic processing of applications for exercising rights to IPARD support.

2. Technical assistance project “Support to IPARD Operating Structure 2 (Managing Authority, IPARD Agency and Advisory services)” is planned to be funded from approved unallocated funds, after completion of the FwC contract. It would be implemented through indirect management, with the period of implementation of one year. Focus of the project should be on preparing procedures and all related documents for entrustment of the IPARD Measure 4 and Measure 5, including further improvement IT solutions for rural development and IT System audit for preparation of e-accreditation. Furthermore, one of the goals is as preparation for next programming period.

3. IPA 2018 Technical assistance and supply project “Support for first stage building of a functional IACS” in the amount of TA EUR 2,900,000 and supply EUR 890,000. Expected beginning of the project is 2021.

The proposed intervention will enable that utilized agricultural land, agricultural holdings which are eligible for submission of applications for subsidies (direct payments agri-environmental measures of rural development) apply for support, in particular direct payments are registered through the IACS. After the implementation of LPIS in pilot municipalities, this activity will establish LPIS on the whole territory of RS. Also, remaining IACS software components will be developed along with functionalities which allow monitoring and control through Control with Remote Sensing. In order to establish the IACS in line with EU requirements, the proposed intervention will provide procurement of hardware for full IACS implementation, as well as strengthening capacities of the DAP to successfully finalize this complex process through development of the remaining IACS components.

Bilateral Projects

1. Projects for Development of financial system in rural areas in the Republic of Serbia are in implementation on the basis of the Inter-Governmental protocols between the Government of the Federal Republic of Germany and the Government of the Republic of Serbia on Financial Cooperation. These projects are based on the Protocols on developmental cooperation signed for Rural area I – Rural area IV for period 2010-2014.

The purpose of these projects is to support the development of primary agricultural sector and the agricultural industry through the provision of loans to final recipients through refinancing of credit lines to local financial institutions.

The first phase, related to capacity building when it comes to crop insurance in agriculture, is completed. The next phase was aimed at capacity building in relation to providing tailor made loans to farmers and it involved trainings for the employees of “Banca Intesa” bank on the subject of these new financial products. Financial Agreement for Financial Sector Development in Rural Areas in the Republic of Serbia, was signed on 20th August 2018, as a part of the last phase.

2. In May 2017, Government of Japan approved spending of the financial support for capacity building in the Directorate for Agrarian Payments and IPARD II Managing Authority.

One component of this grant was used for supplying the material for refurbishing of new office spaces in the DAP (IPARD Agency) and supplying of IT equipment, with the aim of enabling the facilities to function in accordance with the IPARD II entrustment criteria.

Other component for tasks of MA, related to promotion of IPARD II Programme was carried out in 2019, in order to develop three promotional IPARD videos, leasing time to broadcast promotional IPARD videos on a national TV channel, printing of promotional IPARD material and organization of different events in order to monitor the implementation and promotion of IPARD II Programme.

3. Strengthening the Rural Competitiveness and Productivity of Agricultural Sector will be funded by the Swiss Agency for Development and Cooperation and implemented by the UNDP. Contracting is expected in March 2020. Funds provided by the SDC are USD 251,523.32, while USD 93,634.21 is provided from the national budget of the Republic of Serbia. The Project will contribute to the rural competitiveness and higher productivity of targeted regions and accelerate impact and resource allocation of existing financial instruments

Projects funded by loans

The Law on ratification of the Loan Agreement between the Republic of Serbia and International Bank for Reconstruction and Development entered into force in the mid-February 2020, for the **Competitive Agriculture Project** in the total amount of EUR 45,800,000. The Closing Date is 31st December 2024. The objective of the Project is to improve agri-food market linkages for Targeted beneficiaries. The Project consists of the following parts:

Part 1: Improving the Added-Value of Agriculture

Improve the economic performance on and off farm of Targeted beneficiaries, through:

1.1 Strengthening the access to agricultural advisory and business development services, including the provision of technical assistance to Targeted beneficiaries for the formulation and implementation of productive investments; as well as the design and implementation of a communication strategy for MAFWM aimed at raising awareness about the Project.

1.2 Facilitating access to finance for productive investments, including the provision of Matching Grants to Targeted beneficiaries to finance capital investment, working capital, technical assistance and/or Training for improving their productive and entrepreneurial capacity and performance; as well as the carrying out of a feasibility study to assess demand for a public guarantee fund for agricultural loans as a long-term de-risking option.

Part 2: Improving the Capacity of MAFWM to Support Modern Agriculture

Improve the capacity of MAFWM and other public agencies to enable improved sector performance through evidence-based policy making and provision of public goods, such as information delivery systems and open data platforms, including:

2.1. The modernization of MAFWM information systems and the strengthening of MAFWM's decision-making capacity, including the provision of technical assistance to, as well as the procurement of hardware and software to improve the scope, functionality and compatibility of information systems and establish digital data collection and processing of current paper-based processes in agriculture.

2.2 Improving the access to information to all sector stakeholders through the establishment of an open, public information system to pull together all relevant data.

Part 3. Project Management, Monitoring and Evaluation

Support the operation of the PMT and the carrying out of Project monitoring activities, including a comprehensive baseline study, a mid-term review report, as well as a final impact assessment of Project investments.

5.2 Complementarity of IPARD II Programme with NPRD

The Strategy of Agriculture and Rural Development of the Republic of Serbia is the basis for the adoption of operational documents in the field of agriculture and rural development, namely:

- IPARD II Programme of the Republic of Serbia for the period 2014-2020,
- The National Rural Development Programme 2018 – 2020 and
- National Agriculture Programme 2018-2020.

Potential risks of overlapping of IPARD II Programme with NPRD are: supportive measures, type of investment, as well as potential recipients. The risk of overlapping is the most expressed in primary agricultural production, which is realized through Measure 1 in IPARD II Programme, because this measure covers wide range of sectors (milk, meat, fruit, vegetables, other crops, egg and wine) and a large number of potential recipients.

IPARD II Programme of the Republic of Serbia 2014-2020, Chapter X. Information on the Complementarity of the IPARD II Programme with Measures Funded by Other (National or International) sources, contains the explanation of how the complementarity of IPARD measures and national rural development measures will be ensured.

Point 10.3 of the IPARD II Programme, is a table that clearly defines the demarcation between: eligible recipients, measures and investments supported through the two programmes mentioned (IPARD II Programme and NPRD). After the adoption of the IPARD II Programme by the European Commission, the adoption of the National Programme for Rural Development by the Government of the Republic of Serbia, must comply with the demarcation table of the IPARD II Programme (Point 10.3).

Support programmes for the implementation of agricultural policy and rural development policies for the territory of the autonomous province and local self-governments must not conflict with national rural development programmes and the clear demarcations with IPARD II Programme have to be respected. The Law on subsidies in Agriculture and Rural Development stipulates that

support to the implementation of agricultural and rural development policies in the autonomous province and local self-government units may not contradict with national programmes adopted in accordance with the law governing agriculture and rural development. MAFWM gives approval to AP and local self-governments for their programmes for agriculture and rural development, thus providing control mechanism and preventing overlapping of recipients, supportive measures and type of investments of IPARD II Programme and local programmes for rural development.

6. FINANCIAL TABLES AND EXPENDITURES PER MEASURES

The IPARD II funds in the Republic of Serbia are managed in accordance with signed Protocol on the manner and conditions for managing bank accounts within the NBS for the purpose of the management of the Pre-accession Assistance programmes of the European Union under the Instrument for Pre-accession Assistance (IPA II) for the period 2014-2020 (hereinafter: Protocol). The basis for funds depositing is Article 15 of the Protocol, which says that funds are to be deposited in accordance with the most recent Contract regulating the relationship regarding the management of the foreign currency of the Republic of Serbia by the NBS. In accordance with abovementioned Contract the NBS shall pay the interest at the EONIA/EURIBOR interest rate depending on the deposit maturity.

From the moment of the receipt of the IPARD II funds both interest rates have been negative. In the case that the value of the interest rates increases enough, the deposits shall be made.

The first financial modification was conducted within the Second Modification of the IPARD II Programme, approved by the Monitoring Committee members on the session held on 20th November 2018. The above mentioned modification was officially approved by European Commission Second Modification of proposed changes implementing Decision C (2018) 8691, dated 14th December 2018. By the Second Modification of the IPARD II Programme the budget reallocations for 2015 and 2016 was carried out from Measure 7 and Measure 9 to the budget for Measure 3 (Table 14). The budget reallocation was performed in order to eliminate the risk of de-commitment as the entrustment of the budget implementation tasks for Measure 7 and Measure 9 was not obtained until 2020. The financial modification provided additional EUR 3.3 million for Measure 3.

Table 14: Budget breakdown by measure 2014-2020 after the Second Modification of the IPARD II Programme

Measures	EU Contribution (EUR)							
	2014	2015	2016	2017	2018	2019	2020	2014-2020 EUR
Investments in physical assets of agricultural holdings	-	7,535,248	9,900,325	10,622,224	11,199,743	17,002,434	19,780,025	76,040,000
Investments in physical assets concerning processing and marketing of agricultural and fishery products	-	6,164,752 + 1,000,000 (M7 2015) + 300,000 (M9 2015) = <u>7,464,752</u>	8,099,675 + 1,500,000 (M7 2016) + 500,000 (M9 2016) = <u>10,099,675</u>	8,690,276	9,162,757	13,910,066	16,182,475	65,510,000
Agri-environment-climate and organic farming measure	-	-	-	2,187,500	2,187,500	2,187,500	2,187,500	8,750,000
Implementation of local development strategies – LEADER approach	-	-	-	500,000	1,000,000	1,900,000	1,850,000	5,250,000
Farm diversification and business development	-			2,000,000	5,000,000	4,000,000	4,000,000	15,000,000
Technical Assistance	-			1,000,000	1,450,000	1,000,000	1,000,000	4,450,000
Total	-	15,000,000	20,000,000	25,000,000	30,000,000	40,000,000	45,000,000	175,000,000

Source: IPARD II Programme

In accordance with the Second modification of the IPARD II Programme, the percentage of allocation of EU contribution for Measure 7 and Measure 9 is zero (0), while for Measure 3 is 49.77 percentage, (Table 15).

Table 15: Percentage allocation of EU contribution by measure 2014-2020 after the Second Modification of the IPARD II Programme

Measures	EU Contribution (%)						
	2014	2015	2016	2017	2018	2019	2020
Investments in physical assets of agricultural holdings	-	50.23	49.50	42.49	37.33	42.51	43.96
Investments in physical assets concerning processing and marketing of agricultural and fishery products	-	49.77	50.50	34.76	30.54	34.78	35.96
Agri-environment-climate and organic farming measure	-	-	-	8.75	7.29	5.47	4.86
Implementation of local development strategies – LEADER approach	-	-	-	2.00	3.33	4.75	4.11
Farm diversification and business development	-	-	-	8.00	16.67	10.00	8.89
Technical Assistance	-	-	-	4.00	4.83	2.50	2.22
Total (%)	-	100.00	100.00	100.00	100.00	100.00	100.00

Source: IPARD II Programme

The last financing plan in force is presented in Table 8 in Chapter 3 of this Report.

From the start of the implementation of the IPARD II Programme until 31st December 2019, on the basis of available data for the first six Public Calls a total of 1,173 applications for project approval were submitted, out of which 1,066 for Measure 1 (91%) and 107 for Measure 3 (9%). Out of the total number of applications for project approval submitted by the end of 2019, 263 decisions on project approvals and 145 decisions on payment were approved (Tables 16 and 17).

Table 16: Financial overview of the IPARD II Programme implementation per measure

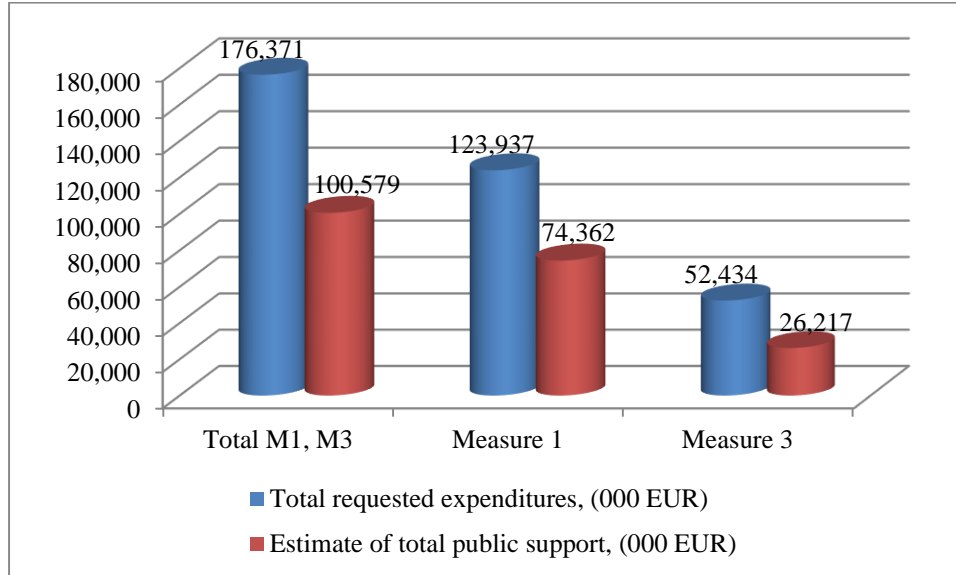
Measure	Approved		Rejected		Paid		EU contribution (%)		
	No.	EU contribution (EUR)	No.	EU contribution (EUR)	No.	EU contribution (EUR)	Approved/Submitted	Paid/Approved	Paid/Submitted
1	229	7,867,553	227	10,059,781	145	4,577,520	14.1	58.2	8.2
3	34	7,125,573	36	3,670,805	0	0	36.2	0.0	0.0
Total	263	14,993,126	263	13,730,586	145	4,577,520	19.9	30.5	6.1

Table 17: Overview of submitted/approved applications and paid requests per measures and calls

IPARD II		Submitted applications			Decision to approve application/addendums in force			Paid applications		
Measure	Public Call	No. of applications	Support amount (EUR)	EU contribution	No. of applications	Support amount (EUR)	EU contribution	No. of applications	Support amount (EUR)	EU contribution
1	1	85	7,209,048	5,406,786	42	3,784,815	2,838,611	30	2,688,179	2,016,134
1	2	393	11,466,912	8,600,184	166	4,678,517	3,508,888	115	3,415,182	2,561,386
1	3	151	43,415,218	32,561,414	21	2,026,737	1,520,053	0	0	0
1	4	437	12,271,238	9,203,428	0	0	0	0	0	0
Total M1		1,066	74,362,416	55,771,812	229	10,490,070	7,867,552	145	6,103,360	4,577,520
3	1	26	5,014,935	3,761,201	14	2,173,469	1,630,102	0	0	0
3	2	81	21,202,119	15,901,589	20	7,327,295	5,495,471	0	0	0
Total M3		107	26,217,054	19,662,790	34	9,500,764	7,125,573	0	0	0
Total M1+M3		1,173	100,579,470	75,434,602	263	19,990,834	14,993,126	145	6,103,360	4,577,520

The total requested expenditures for investments for Measure 1 and Measure 3 is **EUR 176,371,467**, out of which EUR 123,937,360 (70%) for Measure 1 and EUR 52,434,107 (30%) for Measure 3 (Graph 18). The estimated amount of total public support for Measure 1 and Measure 3 is EUR 100,579,470.

Graph 17: Total requested expenditures and estimated total public support for Measure 1 and Measure 3

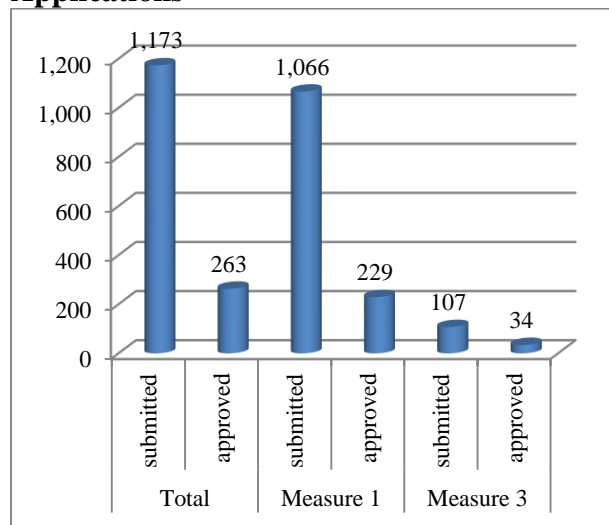


6.1 Contracted projects

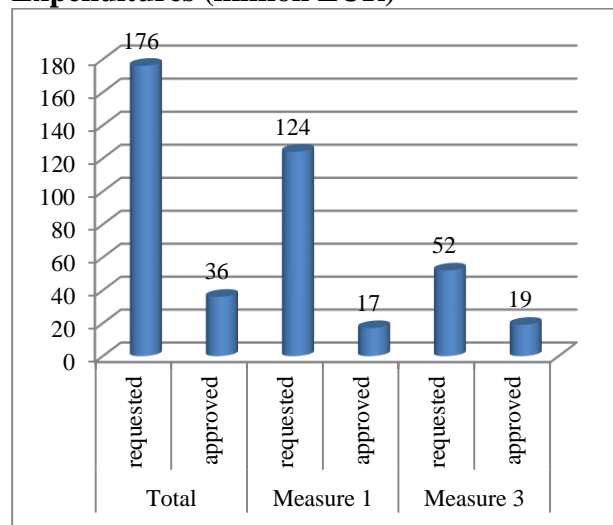
Out of the total number of submitted applications for project approval, IPARD Agency adopted **263 decisions on projects approval** (22.4%). The majority of adopted decisions concerned the Measure 1 (229 decisions or 87%), while 34 decisions on project approval were adopted, respectively 12.9% (Graph 19).

Graph 18: Approved applications and expenditures in relation of the submitted applications/expenditures (Measure 1 and Measure 3)

Applications



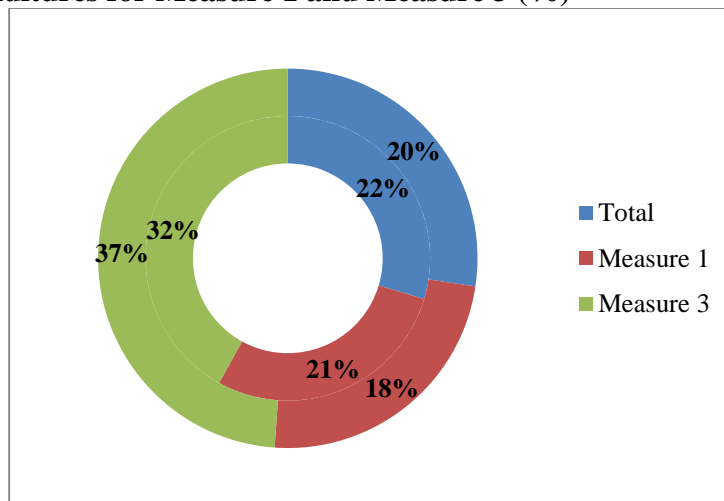
Expenditures (million EUR)



By the end of 2019, out of the total number of requested expenditures, IPARD Agency has **approved EUR 35.6 million of eligible expenditures**, out of which EUR 16.8 million for Measure 1, while EUR 18.9 million was approved for Measure 3 (Graph 19). The share of approval in both

measures are higher for the indicator of approved applications (against the total number of submitted applications) amounting 22%, compared to the total amount of requested expenditures amounting 20% (Graph 20).

Graph 19: Share of approved applications/expenditures in structure of submitted applications/expenditures for Measure 1 and Measure 3 (%)*



*Outer ring: Share of total requested expenditures; Inner ring: Share of the total number of submitted applications

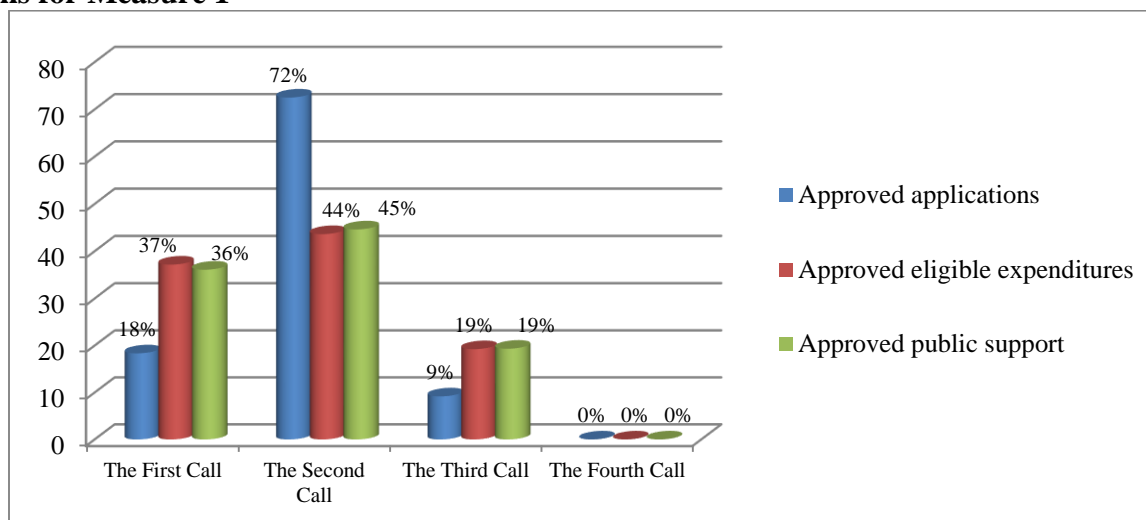
Having in mind the dominant share of Measure 1, both of the total number of submitted applications and of total requested expenditures, there is larger share of approved application out of the total number of submitted applications for Measure 1 (21%), compared to the share of approved expenditures in the total requested expenditures (18%).

Under Measure 3, the share of approved applications and expenditures is significantly larger compared to these indicators within Measure 1 (32% of approved applications against the total number of submitted applications, or 37% of approved expenditures against the total requested expenditures).

Measure 1

IPARD Agency adopted 229 decisions on project approval (21.5%) out of the total number of submitted applications within **Measure 1**, with total eligible expenditures in the amount of EUR 16,775,238 and the amount of total public support of EUR 10,490,070, out of which EUR 7,867,553 is EU contribution. Compared to the previous report, this is increase of 13% for approved applications, 27% for eligible expenditures for investment and 7% for amount of approved support. The average amount of approved support for Measure 1 was 62.5%. In 2018, 20 decisions for project approval were approved, out of the 509 submitted applications for project approval. Significant increase, both of approved (209) and total submitted applications for project approval (557) was achieved in 2019 (Table 4, Annex 2).

In terms of **Public Calls**, the largest share of approved applications (72%), approved eligible expenditures (45%) and approved total public support (45%) concerns the Second Public Call. Within this call, there was a significantly lower average value of approved investment per approved application (EUR 44,067) compared to the First Public Call (EUR 148,433) and Fourth Public Call – EUR 153,615 (Graph 21).

Graph 20: Share of approved applications, eligible expenditures and public support per Calls for Measure 1

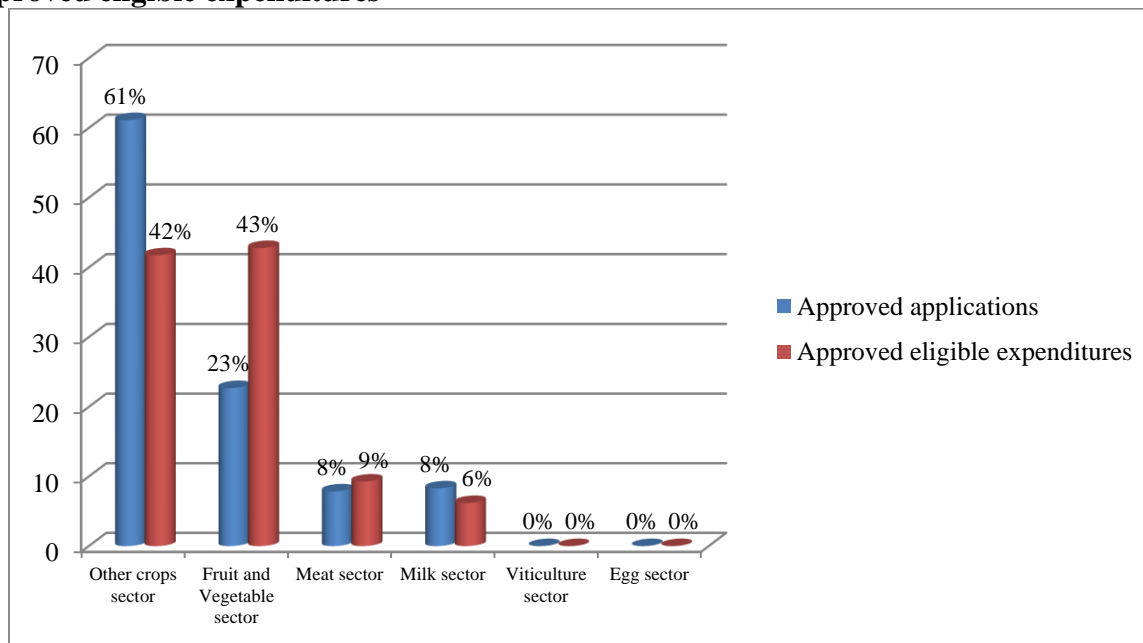
Under the **First Public Call**, 42 decisions on project approval were adopted, which is 18% of the total number of approved applications for Measure 1 and 49% of submitted applications within the First Public Call. The amount of approved eligible expenditures under the First Public Call was EUR 6,234,202, which is 37% of the total amount of approved eligible expenditures for Measure 1 and 52% of the total amount of requested expenditures within the First Public Call. The total amount of approved public support was EUR 3,784,815, which is 36% of total approved public support for Measure 1, while the EU contribution was EUR 2,838,611.

Under the **Second Public Call**, 160 decisions on project approval were adopted, which is 72% of the total number of approved applications for Measure 1 and 42% of submitted applications within the Second Public Call. The amount of approved eligible expenditures for the Second Public Call was EUR 7,315,127, which is 44% of the total amount of approved eligible expenditures for Measure 1 and 38% of the total amount of requested expenditures within the Second Public Call. The total amount of approved public support was EUR 4,678,517, which is 45% of total approved public support for Measure 1, while the EU contribution was EUR 3,508,888.

Under the **Third Public Call**, 21 decisions on project approval were adopted, which is 9% of the total number of approved applications for Measure 1 and 14% of submitted applications within the Second Public Call. The amount of approved eligible expenditures for the Second Public Call was EUR 3,225,909, which is 19% of the total amount of approved eligible expenditures for Measure 1 and 4% of the total amount of requested expenditures within the Third Public Call. The total amount of approved public support was EUR 2,026,737, which is 19% of total approved public support for Measure 1, while the EU contribution was EUR 1,520,053.

Under the **Fourth Public Call**, no applications for project approval has been approved (Table 1, Annex 2).

Observed **per sector**, the Other crops sector has the largest share in the total number of approved applications for Measure 1 (61%). The Other crops sector makes up an approximately same share as the Fruit and Vegetable sector (42% and 43% respectively), as it is shown in Graph 22.

Graph 21: Share of sectors in total number of approved applications and the amount of approved eligible expenditures

In the Viticulture sector and Egg sector, no decision on project approval has been adopted, although seven project proposals have been submitted in the Viticulture sector, while no application for IPARD subsidies has been submitted in the Egg sector. All submitted applications for project approval in the Milk sector concerned dairy cattle breeding (18 applications). In the Meat sector, most of the submitted applications for project approval concerned the sub-sectors of pigs (eight applications) and cattle (seven applications). In the Fruit and Vegetable sector, the sub-sector Fruit is dominant (238 applications), while the majority of approved applications in the Other crops sector is in the sub-sector of Cereals (120 applications). Similar relative share of these sub-sectors are with regard to approved public support. The Fruit and Vegetable sector and the Meat sector make up higher share in the total eligible expenditures of investment than in the total number of approved applications under Measure 1. The Other crops sector and the Milk sector make up higher share in the total number of approved applications than in the total eligible expenditures of investment (Graph 22). The average value of investments per approved application is significantly higher in the Fruit and Vegetable sector compared to other sectors.

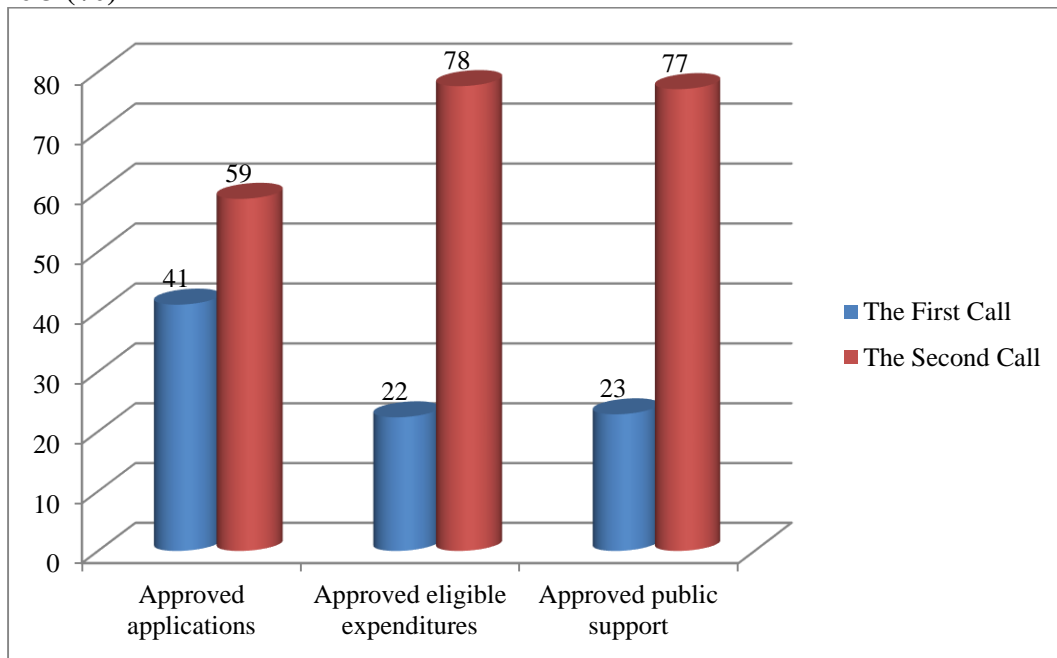
Observed **per type of investment**, the majority of approved applications (219 applications) concerned equipment, machinery and mechanization (including tractors), while other approved applications concerned investments for construction (ten applications). Similarly, the highest amount of eligible expenditures was approved (90%), for the purchase of new equipment, machinery and mechanization (EUR 9 million), while for construction of facilities was approved EUR 1 million (10%). Within all sectors the dominant type of investment with 166 approved applications is purchase of tractors (EUR 4.4 million of approved eligible expenditures for), followed by equipment for collection, sorting, packing and storing in the Fruit and Vegetable sector, with 13 approved applications (EUR 2.4 million of total approved eligible expenditures).

Measure 3

As regards **Measure 3**, 34 decisions on project approval were approved (34.6%), with eligible expenditures in the amount of EUR 18,878,091 and the total public support in the amount of EUR 9,500,764. This represents a significant growth, compared to the previous report, by 48% for approved applications, 92% for approved eligible expenditures and the total approved public support. The average amount of approved support for Measure 3 was 50.3%. All applications for Measure 3 were approved in 2019 (Table 5, Annex 2).

In terms of **Public Calls**, the largest share of approved applications (59%), approved eligible expenditures (78%) and approved total public support (77%) concerns the Second Public Call (20 approved projects, EUR 7,3 million of total public support), while within the First Public Call, 14 decisions on project approval were approved, with the total amount of public support of EUR 2.2 million (Table 1, Annex 2). In the Second Public Call, there was significantly higher average value of investments per approved application (EUR 732,730), compared to the First Public Call (EUR 301,679) (Graph 23). Also, the average value of investments per approved application for Measure 3 (EUR 555,238) is significantly higher compared to the Measure 1 (EUR 73,254).

Graph 22: Share of approved applications, eligible expenditures and public support for Measure 3 (%)



Under the **First Public Call**, 14 decisions on project approval were adopted, which is 41% of the total number of approved applications for Measure 3 and 54% of submitted applications within the First Public Call. The amount of approved eligible expenditures under the First Public Call was EUR 4,223,502, which is 22% of the total amount of approved eligible expenditures for Measure 3 and 42% of the total amount of requested expenditures within the First Public Call. The total amount of approved public support was EUR 2,173,469, which is 23% of total approved public support for Measure 3, while the EU contribution was EUR 1,630,102.

Under the **Second Public Call**, 20 decisions on project approval were adopted, which is 59% of the total number of approved applications for Measure 3 and 25% of submitted applications within

the Second Public Call. The amount of approved eligible expenditures under the Second Public Call was EUR 14,654,590, which is 78% of the total amount of approved eligible expenditures for Measure 3 and 35% of the total amount of requested expenditures within the Second Public Call.

The total amount of approved public support was EUR 7,327,295, which is 77% of total approved public support for Measure 3, while the EU contribution was EUR 5,495,471 (Table 1, Annex 2).

Observed per sector, the Fruit and Vegetable processing sector has the largest number of the approved applications for Measure 3 (29 applications), which primarily concerns equipment for so-called secondary processing of fruit and vegetables (16 applications), as well as investments into the construction and reconstruction of processing facilities (nine applications). In the Milk processing sector, three applications were approved (two for dairy factories and one for waste water treatment), while two applications were approved in the Meat processing sector. The Fruit and Vegetable processing sector achieves a higher percentage of total approved eligible expenditures, compared to the share of total approved applications, while the Milk processing sector and Meat processing sector have a higher share of the approved applications, compared to the share of total approved eligible expenditures. This indicates a higher average value of investment per approved application in the Fruit and Vegetable sector processing (EUR 296,644), compared to the remaining two sectors.

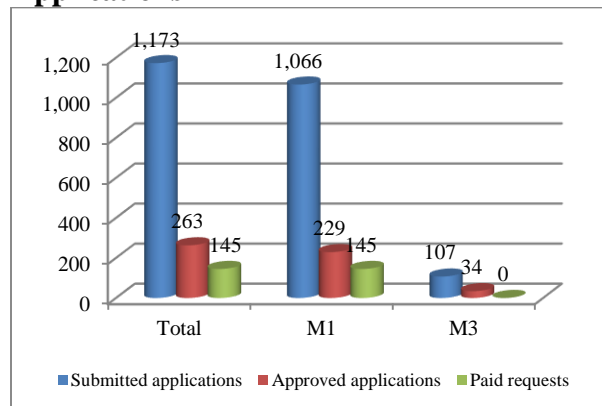
Observed per type of investment, the largest number of approved applications concerned modernisation of equipment for processing and packing in the Fruit and Vegetable processing sector (19 applications, with amount of approved public eligible expenditures of EUR 5.8 million), and for construction/reconstruction/modernisation of processing facilities (nine approved applications and EUR 2.3 million of approved eligible expenditures). For modernisation of dairy factories in the Milk processing sector, two applications were approved. Other groups of investments make up lower share in the total number of submitted applications and approved eligible expenditures.

6.2 Completed projects

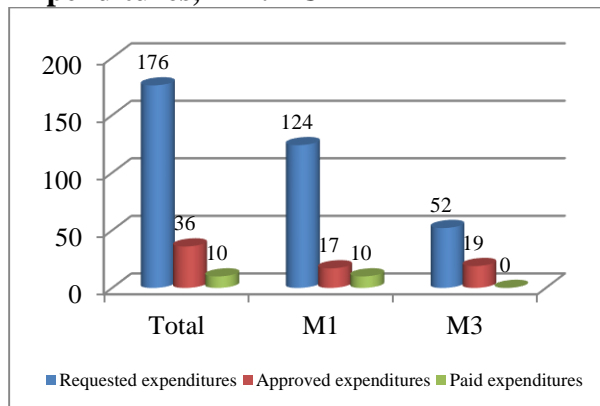
IPARD Agency adopted **145 decisions on payment requests for IPARD support** (55% of the total number of approved applications and 12.4% of the total number of submitted applications). The total amount of paid eligible expenditures is EUR 9,645,783, and total **public support paid is EUR 6,103,360, while the amount of paid EU contribution is EUR 4,577,520**. All payment requests were performed in 2019 and concerned Measure 1, which is shown in Graph 24 (Table 4, Annex 2).

Graph 23: Payment requests paid and expenditures against the submitted/approved applications/expenditures (Measure 1 and Measure 3)

Applications



Expenditures, mill. EUR



The share of payments was higher for the indicator of paid applications (against the total number of approved applications) compared to the percentage of paid expenditures out of the total amount of approved expenditures, which is illustrated in the structural graph (Graph 25).

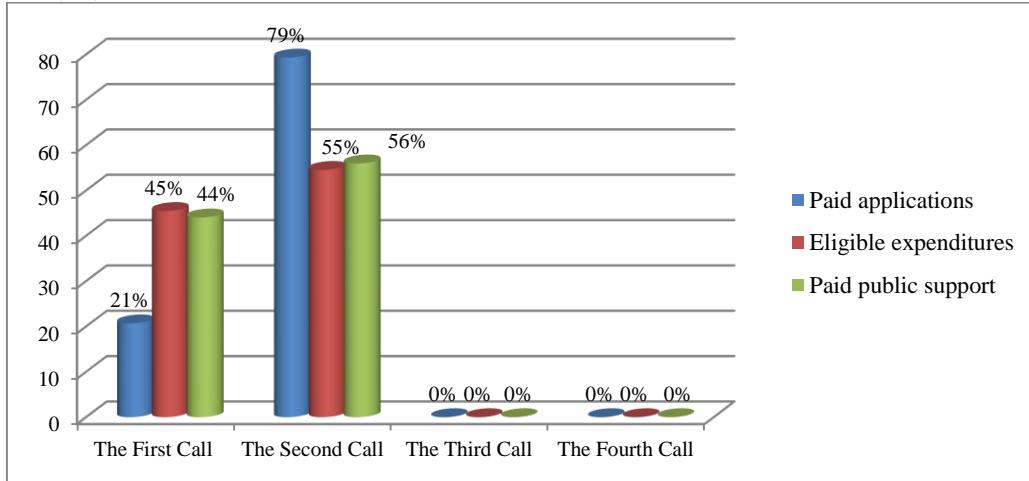
Graph 24: Share of paid requests/expenditures in relation to approved applications/expenditures for Measure 1 and Measure 3



Total paid requests in the total approved applications for both measures make up a share of 55%, and the share of paid expenditures against the amount of approved expenditures was 28%. The same statement could be concluded for Measure 1 (63% for applications and 59% for expenditures).

In terms of **public calls** under Measure 1, all paid requests a related to the First and Second Public Call, while there were no payment requests under the Third and Fourth Public Call. Within the First Public Call, 30 requests were paid, with EUR 4.4 million of eligible expenditures and EUR 2.7 million of total public support. Within the Second Public Call, 115 requests were paid with the total amount of eligible expenditures of EUR 5.3 million and EUR 3.4million of public support.

Graph 25: Share of paid request, eligible expenditures and public support per calls for Measure 1 (%)



The Second Public Call had the highest share of 79% in the total paid requests, which is 69% of the total number of approved applications. Also, the Second Public Call made up 55% of the total eligible expenditures and paid public support. Unlike the Second Public Call, the First Public Call made up a higher share of total eligible expenditures and paid support compared to the share of total paid requests (Graph 26).

A significantly lower share of total eligible expenditures (55%) and paid public support (56%), compared to the share of total paid requests (79%) under the Second Public Call for Measure 1, resulted in significantly lower average value of investments per paid requests under the Second Public Call (EUR 45,745), compared to the First Public Call (EUR 146,172).

Under the **First Public Call**, 30 decisions on project approval were adopted, which is 21% of the total number of paid requests for Measure 1 and 71% of approved applications within the First Public Call. The amount of paid eligible expenditures under the First Public Call was EUR 4,385,150, which is 45% of the total amount of paid eligible expenditures for Measure 1 and 70% of the total amount of approved eligible expenditures within the First Public Call. The total amount of paid public support was EUR 2,688,179, which is 44% of total paid public support for Measure 1, while the EU contribution was EUR 2,016,134 (Table 1, Annex 2).

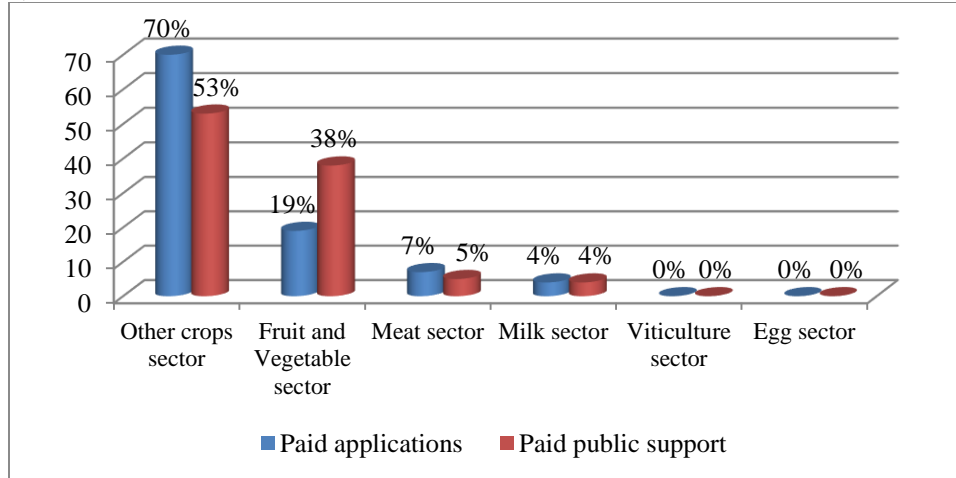
Under the **Second Public Call**, 115 decisions on project approval were adopted, which is 79% of the total number of paid requests for Measure 1 and 69% of approved applications within the Second Public Call. The amount of paid eligible expenditures under the Second Public Call was EUR 5,260,633, which is 55% of the total amount of paid eligible expenditures for Measure 1 and 72% of the total amount of approved eligible expenditures within the Second Public Call. The total amount of paid public support was EUR 3,415,182, which is 56% of total paid public support for Measure 1, while the EU contribution was EUR 2,561,387 (Table 1, Annex 2).

Within the **Third Public Call** until the end of 2019, there was no project payment (Table 1, Annex 2).

Observed **per sector**, the Other crops sector has the largest share in the total number of paid requests for Measure 1 (70%) than the Fruit and Vegetable sector (19%). When it comes to the share of the total paid public support, the Other crops sector achieved 53%, while the Fruit and

Vegetable Sector achieved 38%. The Meat sector and the Milk sector made up significantly lower percentages in the fore mentioned indicators. In the Viticulture sector and Egg sector, no decision on payment of IPARD support has been adopted (Graph 27).

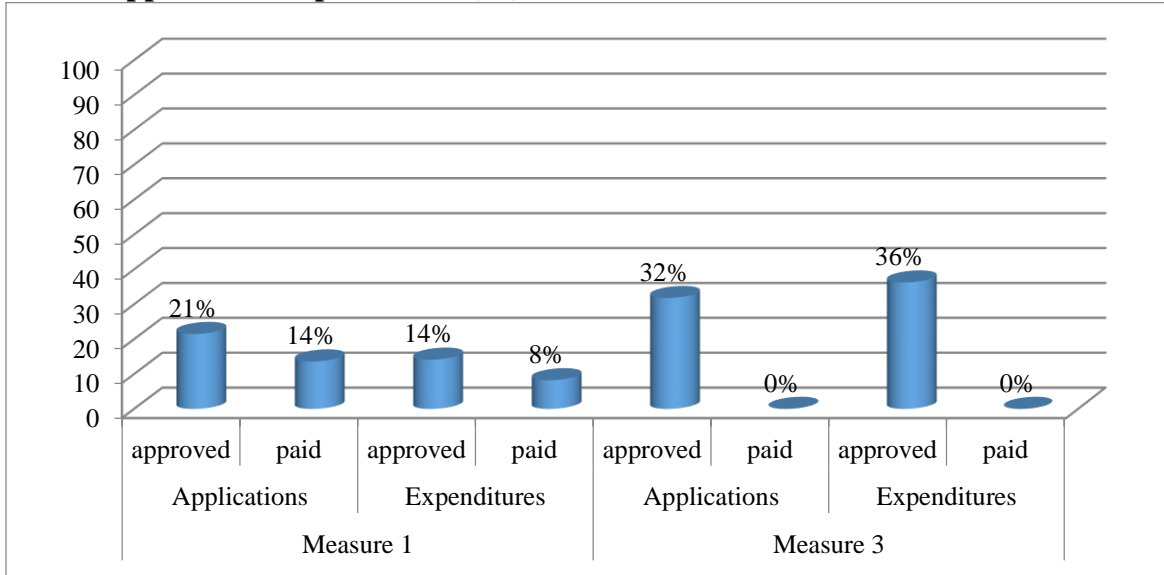
Graph 26: Share of sectors in total number of paid requests and in the amount of paid public support (%)



All paid requests in the Milk sector concerned dairy cattle breeding (six applications). In the Meat sector, most of the submitted applications concerned the sub-sectors of cattle (four applications) and pigs (three applications). In the Fruit and Vegetable sector, the sub-sector of Fruit has a dominant share (25 applications), while in the Other crops sector the majority of paid requests were in the sub-sector of Cereals (84 applications). Similar relative share of these sub-sectors are with regard to paid public support. The Fruit and Vegetable sector made up a higher percentage in the total paid support than in the total number of paid applications. The Other crops sector and the Meat sector made up higher percentages in the total number of paid requests than in the total amount of paid public support (Graph 27). The average value of investments per paid requests is significantly higher in the Fruit and Vegetable sector compared to other sectors.

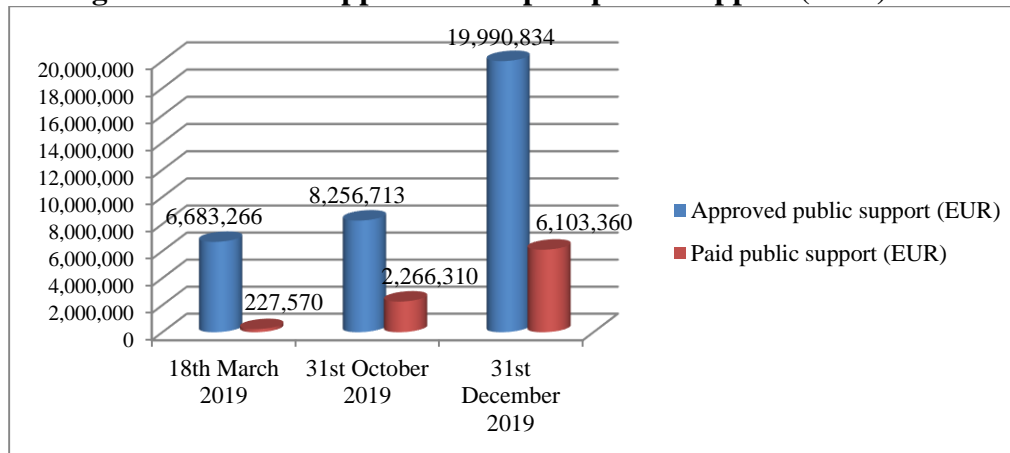
Observed **per type of investment**, the full amount of paid public support concerned purchase of new equipment, machinery and mechanization (including tractors), while no project were paid for investments into the construction/reconstruction/modernisation. Tractors make up the dominant share in total paid requests (79% for 115 paid requests), as well as in the total paid public support (56%, with paid support in the amount of EUR 3,415,182). Out of the total paid requests for purchase of tractors, 79% concerned the Other crops sector, which is 83% of paid public support for tractors.

Graph 27: Share of approved applications/paid requests/expenditures compared to submitted applications/expenditures (%)



A higher percent of applications approval compared to the submitted applications is achieved under Measure 3 (32%). The share of applications approval was lower (21%) in Measure 1, as well as the share of approved eligible expenditures (14%). Compared to Measure 3 where no request was paid, in Measure 1 requests were paid (14% of paid requests compared to the submitted applications and 8% of paid expenditures compared to the requested expenditures).

Graph 28: Progress in terms of approved and paid public support (EUR)



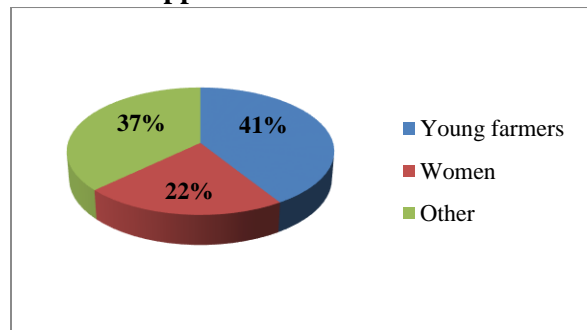
In the period from the last reporting, a significant progress was made in terms of the total approved public support, which amounted to EUR 11.7 million (42%), as well as paid public support in the amount of EUR 3.8 million (69%).

6.3 Sensitive sectors

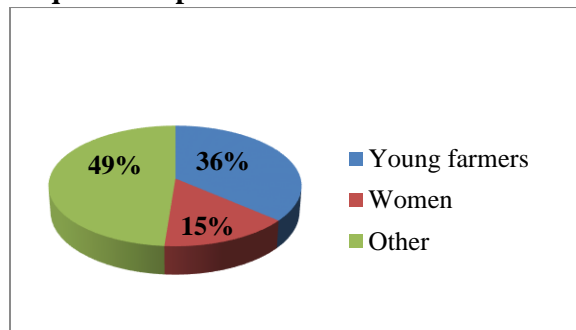
Sensitive categories (young farmers, woman) achieved significant share both in the number of submitted applications (63%) and in the total requested expenditures (51%) for Measure 1 (Graph 30).

Graph 29: Participation of sensitive categories in the total number of submitted applications and requested expenditures for Measure 1 (%)

Submitted applications



Requested expenditures

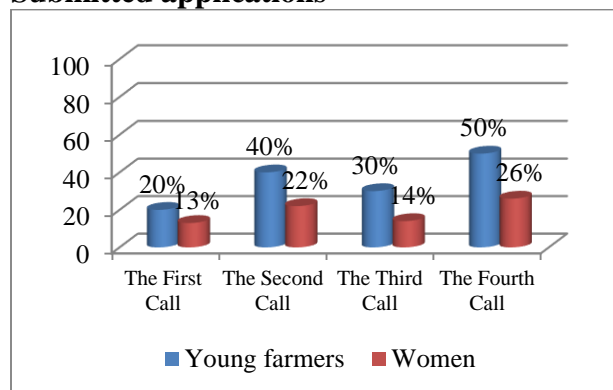


The total number of applications, submitted by **young farmers** in Measure 1, is 437, which is an increase compared to the previous reporting (by 84%). The amount of requested expenditures was EUR 45.2 million (an increase compared to the previous report by 30%, with a participation of 36% in the total amount of requested expenditures). The average value of investments per submitted application is decreased, which is explained through the fact that the Fourth Public Call related to the procurement of tractors, with a larger number of submitted applications compared to the other calls.

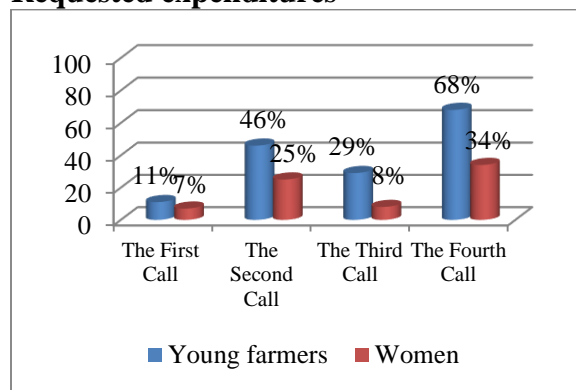
Observed **per calls** under Measure 1, young farmers achieved the most important share in the total submitted applications, and in particular in required expenditures under the calls concerning purchase of a new tractor (Annex 3). Within the Fourth Public Call, young farmers achieved 50% of the total number of submitted applications and 68% of the total requested expenditures, while within the Second Public Call they submitted 40% of applications, with participation of 46% of total requested expenditures (Graph 31).

Graph 30: Share of young farmers and women in the total number of submitted application and requested expenditures per calls in Measure 1 (%)

Submitted applications



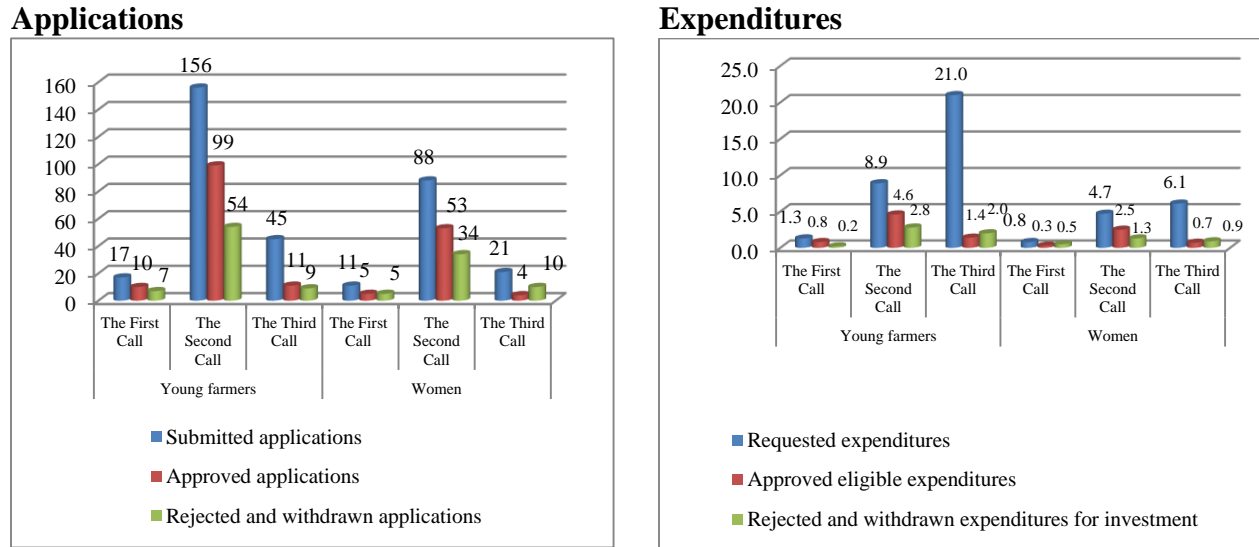
Requested expenditures



The highest number of adopted decisions on project approval for applications submitted by young farmers, concerned the Second Public Call (63%). Within the Second Public Call, there was the highest number of rejected and withdrawn applications (35%). The highest amount of requested expenditures by young farmers is achieved under the Third Public Call, although the highest number of submitted applications was under the Fourth Public Call, having in mind the total value of investments per submitted applications under the Third Public Call, that included expenditures

for construction, reconstruction and modernisation of facilities. Over half of approved eligible expenditures were realized under the Second Public Call (EUR 4.6 million or 52% of requested expenditures). Also, within this call was the highest total amount of expenditures of rejected and withdrawn applications submitted by young farmers (EUR 2.8 million, i.e. 31% of the total amount of requested expenditures), what is presented on Graph 32.

Graph 31: Approved, rejected and withdrawn* applications/expenditures of sensitive categories per calls in Measure 1



The total number of applications submitted by **women** for Measure 1 is 233 (22%), where the amount of requested expenditures was EUR 18.6 million, which is an increase compared to the previous reporting (Annex 3).

Observed per calls under Measure 1, women achieved the most important share in the total submitted applications and in the requested expenditures, under the calls concerning the purchase of a new tractor (Annex 3). Within the Fourth Public Call, young farmers achieved 26% of the total number of submitted applications and 34% of the total requested expenditures, while within the Second Public Call they submitted 22% of applications, with participation of 25% of total requested expenditures (Graph 31).

The highest amount of requested expenditures by women is achieved under the Third Public Call, although the highest number of submitted applications was under the Fourth Public Call, having in mind higher total value of investments per submitted applications under the Third Public Call, that included expenditures for construction, reconstruction and modernisation of facilities. Within the Second Public Call was the highest amount of approved eligible expenditures (EUR 2.5 million or 53% of the total requested expenditures), as well as total amount of expenditures of rejected and withdrawn applications submitted by women (EUR 1.3 million, i.e. 28% of the total amount of requested expenditures), what is presented on Graph 32.

The data indicate a growth tendency of the interest of sensitive categories for investments concerning procurement of tractors. Detailed data related to sensitive groups are presented in the Annex 3 of this Report.

6.4 Sanctioned and cancelled projects

Out of the total number of 1,173 submitted applications for project approval for Measure 1 and Measure 3, a total of 163 decisions (14%) were rejected and 100 decisions (9%) were withdrawn, due to applicants' withdrawal. Reasons for applications rejection are failure to meet requirements concerning investment criteria, failure to submit missing documentation after the receipt of the request for supplementation etc. (Table 18)

Table 18: Overview of rejected and withdrawn applications per Measures and Calls

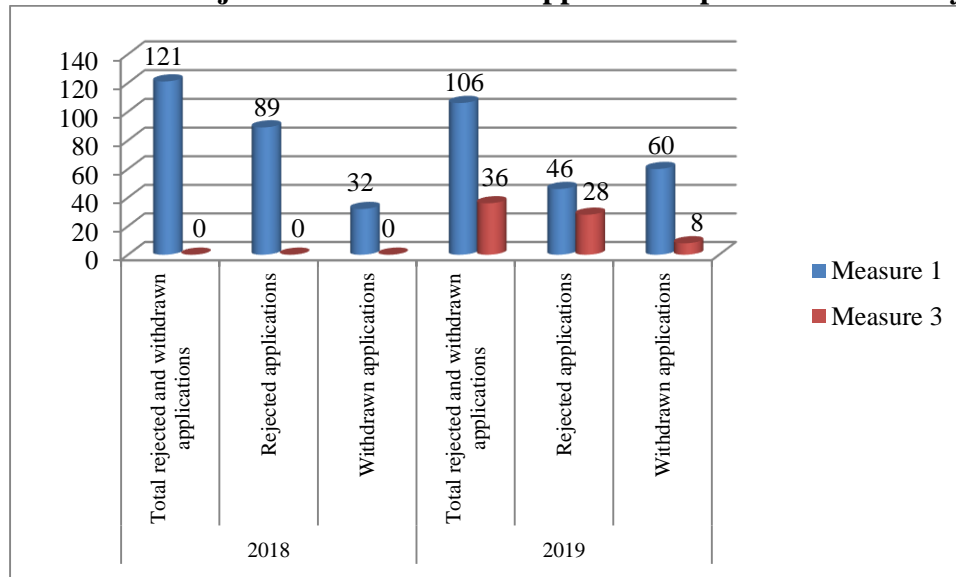
IPARD II		Rejected applications		
Measure	Public Call	No. of applications	Support amount	EU contribution
1	1	42	2,857,938	2,143,454
1	2	149	3,447,979	2,608,485
1	3	36	7,077,123	5,307,842
1	4	0	0	0
Total M1		227	13,413,041	10,059,780
3	1	12	2,709,589	2,032,192
3	2	24	2,184,818	1,638,613
Total M3		36	4,894,407	3,670,805
Total M1+M3		263	18,307,447	13,708,086

The highest number of rejected and withdrawn applications is under Measure 1 (227 applications), while a share of rejected and withdrawn applications in the total number of submitted applications was higher under Measure 3 (34%).

Observed **per calls within Measure 1**, the largest number of rejected and withdrawn applications is under the Second Public Call (149, i.e. 38% of the total of submitted applications for this Call). The largest amount of rejected expenditures was under the Third Public Call (EUR11.8 million or half of the total rejected expenditures under this Measure), although this call had the lowest number of rejected and withdrawn applications. This can be explained through the fact that the average value of investment is higher per rejected and withdrawn application within the Third Public Call, regarding it included investments for construction/reconstruction/modernisation. It should be noted that the total number of rejected applications includes a significant number of withdrawn applications due to applicants' withdrawal (92 applications, i.e. 41%) (Table 8, Annex 2).

Within **Measure 3**, 36 applications were rejected and withdrawn, which is 34% of the total number of submitted applications and 14% of the total number of rejected and withdrawn applications. Both calls had an approximate amount of rejected expenditures. The average value of investment per rejected and withdrawn application is higher within the First Public Call, compared to the Second Public Call. Out of the total number of rejected and withdrawn applications, 28 applications were rejected (78%). Eight applications were withdrawn due to an applicant withdrawal (22%), which is considerably lower compared to the Measure 1 (41%) (Tables 1 and 8, Annex 2).

Graph 32: Overview of rejected and withdrawn applications per measures and years

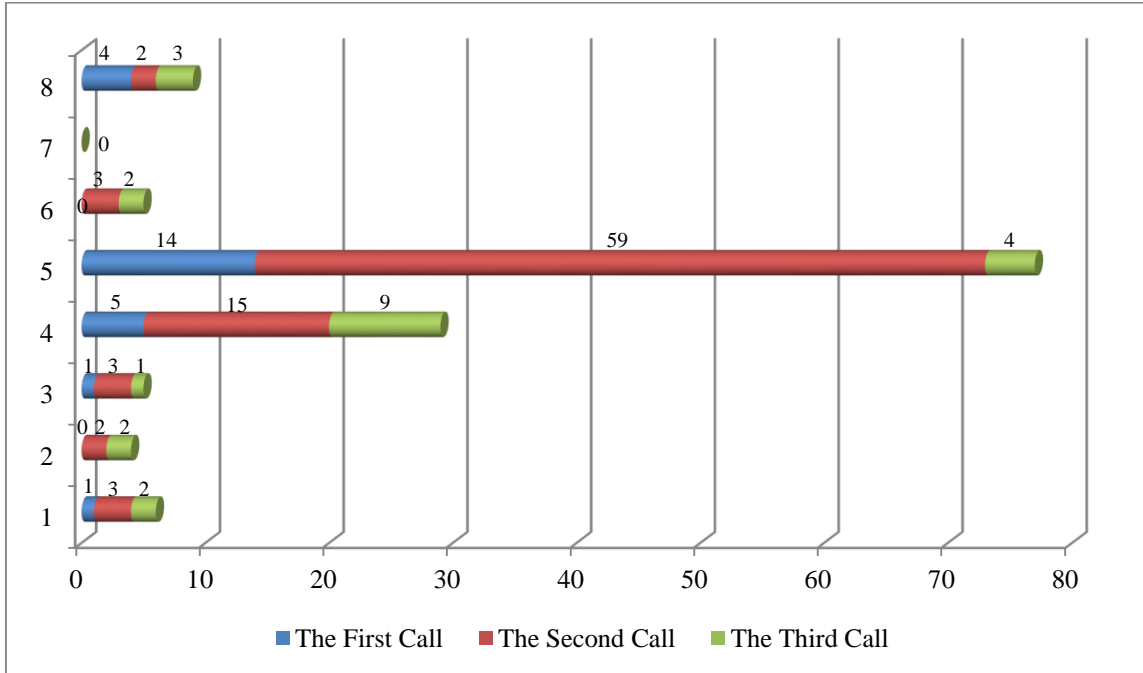


Observed **per years within Measure 1**, the total number of rejected and withdrawn applications was lower in 2019 (106 applications), compared to 2018 (121 applications), by 12%. (Graph 33).

The total number of rejected applications was decreased in 2019 (46 applications), compared to 2018 (89 applications) comparing with withdrawn applications (from 32 applications in 2018 to 60 applications in 2019). Within **Measure 3**, the total number of rejected and withdrawn applications is higher in 2019 (36 applications), compared to 2018, when no application was rejected and withdrawn (Graph 33), while there was the inverse proportion of rejected and withdrawn applications compared to Measure 1. Detailed overview of the rejected and withdrawn applications is presented in Tables 2 and 3, in Annex 2.

The most common reasons for rejection of applications concerned the ineligibility of investment criteria (77 applications for Measure 1 and 11 applications for Measure 3), failure to submit the required missing documentation (29 applications for Measure 1 and 15 applications for Measure 3), as well as failure to meet special criteria of the competition concerning the size of a company (nine applications for Measure 1 and two applications for Measure 3) (Graph 34). Detailed overview of the most common reasons for rejection of applications is presented in Table 9, in Annex 2.

Graph 33: Most common reasons for rejection of applications for the first three calls under Measure 1



Legend:

1. False information submitted
2. Lack of economic sustainability of the applicant/ project
3. Incompleteness of documentation required
4. Complementary documentation requested was not delivered
5. Unacceptability of investment criteria
6. Application submitted beyond deadlines
7. Lack of resources
8. Does not meet the special conditions of the competition - the size of the company

7. SUMMARY OF THE EVALUATION ACTIVITIES IN RELATION TO THE EVALUATION PLAN

Pursuant to the provisions of the Sectoral Agreement, the IPARD II Programme shall be subject to ex-ante and ex-post evaluations and, where deemed necessary by the Commission, interim evaluations carried out by independent evaluators under the responsibility of the Managing Authority. Ex-ante evaluation of the IPARD II Programme was carried out in the period June-July 2014 by an evaluation team made up of two international experts, Ms. Simona Cristiano and Mr. Roberto Cagliero. The results of the ex-ante evaluation are presented in the report and resume of the conducted ex-ante evaluation is an integral part of the IPARD II Programme.

An important instrument for conducting the evaluation of the IPARD II Programme is the Evaluation Plan, adopted by the IPARD II Monitoring Committee at its first session. The Evaluation Plan contains activities for the evaluation of the IPARD II Programme for the entire implementation period (including the n+3 funding rule). During the last quarter of 2019, an evaluation of the IPARD II Programme (ongoing evaluation) was carried out for the first two years of its implementation. The Institute for Agricultural Economics of Belgrade has performed evaluation of the IPARD II Programme, engaged by MAFWM for the needs of the IPARD Managing Authority. The activities of the IPARD II Programme evaluation concerned the assessment of the availability and quality of common context indicators defined by the IPARD II Programme as well as strengthening the absorption capacity of IPARD funds through the administrative simplification of IPARD request processing. The IPARD II Programme evaluation was finalized at the end of March 2020, when the final version of the Report on the conducted evaluation of the IPARD II Programme in the Republic of Serbia for the period 2017-2019 was submitted to the Managing Authority.

Summary of the Evaluation Report of the IPARD II Programme for the period 2017-2019

The Ongoing Evaluation Report of IPARD II Programme in the Republic of Serbia for the period 2017-2019 includes an overview of implemented evaluation activities, with an overview of the methodology applied, identification of the key problems and recommended measures for improvement of the IPARD II Programme implementation. The evaluation of achieved results, fulfilment of the planned goals defined by ex-ante evaluation, as well as degree and extent of the short-term goals achievement of IPARD II Programme were carried out. In addition, assessment of the availability of common context indicators, weaknesses and deficiencies in the process of their collection for the purpose of monitoring the effectiveness of the implementation of the IPARD II Programme, was carried out.

Evaluation of common context indicators is covered by the **Project activity 1**. The evaluation included an assessment of availability and quality for each individual indicator in all three groups of indicators, defined by the IPARD II Programme (socio-economic, sectoral and environment indicators). Within this project activity, an electronic database of all common context indicators for the period 2012-2018 has been calculated, index values for 2018 have been calculated for comparison with the values in the base year 2012. The results of the evaluation indicate that most socio-economic and sectoral indicators are available, that the official producer for the most part is the SORS, that the quality of these indicators is relatively high, and that the collection and publication periodicity is largely harmonized with Eurostat. The largest number of missing indicators and weaknesses in monitoring is in the group of environmental indicators. In the upcoming period, in the segment of socio-economic and sectoral indicators, the recommendation

is to continue further harmonization of the SORS methodology with the Eurostat, as well as the introduction of currently missing indicators in the segment of national accounts and economic accounts of agriculture. Additionally, it will be crucial to establish a classification of territorial units at the municipal level (LAU 2) according to the degree of urbanization, in accordance with the DEGURBA methodology and to apply the EC urban-rural typology at the area level (NUTS 3), since only proper definition of rural areas provides a basis for establishing relevant indicators for assessing the state of development of rural areas. Within the group of environmental indicators, the most significant recommendations are strengthening communication between the public services responsible for establishing and monitoring of indicators, strengthening human capacities in terms of knowledge towards methodology for development and monitoring of indicators, as well as enabling financial sources for continuous monitoring of set parameters.

Implementation of Project activity 2 – Administrative simplification of the processing of submitted applications is based on the analysis of key documents that form the framework for the IPARD II Programme, public policy documents, laws and other regulations, as well as available reports of the Managing Authority and the IPARD Agency. In order to realize this project activity, a total of 45 structured interviews were conducted with representatives of the IPARD Managing Authority, IPARD Agency, Group for advisory service (Sector for Rural Development, MAFWM), members of the IPARD II Monitoring Committee, representatives of technical bodies (Phytosanitary Inspection, Environmental Inspection, Agricultural Inspection and Veterinary Inspection), consulting agencies engaged in the implementation of the IPARD II Programme and AAS representatives. Five focus groups with rejected applicants and one focus group with the approved IPARD recipients were held.

Significant results have been achieved in the implementation of the IPARD II Programme in the short term, but considerable space for further improvement remains.

The small number of applications for project approval from the livestock area is noticed, due to the requirements for meeting the minimal national standards.

The average application for project approval processing time from the receipt of application until adoption of decision on project approval is over 270 days. Mentioned processing applications period is caused by significant number of incomplete applications that need to be supplemented and therefore applicants are requested to send missing documentation. Also, it is established that period from the receipt of payment request to the payment of IPARD subsidies lasts about four months.

The most important factors that influenced the deviation of the results of IPARD II Programme implementation from the planned ones are: 1) delay in measures entrustment; 2) longer application processing period at all stages, due to huge number of incomplete applications; 3) uncertainty of applicants regarding interpretation of the requirements for exercising the rights to IPARD support; 4) lack of opportunity to use IPARD support in the realization of projects; 5) narrow range of potential recipients in Measure 3 (inability to initiate start-up investments in particular sectors, facilities on DG SANTE list cannot apply, etc.); 6) complex procedures for verification of costs reasonableness (use of reference price base (with submission of three offers); and 7) insufficient information of recipients, which is reflected in the non-fulfilment of the prescribed conditions and criteria.

In order to improve the implementation of IPARD II Programme in the Republic of Serbia, based on the conducted evaluations, recommendations were made for:

(1) Managing Authority:

- in case of amendment to rulebooks for measures, to provide IPARD Agency a longer period before the publishing of calls,
- to enable the use of subsidized loans,
- to establish a set of indicators to monitor and evaluate the implementation of IPARD II Programme in order to improve the Programme;

(2) IPARD Agency:

- establishment of the Paying Agency, in whose structure will be IPARD Agency,
- introduction of verification of costs reasonableness, by use of reference price base with submission of one offer,
- introduction of LPIS and IACS system,
- publishing data on consultancy agencies, within the List of operations and recipients of IPARD II assistance,
- providing direct access for the IPARD Agency to the RGA data, the Register of approved facilities maintained at the Veterinary Directorate, the database of the Tax Administration and local self-governments;

(3) IPARD Technical Bodies:

- public disclosure of unpublished checklists at one place,
- continuous training,
- development of practical instructions and guides for recipients, in order to reach minimal national standards,
- enabling direct access for Technical Bodies to databases relevant for their operation,
- improvements in the system for complaints resolving within IPARD Programme;

(4) AAS:

- preparation of two uniform applications for all services in the Republic of Serbia, one that would be used for the assessment of eligibility to apply, and the other to assist in the preparation of documents for submission of application,
- appointment of advisor in each AAS responsible for the IPARD Programme,
- appointment of advisors in each AAS responsible for support in reaching of minimal national standards,
- development of a software solution that will enable quick assessment of eligibility of recipients for IPARD subsidies;

(5) MAFWM:

- improvement of the Central Registry of Facilities where processing facilities are registering, introduction of the IACS system,
- further improvement of acting upon second-instance appeal;

(6) Ministries in charge of construction and local self-government:

- implementation of a set of activities aimed at harmonizing the criteria for issuing permits and approvals for applicants for IPARD subsidies, through establishment of continuous training and guidance,

- establishment of an inter-ministerial working group from three relevant ministries that would continuously work to inform local self-governments and harmonizing and facilitating the issuing of permits and approvals in the agricultural sector;
- (7) General recommendation:
- improvement of working conditions of employees in the Managing Authority and the IPARD Agency.

The next steps

When it comes to implementation of the evaluation activities in the forthcoming period, the Action Plan for the implementation of the IPARD measure Technical Assistance for 2020 foresees the implementation of the ongoing evaluation of the IPARD II Programme for 2020-2021, as well as the ex-ante evaluation of the IPARD Programme for the next programming period (2021 - 2027). The Evaluation Plan for the current programming period also provides for preparation activities to carry out an ex-post evaluation of the IPARD II Programme. All of these evaluation activities will be covered by the IPARD Technical Assistance measure.

In order to improve the evaluation of the IPARD II Programme in the forthcoming period, an updated version of the Evaluation Plan for the current programming period will be prepared, which will be adjusted to current needs and dynamic of Programme implementation.

8. ACTIVITIES CARRIED OUT FOR THE IMPLEMENTATION OF THE COMMUNICATION PLAN

Informing and promotion are important part in successful implementation of the IPARD II Programme and contribute to the financial contribution of EU. These actions are planned, implemented, monitored and evaluated within the framework of the IPARD II Plan of Visibility and Communication Activities for the period 2014-2020 (PVCA). The PVCA was prepared by the MA in cooperation with the IPARD Agency, agreed with the European Commission and approved by the IPARD II MC on its First Session. Increasing the awareness of the general public about the role of EU contribution to the rural development in the Republic of Serbia, ensuring of transparent information on the opportunities of the IPARD II Programme and making visible results achieved through the assistance provided by IPARD II Programme are the main goals of prepared Plan of Visibility and Communication Activities. Successful management and implementation of the IPARD II Programme was insured by the timely, up to date and accurate information and publicity activities toward the target audience.

The successful implementation of IPARD measures and the ability of potential recipients to absorb IPARD funds depend directly on the quality of the applications submitted, the awareness of the recipients, inclusion of Agricultural Advisory Services and other parties in information chain to provide support.

The implementation of the Plan of Visibility and Communication Activities and the promotion of IPARD II Programme of the Republic of Serbia has started after the First amendments to the IPARD II Programme, entrustment of budget implementation tasks and adoption of Rulebooks for the implementation of IPARD Measure 1 and Measure 3.

Indicators for visibility and communication activities given for the whole programming period are for the period 2018-2019 presented in Table 19. The majority of indicators are achieved in the reporting period.

Table 19: Indicators for visibility and communication activities implemented in the period 2018-2019

Type of indicator	Indicator	Value on Dec 31, 2019	Target	Execution Rate
Output	Number of potential recipients attending information events	3,900	4,000	97.5
	Number of promotional events implemented	68	30	Achieved
	Number of National events	7	5	Achieved
	Number of promotional materials disseminated	11,150 brochures, 15,500 leaflets, 400 posters, 5 roll-up banners	6,000	Achieved
	Number of national and regional media, reached by informational materials (press conferences, press releases)	213 through agencies news (printed, electronic and the Internet media)	20	Achieved
	Number of sector stakeholders acting as multipliers (providing links to IPARD II website, distributing promotional materials)	6 (42 with AAS)	10	60.0
	Number of TV and/ or radio presentations	398	1 per call	Achieved
	Number of press conferences organised	18	At least 5 national and at least 4 regional	Achieved
	Number of press releases provided	62	At least 20	Achieved
	Number of people accessing the IPARD II website	933,029 approximately 38,000 per month	2,000	Achieved
Type of indicator	Indicator	Value on Dec 31, 2019	Target	Execution Rate
Output	Level of satisfaction from the informational events	92.95%	At least 80% satisfied by the content and organisation	Achieved
	Number of publications/ articles, TV and radio reportages for the IPARD II Programme	2,971	60	Achieved
	Number of applications for grants per measure	M1: 1,235 M3: 202	At least 80 for the Measure 1 and at least 45 for the Measure 3	Achieved for both, M1 and M3

Source: DAP, processed by Managing Authority

During 2016 and 2017, promotion of the IPARD II Programme was carried out through the activities of advisory services. After the first educational module held in 2015 on IPARD II

Programme, advisors were obliged in their Annual plan of activities to disseminate information on the IPARD II Programme opportunities to potential recipients through winter schools, tribunes, workshops, media, bulletins.

In order to provide sufficient number of good quality applications, in the 3rd quarter of 2017, the new module for agricultural advisors was organized in Belgrade. Four two-day trainings were held with 116 representatives of 36 Agricultural Advisory Services (AAS) from the territory of Central Serbia and the AP Vojvodina. Each AAS has trained teams that include agro-economists and experts from the sectors covered by the IPARD Programme and who have passed the IPARD introductory module. They were involved in the promotional activities related to the IPARD II Programme as well as in direct work with potential IPARD recipients. Therefore, it was necessary to introduce them with all the details of the application and approval processes, to facilitate their future work with the recipients and to accelerate the process by improving the quality of the IPARD support. The training also involved a number of newly-recruited staff members from the IPARD Agency with the aim to expand their knowledge on the work of other sectors and thus gain comprehensive insight into a process. The lecturers were employees from the Sector for Rural Development and the IPARD Agency, as well as representatives of technical bodies that will check the fulfilment of prescribed minimal national and EU standards in the field of environmental protection, veterinary public health, animal welfare, plant protection, food safety of plant origin products.

Agricultural Advisory Services are significant partner in activities related to the IPARD II Programme as well as in direct work with potential IPARD recipients and recipients who have passed two modules in 2019: 2 two - day trainings for 68 agricultural advisors on IPARD modification which included introduction of new sectors and 2 one-day trainings on Measure 7. The lecturers were employees from the Department for Rural Development Sector and the IPARD Agency, as well as representatives of technical bodies that will check the fulfilment of prescribed minimal national and EU standards in the field of environmental protection, veterinary public health, animal welfare, plant protection, food safety of plant origin products and rural tourism.

Motivation of the potential recipients to prepare and submit applications to the IPARD II measures was provided through 20 regional information events organized for representatives of local self-governments, agricultural cooperatives, farmer's associations, regional development agencies, regional chambers of commerce, consultants and bank representatives were held in period December 2017 - March 2018 for Measure 1. Also, in the same period 11 more events were organized for Measure 3 in cooperation with Chamber of Commerce and Industry of Serbia and Chamber of commerce of AP Vojvodina. A national event on IPARD support was organized and held at the Agricultural Fair in Novi Sad in May 2018 and in May 2019.

Starting on 26th October 2018, 9 regional information workshops on IPARD Measure: 1 and Measure 3 were held (Belgrade, Kragujevac, Leskovac, Šabac, Zaječar, Zrenjanin, Subotica, Kraljevo, Valjevo). The target groups were potential IPARD recipients, farmers, agricultural cooperatives, farmer's associations, regional development agencies, AAS, consultants. Events were organized in cooperation with the IPA 2013 project: "Support to the IPARD Operating Structure (Managing Authority, IPARD Agency and Advisory Service)", to stakeholders and promotion partners. Preparation and printing of promotional material – 4,000 brochures: "To IPARD Subsidies in 10 steps" and 3,500 leaflets on IPARD measures were supported by the same project. Printed material was disseminated to potential recipients during the Agricultural Fair in Novi Sad and through agricultural advisory services.

Promotion of the IPARD II Programme in 2019 was carried out through 25 information events for representatives of local self-governments, agricultural cooperatives, farmer's associations, regional development agencies, regional chambers of commerce, consultants and bank representatives. In this year, activities of the IPARD II Programme implementation were presented at Agricultural Faire in Novi Sad, at, for the first time held International fruit, viticulture and vegetable fair (Agro Belgrade Fair), and on Book fair in Belgrade.

All promotional activities in 2019 were financed from the grant, approved from Government of Japan in May 2017, for strengthening capacities of IPARD Agency and Managing Authority. Mentioned activities related to development of three IPARD promotional videos, leasing time to broadcast IPARD promotional videos on a national TV channel, printing of promotional IPARD materials (guides, brochures, leaflets, banners and posters) and organization of different events in order to monitor the implementation and promotion of IPARD II Programme. The second component of this grant was used for supplying the material for refurbishing of new office spaces in IPARD Agency and supplying the IT equipment, with the aim of enabling the facilities to function in accordance with the IPARD II entrustment criteria.

In order to promote the IPARD II Programme during May 2019 three videos were created: animated video 1- "How to IPARD subsidies" (2'15"), video 2 – "Announcement of IPARD public call for Measure 1" (17"), spot 3 – "Announcement of IPARD public call for Measure 3" (22") and 12 photos from the video shooting. The videos for the announcement of the calls were intended for broadcast through the national TV service, and the animated video was published on the official websites of MAFWM and DAP, as well as the websites of promoting partners.

For broadcasting of IPARD promotional videos on the national TV service (Public Media Institution Radio-Television of Serbia) within the IPARD promotion campaign: "Well invested IPARD returns well". Within this campaign, in the period from 25th September to 30th December 2019, videos for Measure 1 (17 ") were broadcasted 67 times, and for Measure 3 (22") 47 times, in the following programmes: Morning Program 1, Morning Program 2, News 2, Šarenica, Znanje-Imanje, This is Serbia.

Design and printing service for promotional IPARD materials included: 5 IPARD banners, 400 IPARD posters, 10,000 IPARD leaflets, 3,400 IPARD brochures (To IPARD support in 10 steps), 1,000 IPARD Guidelines for Measure 1 and 1,150 for Measure 3. Printed materials are disseminated to the IPARD Agency, AAS, Provincial Secretariat for Agriculture, Water Management and Forestry, local self-governments and during IPARD promotional events.

The Guides for Applicants/Recipients for IPARD Measure 1 and Measure 3 have been prepared and published on the web pages of the MAFWM and the DAP (<http://www.minpolj.gov.rs/ipard-program-2014-2020/> and <http://uap.gov.rs/ipard-ii-u-srbiji/>). The Web pages of the MAFWM and the DAP contain all relevant information for applicants and potential recipients. In the reporting period 933,029 users visited those pages. In the year 2019 new chat application was launched on the DAP web page, through 45,254 users obtained the requested information.

Monthly bilingual newsletter "IPARD in focus" was initiated at the end of 2019 and it is being disseminated to more than 2,000 e-mail addresses. For the newest information on events, announcements, calls and rules regarding the implementation of the IPARD II Programme in Serbia IPARD Managing Authority accounts on Instagram (@ipardnadlanu) and Facebook (IPARD na dlanu) have been opened for the general public and potential recipients.

In the light of major IPARD events, such as signing of the Financing Agreement, announcing of the public calls, field visits, Monitoring Committees etc. and 18 press conferences and media briefings were held.

Considering IPARD information channel established through e-mail address for questions ipard.info@minpolj.gov.rs on actual public calls. More than 2,000 answers were prepared during the regular weekly meetings of IPARD OS and delivered to all interested parties. In the period from 14th December 2017 to 31st December 2019. s. Through the telephone line about 2,000 calls were provided on IPARD public calls related to Measure 1 and Measure 3, as support to potential recipients and recipients in 2018 and 2019. Support to recipients has also been provided through direct communication in the premises of the IPARD Agency.

IPARD II Programme was also promoted through activities of AAS that disseminated information on IPARD II to the potential recipients through forums, workshops, media and bulletins. AAS provides trainings of IPARD recipients with no adequate formal education or experience in agriculture. Registration for attending 50 hours of lessons in the appropriate sector is enabled through web page of the Institute for Science Application in Agriculture (<https://www.psss.rs/licenciranje/ipard-50h.htm>). In the reporting period, eight farmers have successfully completed mentioned training (“IPARD 50 hours”) and received the final certificate.

During reporting period, AAS covering Central Serbia have prepared in total 45 business plans (out of 629 submitted applications) for potential recipients of IPARD support for Measure 1 (29 business plans in 2017-2018 and 16 in 2019). AAS covering the AP of Vojvodina have prepared six business plans in the period 2017-2018 and has provided 68 assistances for potential recipients applying for IPARD support for Measure 1 in 2019.

Implemented activities of AAS in Central Serbia and in AP Vojvodina are presented in Tables 20 and 21.

Table 20: AAS Central Serbia

Information tool	2016		2017		2018		2019	
	No. of events held	No. of participants	No. of events held	No. of participants	No. of events held	No. of participants	No. of events held	No. of participants
Events (winter schools, stands, lectures, workshops)	299	7,439	311	7,300	327	6,618	144	4,632
Media (local TV, radio, newspapers)	163	/	366	/	126	/	195	/
Bulletin/Portal of Advisory Services	41	/	63	/	126	/	91	/

Source: AAS, processed by Managing Authority

Table 21: AAS AP Vojvodina

Information tool	2017		2018		2019	
	No. of events held	No. of participants	No. of events held	No. of participants	No. of events held	No. of participants
Events (winter schools, stands, lectures, workshops)	108	2,020	220	4,306	4,040	6,966
Media (local TV, radio, newspapers)	34	/	90	/	33	/
Bulletin/Portal of Advisory Services	2	/	24	/	/	/

Source: AAS, processed by Managing Authority