



**EX-ANTE EVALUATION OF THE
IPARD PROGRAMME OF THE REPUBLIC OF SERBIA FOR THE PERIOD OF 2021-2027**

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ABBREVIATIONS AND ACRONYMS

AECOF	Agri-environment-climate organic farming measure
AWU	Annual Work Unit
CMES	Common Monitoring and Evaluation System
DAP	Directorate for Agrarian Payments
DG AGRI	Directorate General for Agriculture and Rural Development
DG ENLARGE	Directorate General for Enlargement
EC	European Commission
EIA	Environmental Impact Assessment
EU	European Union
EUD	Delegation of the European Union
F&V	Fruits and Vegetables
GEF	Global Environment Facility
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GHG	Greenhouse Gas
GVA	Gross Value Added
HACCP	Hazard Analysis Critical Control Point
IPA	Instrument for Pre-accession Assistance
IPARD	IPA Component for Rural Development
IRR	Internal Rate of Return
LAG	Local Action Group
LEADER	Links between Actions for the Development of the Rural Economy
LU	Livestock Unit
MA	Managing Authority
MAFW	Ministry for Agriculture, Forestry and Water
MIS	Management Information System
MoE	Ministry of the Environment
MoP	Manual of Procedures
MS	Member State
NFA	National Food Authority
NMS	National Minimum Standards
NPV	Net Present Value
NRN	National Rural Network
NVS	National Veterinary Service
OA	Operational Agreement
OS	Operating Structure
OTSC	On-the-spot Controls
PA	Paying Agency
RDR	Rural Development Regulation
RoI	Return on Investment
TA	Technical Assistance
TB	Technical Body
TFP	Total Factor Productivity
UAA	Utilised Agricultural Area
WB	World Bank
WLA	Workload Analysis

1. EXECUTIVE SUMMARY

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

Approach & methodology

The evaluation approach follows the instructions provided in the EC's Guidelines for *ex-ante* evaluations of rural development programmes under the Instrument for Pre-Accession Assistance Rural Development (IPARD III) from October 2020. A combination of qualitative and quantitative evaluation methods was employed. The basis for the evaluation was the Draft IPARD III Programme for 2021-2027, dated 26 June 2021. The consultant also studied numerous other documents and statistical information. Additionally, a series of twelve on-line interviews with relevant stakeholders has been undertaken. The relevance of the *ex-ante* evaluation is achieved through a comparative assessment of (i) the situational analysis in the Serbian agricultural and food sectors presented in the draft programme chapters 2 to 4; and (ii) the strategy, the selected measures and their design as presented in chapters 6 to 8. Efficiency is achieved through an estimation of the expected results and impacts generated by the programme interventions compared with the resources spent. Effectiveness is achieved by assessing the implementing structure in terms of the effectiveness of applied systems. The *ex-ante* evaluation also provides recommendations to the beneficiary regarding possible improvements to the programme text reflecting initiatives to increase relevance, efficiency, and effectiveness. A draft report was discussed with Managing Authority and feedback as well as revised input to the draft programme from the MA is taken into consideration in this final report.

Key findings

General: Overall, the document is of a good quality and largely conforms with the EC requirements. The document style, layout and English is good but requires some additional polishing: the Table of contents, figures and tables should be properly numbered, and the missing text in some sections completed. It is recommended to pay attention and improve the quality of the unprecise and/or unclear text, which the evaluator marked in track changes. The description of measures is generally good, but improvements of text and explanations can still lead to even better measure descriptions. The implementing structures are well described and are in place to facilitate an effective implementation of the programme. However, steps should be taken to increase effectiveness in the IPARD agency. Recruitment of staff to vacant jobs in the Agency is still not accomplished, but the recruitment processes are started.

The appraisal of the current situation: General characteristics of the IPARD III Programme are well described. Chapter 3.2 presents well, in a balanced way the performance of the agricultural, forestry and food sectors. However, the identification of some of the needs is not based on data, but on qualitative descriptions and even on statements, which makes it difficult to assess the precise justification. The text presents only in a few cases the required reference data to EU, and in most cases not. Additionally, the text does not systematically present the financial weight and importance of the production in each of the analysed sub-sectors. Only physical output data are presented systematically. The information about the rural economy and quality of life is appropriate. Rural infrastructure is well described both regarding physical and social infrastructure, but detailed economic data for tourism in rural Serbia are not presented. The mandatory list of context indicators is almost complete. The data are

new or relatively new. Most indicators are based on solid statistical information from SORS, but a few are still missing.

SWOT and needs

Several SWOT tables are presented. They are very detailed, and present considerably more SWOT elements, than are described in Chapter 3 in the programme. However, they are not all prepared in line with usual practice. A summary SWOT table following international praxis for SWOT analyses and covering the main topics on one-two pages supplemented with a short text summarizing the SWOT table would be more adequate. Generally, the needs are well described and justified. However, no systematic, objective, and transparent prioritization of the identified needs is described. The prioritization of the needs must lead to the selection of the most important needs to be included in the strategy. The prioritization must also be reflected in the prioritisation of resources allocated to the individual measures in the programme.

Programme objectives

The overall objectives of the programme are all relevant and are reflecting the identified needs and the IPARD strategy. However, one objective is exclusively focusing on climate change challenges, which is very relevant, but the strategy seems to neglect the needs related to improving the environment, improve resource efficiency, improve biodiversity and the protection of nature and land, water, and air from pollution. Overall, the objectives of the programme are covering several of the important, generic needs. The selected measures represent a coherent set of interventions with actions targeting these needs. However, the situation analysis also provides justification for selecting additional measures to address needs of equal importance. This is the case for the measure 11 targeting the establishment and protection of forests, for the measures providing support to the strengthening of the agricultural advisory service (measure 10) and measure 13 to promotion of cooperation for innovation and knowledge transfer. Finally, it is the case for omitting support to organic farming under the Agri-environment, climate, and organic farming measure (measure 4). An objectives hierarchy with overall, specific, and operational objectives will provide a better overview over the objectives of the programme. According to the identified needs it is also relevant to add an overall objective regarding environment, nature, and biodiversity.

Measures

The measures are all well described and largely comply with the requirements from the EC measure fiches. However, there are still several sections in each measure, where the text can be improved and be more precise. The maximum limit of public support for the investment measures 1 and 3 may lead to relatively few, but big projects. The risk may not be big, but the maximum limit of public support can be reduced for these measures to increase the number of expected beneficiaries and projects. The need for investments is huge in the sector and is distributed on farmers in all sectors. In Measure 7 it is difficult to see how short value chains, which typically include some level of processing, are supported. It is recommended to consider including development of short value chains and local, on-farm processing of agricultural products under the measure. The targeting and the description of recipients is well defined for all measures. However, data are not presented in the programme about the share of agricultural holdings and agri-processors being eligible under each measure compared to the total population of farmers and processors. The potential number of beneficiaries is estimated to be 19,643 under measure 1. The number is not big compared to the total number of 560,000 agricultural holdings. The share, which can be supported, is 4.1% of the potential eligible holdings and 0.1% of all holdings.

Balance of the programme

The financial plan reflects a programme out of balance according to the identified needs. Measure 1 and Measure 3 are the main measures under the programme with 60% of the total financial envelope. Measure 7 supports both diversification of agriculture and development of small businesses in rural areas. These objectives are in coherence with measure 1 and measure 3 on the one hand and are also coherent with measure 5 with its objective of the development of the rural economy through the LEADER measure facilitating local initiatives and empowerment of local human resources on the other hand. These four measures are supported with 80% of the total budget of the programme. Furthermore,

measure 6 supporting the development of rural infrastructure will also to some extent contribute to the development of the rural economy, but the scale of support under the programme is relatively small and the needs for investments very big, so the contribution to the programme coherence will be limited. Finally, Measure 4 on agri-environment is not playing any central role in the programme with its 2.9% of the budget. This measure seems more to be an appendix than an integral part of the programme and does not contribute to the coherence.

Expected output, results, and impacts

The programme is expected to support 800 agricultural holdings, 300 agri-processors, 1,000 farmers under agro-climate contracts covering 30,000 ha, 500 projects under LEADER, 30 rural infrastructure projects, and finally 350 diversification and business development projects. A total of 2,980 contracts will be signed with a total of 581 million EUR in total eligible investments, distributed on 377 million EUR in public support and 204 million EUR in private co-financing. The four revenue generating measures will contribute to additional 41 million EUR in GVA in the rural areas and will generate 4,252 new jobs and ensure that 2,300 jobs are maintained. The labour productivity in agriculture and in agri-processing will increase with 12% and 10% reaching 6,772 EUR/AWU and 15,808 EUR/AWU respectively. The total public support to the four measures will be 281 million EUR. The price per job affected will be 43,000 EUR. Regarding the environmental impacts, 1,000 contracts will be signed with farmers taking part in voluntary actions, and 30,000 ha will be covered under the actions under measure 4. The number of recipients progressively upgrading towards EU standards under measure 1 and measure 3 will be 158. The number of recipients investing in promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sector under measure 1 and measure 3 will be 265. Regarding social impacts, no big contributions to the objectives of reduction of poverty and social exclusion are foreseen. The LEADER network may generate preconditions for growth and development, and empowerment of women may also be an impact of the LEADER approach.

Implementing structures

The Managing Authority in MAFWM is operating well, has benefitted from the experiences and lessons learnt under IPARD II in the programming of IPARD III and have received important support from EU and donor funded projects. External expertise is still needed to support the MA in the finalization of the programme, for example regarding calculation of support rates for measure 4.

The EU required registers are either in place (Farm Register, Animal Register, FADN) or will be in place later (LPIS). The FADN system will be improved during the next 2-3 years and the minimum number of 2,000 registered agricultural holdings will be reached. However, one very important registry has not yet been established: The electronic register of payments to farmers. Increased transparency will be an outcome of the establishment of the register, and it will make it possible for MAFWM better to monitor and analyse the implementation of the support measures. The register will supplement data from SORS, which are solid and based on EUROSTAT methods and standards. The MA is optimistic about the finalization and approval of the IPARD III programme and about its implementation, among other things due to the increased awareness and attention from the stakeholders.

The main challenges for an effective implementation of IPARD III are identified in the IPARD Agency. The total number of applications processed of the IPARD Agency in 2020 was 1,222 with a relatively low rejection rate, but the effectiveness is currently too low and the time from submission of applications to decisions are taken is too long. The average number of applications per year during IPARD III 2021 to 2027 will be 553. This number will be supplemented with the tail of delayed projects from IPARD II, at least for the first years of the new programme period. The average annual number of applications from 2022 including the tail is not known, but it will still be a challenge for IA to process the applications in due time within the legally defined deadlines. It is recognised by the IA management that the effectiveness of the implementation process is not satisfactory. Internal factors such as shortage of manpower in IA, fluctuation of experts working in IA and external factors such as incomplete applications are the reasons. It is the assessment of the ex-ante evaluator that the implementing structures needs to be strengthened over the coming year to be ready for an effective implementation of the programme.

Monitoring and Evaluations

Monitoring is covering the common indicators. Additional indicators regarding results and impacts of the projects may be collected through increased digitalization of the application and payment claim processes. MAFWM has organised the On-going evaluation of the IPARD II programme for the period 2018 to 2019, dated June 2020. The report is well prepared and provides useful results regarding the assessment of the application of mandatory context indicators and their validity. The report is also good, when it comes to analysis of the implementing system with important points and observations about the bottlenecks in the process, and it provides justified recommendations to improved implementation effectiveness. However, nothing was included in the report in relation to results and impacts of the programme for the beneficiaries, for the sectors and the economy. It is normal practice of the on-going evaluations that they contribute to shedding light over these important aspects of the programme implementation. A coherent monitoring and evaluation system in MAFWM covering all instruments targeting agriculture and rural development is needed. A well-functioning M&E system will contribute to increased effectiveness and efficiency of policies, better results and impacts to the benefit of rural dwellers and a more effective policy development process in MAFWM. An evaluation plan must be prepared no later than 1 year after the launch of the programme and can be an integral part of the M&E system.

Recommendations are included in table 30 in chapter 6 of this report and shall not be repeated here.

2. INTRODUCTION

2.1. Purpose of the ex-ante evaluation report

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

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

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

In this respect, the *ex-ante* evaluation focuses on the extent to which the Rural Development component of the Instrument for Pre-Accession Assistance (IPARD III) 2021-2027 in the Republic of Serbia

reflects the priorities and overall country strategy. The *ex-ante* evaluation results from a situational analysis in the agricultural and food sectors in Serbia, taking due account of the Serbian Enlargement Strategy and of European Commission (EC) Progress reports.

According to the Terms of Reference (ToR) (see annex 3), the *ex-ante* evaluation objectives are:

Global objective

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

Specific objective

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

Requested services

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

Table 1: Requested services (ToR)

Activities
<p><i>Review of documents/studies (home-based) including:</i></p> <ul style="list-style-type: none"> • Draft IPARD III programme 2021-2027 • <i>Ex-ante</i> evaluation of the draft IPARD programme 2014 -2020 • Agriculture and Rural Development Strategy 2021-2027 • Updated and new sectoral studies • Recent policy papers useful to the evaluation • Recent technical reports useful to the evaluation
<p><i>Assessment of the programme-related SWOT analysis</i></p> <ul style="list-style-type: none"> • Assess the completeness of the SWOT analysis • Analyse the causes of any disparities identified • Identify and assess the driving forces toward sustainable rural development and the preparation for the implementation and management of the Community's agricultural policy • Contribute to the quantification of context- and objective-related baseline indicators (common and programme-related) by verifying and, where appropriate, suggesting modifications of the proposed indicators and figures • Assess and, where appropriate, suggest revisions to the ranking of disparities and priorities assigned to identified needs and their translation into objectives and concrete priorities for action
<p><i>Assessment of expected impacts</i></p> <ul style="list-style-type: none"> • Assess whether targets are quantified in a meaningful and verifiable manner, allowing subsequent programme monitoring and evaluation, in particular with respect to the utility and sustainability programme • Assess the correct application of common baseline indicators and the usefulness of programme-specific baseline indicators, as well as programme-specific impact indicators reflecting the specific objectives and circumstances of the programme concerned • Assess the expected results and impacts of measures; in this respect the <i>ex-ante</i> evaluation should pay particular attention to the verifiability of the results of the measures concerned • Verify the functioning of data collection mechanisms in view of ensuring regular

Activities

follow-up on the trends during different phases of the programme reflected in the indicators applied

Assessment of proposed implementation procedures, including monitoring, evaluation and financial management

- Assess the implementing provisions for managing, monitoring, and evaluation of the programme with a focus on ensuring a sound and efficient management. This will include an appraisal of risks resulting from possible bottlenecks which might impede implementation of the programme and recommendations for preventive actions
- Ensure, with respect to evaluation, that targets and related indicators are applied in a meaningful manner to form an appropriate basis for monitoring and evaluation of performance
- Analyse difficulties in implementation and critical incidents in the light of experience gained during the previous programming periods (national and/or Community or other donor-assisted programmes)
- Assess the quality and the extent of partnership arrangements

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

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

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

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

- Desk research (see section 2.3 of this report for references and also Annex 2);
- Personal interviews with representatives of relevant institutions, organisations and stakeholders (see Annex 1 describing all interviews accomplished);
- Quantitative analyses of data provided by INSTAT, Eurostat, MAFWM and the IPARD Agency (IA); and
- Qualitative analyses of information and data using international recognised evaluation criteria.

The ex-ante evaluation was undertaken in the period from 8th July to 17th September 2021. The evaluation process comprised five phases:

1. Desk research
2. Interviews with stakeholders and data collection (August 12 to 23, 2021)
3. Analysis and reporting
4. Discussion and clarifications of points raised by MAFWM to the draft report on an online meeting (September, 2021)
5. Finalisation of the ex-ante evaluation report

Comments and revised input from MAFWM and IA which was provided in the period from the submission of the present draft report to the finalization of the report is reflected in the final ex-ante evaluation report.

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

To be able to prepare this ex-ante evaluation, the ex-ante evaluator has studied numerous documents and statistical information. The most important source of information comprises the following:

- Draft IPARD III programme
- Sectoral studies prepared for IPARD III programme (power point presentations)
- Evaluations and studies prepared on the initiative of MAFWM
- Ex-ante evaluation of IPARD II programme
- EC fiches for IPARD III programme
- EC guidelines for ex-ante evaluations for IPARD III programmes
- Minutes of the Monitoring Committee meetings
- Reports of relevant international projects implemented in Serbia
- Statistical Office of the Republic of Serbia
- FAO and the World Bank databases
- Web pages of the Ministry of Agriculture, Forestry and Water Management, Ministry of Environmental Protection, Ministry of Economy, Ministry of Construction, Transport and Infrastructure, Serbian Environmental Protection Agency, and Institute for Nature Conservation.

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

An important source of information was a series of twelve on-line interviews made with various stakeholders in the period August 16 – August 23. Interviewed were representatives of the following organisations (see annex 1 for a summary of each interview):

- Ministry of Agriculture, Forestry and Water Management
- Ministry of Construction, Transport and Infrastructure
- IPARD Agency
- Environmental Protection Agency
- Institute for Science Application in Agriculture
- Faculty of Agriculture, University of Belgrade
- Food and Agriculture Organization, Belgrade office
- Standing Conference of Towns and Municipalities
- Zlatiborski eko agrar/ Naša Zlatka
- Mikros Union
- National Association "Rural Tourism of Serbia"
- ND Consulting

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

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

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

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

3.1.1. Chapter 3.1 General characteristics

Chapter 3.1 of the draft IPARD III Programme describes the general socio-economic context of the geographical area covered by the programme, in this case Serbia (excluding Kosovo and Metohija)¹. According to the programme text, the programme will be implemented on the whole territory of Serbia except 27 cities and Belgrade with a population density over 150 inhabitants per km². However, MA informs that this formulation regarding 27 cities only applies to measure 7 and not to the whole programme, which de facto covers Serbia excluding Kosovo and Metohija. It is recommended to amend the text in chapter 3.1 accordingly.

The section describes well the administrative system, demographic characteristics and trends and the labour market with information about age/skills/education, discrepancies between rural and urban areas regarding employment, and education. The demographic trends are characterized of migration from rural areas to cities and abroad and of ageing of the population in rural areas. It is advised to supplement these sections with reference to information (data) on EU average/s to be able to see the demographic trends in Serbia in a European context. Is Serbia experiencing stronger or weaker trends than EU, when it comes to ageing and migration, employment/unemployment etc?

One section is missing in the chapter regarding information about the socio-economic situation and the economic development in Serbia. It is advised to insert a table using the general socio-economic indicators (GDP, GVA, CFCF, employment/unemployment, trade balance) and to elaborate a short text describing the trends in the economy. Inspiration can be found in table 1 and maybe table 2 in the Annual Implementation Report (AIR) 2020, page 12.

Two sections can be moved down to chapter 3.2. It is the section on farm structure, which fits better in the description of the agricultural, forestry and food sectors. The table and the text describe well the dualistic (80:20) character of the agricultural sector in Serbia, where 80% of the farms occupy 20% of the land and vice versa.

¹ This designation is without prejudice to positions on status and is in line with UNSCR 1244(1999) and the ICJ Opinion on the Kosovo* declaration of independence.

It is also advised to move the section describing the general characteristics of the sector down to the next chapter. The section summarizes the needs of the sectors as well as the potential objectives for the IPARD III programme, but the summary is a bit premature since the justification for the statements in the text first are presented in chapter 3.2. The text can maybe be used as a short summary of section 3.2.

3.1.2. Chapter 3.2 Agriculture, forestry, and food sectors

Chapter 3.2 presents the performance of the agricultural, forestry and food sectors. In the current chapter, the text is well balanced and essential needs and challenges are presented both for the overall agricultural and food sector as well as for sub-sectors. However, the identification of some of the needs is not based on data, but on qualitative descriptions and even on statements, which makes it difficult to assess the precise justification. It is advised to base identification of needs on quantitative data, to the extent possible. In the text of the various sub-sectors, for example milk and dairy, reference is made to IPARD II experiences. It can be considered moving these references to chapter 5 devoted to lessons learnt from the previous programme.

The chapter also briefly describes the producer organizations, producer groups, cooperatives, and short value chains, but the text only refer to the number of cooperatives and not to the strengths and weaknesses of cooperation among farmers either in associations, groups, or cooperatives in the sector. It is well known that producer organisations and other types of cooperation among small scale and fragmented farmers is good and contribute to the strengthening of their position in the market. If this is the case in Serbia it could be elaborated here, and based on the findings, needs for the development of cooperation could be identified.

The text does not refer to short value chains as indicated in the heading of the chapter. It is not clear, if the cooperatives and the producer organisations and producer groups have a specific role to play in the development of short value chains. It is advised to edit and expand the text so that the short value chains are introduced. The section also includes a short text on the advisory system and the agricultural and food research and innovation systems. These two sections can be merged into one section. It can also be considered to move the text to chapter 17 in the IPARD programme, where the advisory services are described in more details.

Finally, the text presents some of the challenges for farmers and agri-processors regarding access to capital for credits. The text is fine, and it can be concluded from the description that access to finance for farmers and agri-processors may be limited, when it comes to small producers, where collaterals are difficult to provide. The commercial banks determine their conditions, and only few alternative tools seem to be available. This is for example the case for the farmers in Vojvodina, where regional support is available.

Four general observations must be mentioned:

The text presents only in a few cases the required reference data to EU, and in most cases not. One simple example is that the average milk yield per cow in Serbia can be estimated to be 3,540 kg/cow/year based on information in table x 'Key indicators for milk and dairy sector.' The relevant EU average reference number is 7,346 kg/cow/year, saying that the average in Serbia today is only 48% of the EU average. This fact documents and justifies the needs for an increased effort in Serbia to enhance the competitiveness of the dairy sector, which is under heavy pressure from abroad. Explanations given for the relatively low yield include genetics of the breed, small scale farming and small herd size. Other factors to add are weak farm management and low-quality feeding and feeding systems. Similarly, other reference data can document and justify similar challenges for the Serbian agriculture and food industry, and that is what the chapter is supposed to provide: Documentation and justification for the needs, which in general terms are well known, but where solid data often are missing in the discussion.

The text does not systematically present the financial weight and importance of the production in each of the sub-sectors. Only physical output data are presented systematically. Data on the economic importance of the various sectors regarding production and in particular regarding trade is available to some extent in the sector analyses prepared as part of the programming. The variation in economic data from sector to sector may be due to lack of data from SORS regarding the topic, and this may again be due to the high degree of informality in the Serbian agriculture. The ex-ante evaluator is informed that steps are taken by MAFWM to improve the FADN system, and a better FADN with more robust data may provide data also regarding the economic importance of agriculture at sector level. It is recommended that MAFWM pay attention to the need for better financial data for agriculture and for food industry and to the development of the FADN system to improve policy making based on actual financial data, wherever possible.

It is also an observation that the chapter lacks information about the number of potential IPARD applicants in the various sub-sectors. It is important to understand, how big a share of the agricultural holdings and agri-processors in the different sectors that can pass the minimum threshold and apply for support under IPARD. It is recommended to use the information from the sector analyses, where these data are available (for example milk, cattle, pigs, and fruit).

In some sections, lessons learnt and experiences from IPARD II and from national programmes have sneaked into the text. It is for example the case with the description of the low uptake of funds under IPARD II of the dairy sector. These extracts of lessons learnt are very useful but can be moved to the chapter in the programme devoted to this purpose. By doing so, it is possible to gather all experiences in one chapter and avoid losing the observations in other sections of the programme text.

Finally, specific comments to the text in chapter 3.2 regarding unprecise and unclear text, errors etc. are provided with track change in the full IPARD III programme.

Forestry

The total forested area covers 29% of Serbian territory with more than half (57%) privately owned. The condition of forests is satisfactory, and they have important role in protecting land from erosion, protection of water sources, preservation of biodiversity, but also as the source of raw materials for the export-oriented wood industry. The sector is favoured with a strategic legislative framework ensuring sustainable forest management. Furthermore, state owned forests are certified by the FSC certificate.

Main challenges in the forestry sector are outdated cadastre of forests, unresolved property rights, fragmentation of parcels, poorly developed and maintained forest road network increasing the risks for severe effects of forest fires due to climate changes and other more ordinary reasons. In addition, the forestry sector lacks competent and qualified staff and a quality scientific research environment that can meet the current needs and growing challenges of forests and forestry.

Advisory service for public and privately owned forests is performed by public forest management companies and, for forests located in national parks, public companies managing national parks. There are several associations of private forest owners in Serbia that perform professional and technical work in the forests of their members.

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

3.1.3. Chapter 3.3 Environment and land management

Chapter 3.3. describes environmental and land management issues in relation to agricultural sector. Lots of information are provided regarding land abandonment and marginalization, climate change impacts, biodiversity, water, and soil quality, GHG emissions, use of inputs (fertilisers, pesticides, veterinary medicine). However, a good overview on what the problems are, and what can be done about them is missing.

Although cross-compliance requirements are not established yet, Serbian legal framework contains requirements and conditions relating to soil, water, biodiversity, and landscape management, as well as fertiliser and plant protection products, which can be considered as equivalent at different degrees to the relevant mandatory EU standards and conditions. Thus, no information is given about the compliance with environmental standards in the Serbian agricultural sector. It is clear from the description of the situation that waste management, wastewater treatment and manure storage are big problems. For example, 95% of farms keep manure in heaps in open space without protection against leakage to surface waters or groundwater which indicates that livestock manure management practices are very poor. Explanations should be given on why a large share of agricultural holdings fails to comply with standards, for example due to limited financial resources to upgrade facilities and technologies and/or lack of awareness and knowledge on standards. The enforcement of legislation should also be explained.

Due to grassland abandonment and decrease in livestock production, big areas of grasslands are under succession into shrubby vegetation and forests. The environmental dimension of this problem should be explained (e.g., loss of high nature value grassland, loss of habitats and species) because it is important as a rationale for the grassland operation under M4.

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

Organic farming

Data on area under organic farming show that there was an increase from 6,335 ha in 2011 to 21,265 ha in 2019. However, the share of area under organic production (as percentage of the total utilized agricultural area) in 2019 was only 0.61%, which is (after North Macedonia) the lowest percentage of all European countries (EU-27 average is 8.5 %). Under the Green Deal's Farm to Fork strategy, the European Commission has set an ambitious target of at least 25% of the EU's agricultural land under organic farming and a significant increase in organic aquaculture by 2030. It is recommended to give a short description and explanation of obstacles to stronger development of organic farming in Serbia, support measures for organic farming and the development in the market situation of organic products, etc.

3.1.4. Chapter 3.4 Rural economy and quality of life

The chapter 3.4 is describing rural economy and quality of life and refers in the introduction to migration data from chapter 3.1 and presents data on employment distributed on regions and urban vs. rural areas and on age categories. The information is appropriate, and the conclusion is clear: Employment is lowest in rural areas, where also self-employment is most important. Income structures are presented at regional level and in rural versus urban areas. Incomes in rural areas are lower than in urban areas and lower than the average income. The role of diversification in income generation is 12.3% in rural areas, but since no reference figure is inferred, it is difficult to conclude, to what extent this number is high or low.

Another important topic is rural tourism, which is strategically covered by Ministry of Tourism with a vision to make Serbia a globally recognised tourist destination. The trend in tourism in Serbia is positive for both international and domestic tourists, and the number of rural tourist households is increasing and reaching more than 500 in 2021. The positive tourism trend is not described with specific focus on

rural areas, so it is difficult to judge, if the positive development also is relevant for rural areas. Detailed economic data for tourism in rural Serbia are not presented.

Rural infrastructure is described as a third topic both regarding physical and social infrastructure. Rural areas have severe challenges, when it comes to access to appropriate infrastructure, in particularly in the remote areas. The text indicates the infrastructural problems in rural areas, but it is difficult to read from the text, what the needs are, what the priorities are, and what other line ministries and public institutions are doing to develop the rural infrastructures. The reader is left without a good overview on what the problems are, and what can be done about them.

3.1.5. Chapter 3.5 Preparation and implementation of Local Development Strategies - LEADER

Chapter 3.5 describes state of the art regarding community-led rural development and LEADER approach. Serbia has a substantial experience with LEADER approach and this chapter gives a good overview and information on different LEADER-type projects and initiatives implemented in the last 15 years. There is an on-going national LEADER-like measure that supports preparation of Local Development Strategies (LDS) for potential Local Action Groups (pLAGs) and the implementation of LDS. It is expected that around 30 pLAGs will exist even before start of the implementation of IPARD III LEADER measure (M5). Further financial support for the improvement of acquisition of skills for the preparation of pLAGs for the implementation of M5 will be provided from IPARD Measure 9. Demarcation with the national support should be clearly explained.

3.1.6. Chapter 3.6 Context indicators

The mandatory list of context indicators is almost complete. The data inferred in the table are new or relatively new. Furthermore, the quality of the data has been checked by external evaluators in the report: ‘On-going evaluation of the IPARD II programme for the Republic of Serbia for the period 2017 to 2019’ from June 2020. Their conclusion is that most indicators are provided based on solid statistical information from SORS, but that a few still are missing (indicator number inserted below):

- 8.4) Share of total employment by economic activity and by sex: Data not available for the moment, but data collection is on-going.
- 10.2) Poverty rate by region: Data not available. No information about status of data collection.
- 11.4) GVA of primary producers, total and as share of primary production: Absolute figure is 38,021.3 EUR million. The figure is equal to total GVA of the economy and cannot be correct. The % share is not inferred.
- 16) New farm manager and new young farm managers: Data not available. No information about status of data collection.
- 21.4) Farm income in Areas facing natural and other specific constraints according to national equivalent definition: Data not available. No information about status of data collection.
- 23) Labour productivity in agriculture, forestry, and food industry: Data not available for the moment, but data collection is on-going.
- 28.1 and 28.2) Water quality. Data not available. No information about status of data collection.
- 29.1 and 29.3) Total organic carbon content in soils on agricultural land: Data not available. No information about status of data collection.
- 30.1) Estimated rate of soil loss by water erosion (t/ha/year) indicated in km² due to different statistical method applied in Serbia than in EU, according to SORS.
- 30.2) Percentage of agricultural land at risk of moderate and severe soil erosion by water: No data. See comment above.

- 35) Risk, use and impacts of pesticides: Data not available. No information about status of data collection.

It is recommended to MAFWM together with SORS and other line ministries, if relevant, to take steps to initiate an adequate data collection to make the context indicator table complete, and to indicate in the table what the status of data collection is, for example on-going and/or planned.

3.2. Appraisal of SWOT and assessment of needs

3.2.1. Appraisal of the SWOT

The SWOT method has been an integral part of EU programming in many years. The reason is that the SWOT method represents a simple tool to structure often complex quantitative findings and qualitative observations from the analyses of the situation in the relevant sectors. The purpose is to identify and select possible strategic actions to take for the relevant actors, for example a ministry, an agricultural holding, or an agri-processing company. The SWOT analysis in the draft IPARD III programme does not follow usual praxis, and this section is therefore introduced with a short summary about this praxis, while the specific comments to the SWOT in the draft programme follows later in the section..

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

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

Strengths and weaknesses are relative elements, where reference is made to other relevant operators, being other farmers, other sectors, or other countries. This means that a strength is nothing in itself, but only in relation to other operators. An example: If we only look at Serbia, we may think that the growth in milk yield per cow per year over the last years is an expression of a strong dairy sector. But when the yield is compared with the EU average and the development in this average over the years, we will see that the dairy sector measured on this indicator is not getting stronger, but continues to be relatively weak. But milk yield is an internal factor and can, as mentioned, be controlled. This means that actions can be taken to increase the yield through various interventions (improving the breed, improving the feeding and the farmers management system), which can be used to overcome the current weakness of the dairy sector.

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

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

internal elements. The table below illustrates the thinking behind the SWOT method with an example from the Serbian wine sector.

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

SWOT matrix - example from the wine sector			<i>Sector external and un-controllable factors identified in sector analysis</i>	
			<i>Opportunities</i>	<i>Threats</i>
			Growing demand for rare, natural wines in EU	Low recognition and knowledge of quality of Serbian wines in EU
<i>Sector internal and controllable factors identified in sector analysis</i>	<i>Strengths</i>	High quality natural wine (Awards in international competitions). Autochthone grape varieties (prokupac, tamjanika).	Strategic action: Support investments in production of Serbian wines based on autochthone grape varieties <ul style="list-style-type: none"> • Plantations (vines, soil preparation, anti-hail protection, irrigation systems etc.), • Production (cellars, facilities, equipment, fermenters, barrels etc.) and • Collective marketing (fair and competition participation, web sites, social media, printed information), • Availability of fast accredited laboratory tests (VI.1 certificates) from public authorities (MAFWM). 	
	<i>Weaknesses</i>	Relatively high costs. Weak marketing. Slow organisation of export transport to EU.		

Source: Elaboration of the ex-ante evaluator

In the current draft IPARD programme, several SWOT tables are presented. The tables are very detailed, and present considerably more SWOT elements, than are described in chapter 3 in the draft programme. In principle only SWOT elements, which are presented in the analyses of the sectors, should be inferred in the SWOT tables. The SWOT elements are identified in the sector studies accomplished to support the programming process and used directly in the programme text.

It is recommended to prepare a summary SWOT table of one-two pages covering the main topics covered in chapter 3 and to move the detailed tables into annex. This change will be supportive for the reading of the document. It is also recommended to elaborate a short text summarizing the summary SWOT table.

Furthermore, it is recommended to take the principles described above into consideration when the summary SWOT is prepared. In the current version of the IPARD programme, some SWOT elements are not categorized appropriately, but belong to other parts of the SWOT tables, and some elements are not reasons/causes but are symptoms.

Many factors are referred to as opportunities. However, they are not opportunities in a SWOT context, but are actions to take to overcome a weakness, exploit a strength, take advantage of an opportunity, or avoid a threat in the market. A few examples of incorrect categorizations of SWOT-elements are mentioned below for illustrative purposes.

- ‘Increasing consumer demands for domestically produced products’ is inserted as a strength but is in reality an opportunity. The same is the case for ‘availability of foreign markets and the possibility of export growth.’

- An example of a SWOT element inferred as a weakness but being a symptom is the following: ‘Low level utilization of processing capacities’. It is a symptom and not a cause or a weakness in itself. Instead, it is relevant to identify the real reasons behind the low-capacity utilization.
- ‘Possible increase of income by reduction of production costs’ is not an opportunity as stated in the SWOT table but is an impact of successful investments.
- ‘Long time for obtaining the construction permits’ is not a threat as stated in the table, but a weakness of the implementing system if the statement is correct.
- ‘Improving the management system of agricultural land and other natural resources’ is not an opportunity, but an action addressing one or more weaknesses in the sector.
- ‘Possibility of growth of integral and organic production’ is representing an increased demand and is an impact of interventions taking advantage of the opportunities in the market expressed as an increased demand after organic products.
- ‘High dependence of farmers on subsidies through direct payments’ is a symptom and not a weakness as such. Why are the farmers depending on direct payments? It is in the answers to this question, the real reason behind the weakness can be identified.

More examples are made with track change in the draft IPARD Programme and sent to MAFWM. Overall, it is recommended to edit the SWOT in line with the recommendations above.

3.2.2. Appraisal of the identified needs and their prioritization

Several needs are identified in the analysis of the situation in the sectors and are categorized in the SWOT analysis. They are summarized in 12 generic needs in chapter 6.2 of the IPARD Programme. They are:

- Need 1: Improvement of agricultural production and processing industry competitiveness
- Need 2: Achieving EU standards
- Need 3: Diversification of activities and sources of incomes of farmers
- Need 4: Development of non-agricultural sectors of rural economy
- Need 5: Improvement of the quality of vocational training and information services to farmers and small-scale local business
- Need 6: Improvement of the management and efficient use of natural resources
- Need 7: Maintenance of biodiversity and environmental value of agricultural surfaces and agricultural systems and maintenance of water resource quality
- Need 8: Cutting greenhouse gas emissions of the agricultural sector and providing support for low carbon economy
- Need 9: Reduction of poverty and risk of social exclusion
- Need 10: Improvement of the basic infrastructure and services in rural areas
- Need 11: Creation of jobs in rural areas
- Need 12: Improvement of the capacity of the local stakeholders to implement the LEADER approach

All identified generic needs are relevant and justification for them can to some extent be found in chapter 3 and in the SWOT-analyses, although with some variations regarding use of quantitative indicators. Furthermore, the individual needs may differ from sector to sector. Need number 1 regarding competitiveness may not be equally relevant for all sectors, depending on the market situation, although increased competitiveness always is needed. All in all, the needs are well described and justified, although the text describing each need in chapter 6.3 can be edited to avoid repetition and overlaps.

Next, the needs must be prioritized in a transparent and objective way. This is not the case in the draft IPARD III programme. No systematic, objective, and transparent prioritization of the identified needs is described. The ex-ante evaluator acknowledges that the IPARD programming guidelines do not explicitly state that a prioritization must be presented, but on the other hand it is a requirement for the ex-ante evaluator to assess the prioritization, according to the guidelines for ex ante evaluations. A prioritization is de facto elaborated in the financial plan for the programme, where the full financial envelope is distributed on measures. It is therefore recommended to insert a text describing the overall principles of the prioritization in the final programme before submission to EU, for example regarding the relatively low level of labour productivity in agriculture and food processing in Serbia compared to EU averages. A formal prioritization model is presented in the draft report as an example but is not repeated here.

3.3. Appraisal of lessons learnt from the IPARD implementation in previous programming periods

Chapter 5 is supposed to describe the results from previous interventions and is organized in a description of national measures, of EU projects and of bilateral and multilateral donor programmes. The chapter shall also describe a summary of lessons learnt, for example from accomplished evaluations.

The national instruments are well described regarding the objectives and the content of each policy area and of the individual measures. A table also informs about the share of the overall payments to agriculture and food processing from 2015 to 2019 (aggregated). However, the results and impacts of the national support is not described, and the lessons learnt from the national support are not analyzed. It is recommended to benefit from already accomplished analyses or evaluations of national measures or to initiate new evaluations to learn from the previous national policies. Also, the EU support to Serbia via the various programmes and projects is described. Focus of the description is on the objectives and the financial allocations for each project. Most projects are still under implementation or are planned, and some are finalized. The outputs are presented in specific terms for each project such as training of staff, knowledge and awareness building, purchase and distribution of vaccines, databases, equipment etc.

An evaluation is only referred to for IPARD II. It is the On-going evaluation of the IPARD II 2017-2019 in the Republic of Serbia, MAFWM, June 2020. The evaluation is referred in chapter 5 of the programme, and the section provides a description of the lessons learnt regarding identified implementation bottlenecks for IPARD II in 2018 and 2019. Recommendations are provided to increase implementation effectiveness, and this is highly appreciated by the ex-ante evaluator. However, the on-going evaluation report does not provide information about achieved results and impacts of the IPARD II programme, so the efficiency of the programme is not measured, for example regarding contribution to improved competitiveness, economic growth, and employment as well as to environmental benefits and climate change adaptation and mitigation.

It is recommended to collect lessons learnt and evaluations, if available, from the individual EU funded projects and use this information in the future policy development in MAFWM. It is also recommended to initiate further evaluations of IPARD II to measure the contributions of the programme in the form of results and impacts. The ex-ante evaluator is informed by the MA that lessons learnt have been extracted from previous programmes and have been used in the programming of IPARD III. However, it is not demonstrated in the text in chapter 5, and if it is the case, it should be easy to fill in the table below.

Bilateral and multilateral donor assistance is also described and in the same way as the two previous categories of interventions. Project by project are objectives, resources, and outputs presented, but again no information related to results and impacts are described and nothing related to lessons learnt. It is recommended to collect evaluations, which may be available from donors. They can be used by MAFWM in extracting the lessons learnt from the individual projects.

It can be considered to insert a table in the IPARD III programme summarizing the outputs, results, impacts and lessons learnt from the individual projects, like the table below:

Table 3: Summary of lessons learnt from previous interventions

Project title	Objectives	Resources	Outputs	Results	Impacts	Lessons learnt
National interventions						
X1						
X2						
Xn						
EU projects						
Y1						
Y2						
Yn						
Bilateral and multilateral donor projects						
Z1						
Z2						
Zn						

Source: Elaborated of the ex-ante evaluator

4. APPRAISAL OF THE INTERVENTION STRATEGY, INCLUDING THE CHOICE OF MEASURES AND THE DEFINITION OF RECIPIENTS AND TARGETS

4.1. Intervention strategy as a whole

The objectives of the IPARD III programme are summarized in chapter 6.3 and are inserted here for easy reference:

1. Increase the competitiveness of the agri-food sector, progressively aligning it with the EU standards and improving the efficiency and sustainability of on-farm production
2. Facilitate rural business development, increase employment in rural areas, attract young farmers into agriculture and rural business and improve rural infrastructure
3. Contribute to climate change mitigation and improve adaption of the agricultural sector to climate change
4. Improve the social capital in rural areas, increase the capacity for local development and strengthen the rural fabric
5. Build-up modern, efficient, and transparent public administrations for agriculture and rural development.

The overall objectives 1 to 4 are all relevant and are reflecting the identified needs and the IPARD strategy presented in chapter 6.2. However objective 3 is exclusively focusing on climate change challenges, which is very relevant, but the strategy seems to neglect the needs (6 and 7) related to improving the environment, improve resource efficiency, improve biodiversity and the protection of nature and land, water, and air from pollution. The needs are formulated in this way:

Need 6: Improvement of the management and efficient use of natural resources

Need 7: Maintenance of biodiversity and environmental value of agricultural surfaces and agricultural

It is not clear from the objectives referred to above, to what extent these crucial needs will be addressed in the programme. The importance of the needs is summarized here: Livestock producers need to improve manure storage facilities and manure management. The food industry needs to improve waste management practices and treatment of waste. On-farm investments in energy and water saving technologies, which will reduce cost and contribute to climate change mitigation and adaptation are

needed. Climate change is expected to significantly affect water balance in Serbia. There is a need to modernize the irrigation and drainage systems, in particular to optimize the use of irrigation water. Furthermore, there are needs to improve and develop physical infrastructure (water supply, waste management, sewage system, rural roads, street lightening) in rural areas. There is a need to reverse the trend for degradation of natural environment due to unsustainable land management and farming practices resulting in land degradation and soil erosion, water pollution and biodiversity loss.

It is not clear either, how need 5 will be covered by the programme objectives:

Need 5: Improvement of the quality of vocational training and information services to farmers and small-scale local business.

Objective 5 is not as such a direct objective of the IPARD programme and cannot be facilitated by any of the measures, except Technical Assistance, but the buildup of an effective and transparent administration for agriculture and rural development is a prerequisite for the implementation of the programme and fulfilling the objectives 1 to 4. This objective is also to a large extent covered by EUs IPA programme supporting institutional capacity building.

Overall, the objectives of the programme are covering several of the important, generic needs identified in chapter 3 and in the SWOT-analyses. The selected measures represent a coherent set of interventions with actions targeting these needs. However, it should also be mentioned that the situation analysis in chapter 3 and the SWOT analyses also provide justification for selecting additional measures in order to address needs of equal big importance for the sectors. This is first and foremost the case for the measure 11 targeting the establishment and protection of forests, for the measures providing support to the strengthening of the agricultural advisory service (measure 10) and measure 13 to promotion of cooperation for innovation and knowledge transfer, and it is the case for omitting support to organic farming under the Agri-environment, climate, and organic farming measure (measure 4). It will be relevant to provide a justification for *not* covering the mentioned needs with the tools available in the IPARD III toolbox. If the needs are covered with the help of other instruments, it can be added to the text as an explanation and justification.

Chapter 6.3 in the IPARD programme presents a so-called ‘Summary table showing main rural development needs and measures operating.’ For each identified need, it is indicated how IPARD measures, IPA, donors, and national measures contribute to addressing the need. The idea with the table is fine, but the information provided is not very useful, since almost all needs are addressed by all four categories of providers of measures. It is therefore difficult to see to what extent there are complementarity or overlap among the measures, and what the content is of the complementarity and what the overlap is, respectively. It is recommended to make the table more detailed, so that it is clear how each category of measure contribute to the covering of the need, and how overlaps are avoided, and specific needs not left without coverage. This should also include the demarcation lines between for example national and donor funded measures and IPARD III measures, which are described in chapter 10 of the programme.

Finally, it is recommended to build an objectives hierarchy with overall, specific, and operational objectives. It is also recommended to add an overall objective regarding environment, nature, and biodiversity (needs 5 and 6). Furthermore, it is recommended to add the objectives of the individual measures as specific objectives under the relevant overall objectives and use the quantified targets for each measure as the operational objectives. The objectives hierarchy can look like this:

- Overall objectives 1 to 6, including an additional objective related to environment.
- Specific objectives equal to the objectives of each of the selected measures and categorized according to the overall objective, to which they contribute.
- Operational objectives equal to the quantified targets for each measure.

The specific eligibility, selection criteria and target groups for each measure are assessed in the next chapter of the ex-ante evaluation report.

4.2. Intervention logic for each measure

4.2.1. Requirements concerning all or several measures

Rules applied for payment of instalments and advanced payments

Payments in instalments and advanced payments are good tools to apply to help smaller holdings overcoming their liquidity problems. The condition of a bank guarantee for an advance payment may also be relevant. However, it may be considered reducing the required value of a bank guarantee from 110% to 100% of the value of the advance payment, or even lower. The price of the guarantee may be bigger than the benefit for the beneficiary of having the advance payment, and it should not be the intention. The ex-ante evaluator acknowledges that the 110% is stated in the Sectoral Agreement and may be locked for changes, and if this is the case, no action from MA is expected.

Deadweight

The text in the IPARD III programme correctly states that ‘deadweight means that recipients receive subsidies for projects that would have been implemented even without the subsidy.’ Furthermore, the text reads: ‘Those recipients should be excluded by a tailored procedure, by focusing of the programme towards sectors and territories with structural disadvantages resulting in underinvestment and slow or negative growth rates. Thus, programme resources are focused on the investments that would not be implemented without public support.’

This effort to avoid deadweight is highly appreciated of the ex-ante evaluator, but the text may be a bit unprecise and need some clarifications summarized here.

Does the text say that sectors and territories with no disadvantages will have less focus in the programme? In relation to this, it may also be made clearer in the text, which sectors are considered to be in disadvantages? Furthermore, how will deadweight be avoided in investments outside sectors and territories with disadvantages? It is expected that most investments actually will take place in these sectors and territories.

Finally, the programme will also attempt to further reduce the deadweight risk in some of the selected sectors with priority of investments to renewable energy production. However, it is not clear why these investments in renewable energy should have a lower risk for deadweight than other types of investments.

See also section 5.1.1 in this report for a presentation of a simple tool to avoid the risk for deadweight.

Targeting of measures

Targeting of measures is achieved through eligibility criteria limiting support to priority sectors and specific target groups targeted based on their necessity to upgrade to EU standards, to increase the production level and to increase the sustainability of production. Finally, the targeting is made with the help of a size indicator for the recipients. It is supposed of the ex-ante evaluator that the relatively general character of the targeting principles is made more precise in the text for each measure, for example specifying levels of production and size of recipients, measured in physical and/or financial indicators.

Verifications of expenditures, eligibility and assessment of economic and financial viability

According to the text in the IPARD III Programme, the IPARD Agency will use a so-called double layer of controls for the purpose of verifying that the specified eligible investment costs as well as general costs in the applications are reasonable and at the level of market prices. The first layer of control is the three offers method applicable for investments from the List of Eligible Expenditures

(LEE) as well as for general costs. It should be considered, if 3 offers are needed or if 2 offers can be sufficient and if this number is possible within the regulatory frame. The second layer of control is based on a Reference Price verification. It is not clear what this Reference Price verification is, and how it is accomplished. Is it a price reference database, where operational staff in the IPARD Agency can check the eligible investment costs and the payment claims for specific investments/technologies/constructions/general costs? It is recommended to clarify the text regarding the reference price verification system.

4.2.2. Measure 1: Investment in physical assets of agricultural holdings

Rationale

The rationale for the measure is well described.

In order to strengthen the justification, data on labour productivity may be used to verify the importance of investments with reference to the discrepancy to the EU-average. Other indicators and references to EU averages can be used, if relevant.

It may also be added to the text that investments in new storage facilities also may provide better and more timely targeting of the market in order to avoid the period, when most producers go to market.

It is stated in the text that supporting new mechanisation and new technology, the measure will also contribute to the mitigation of the climate change impact on the agricultural sector. It may to some extent be correct, but the focus of the measure is on increased productivity and capacity of production. Although compliance with national minimum and EU standards may contribute to the pursuit of the climate change objective as well, it will not be the main rationale behind the measure.

Objectives

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

The specific objectives for each of the targeted sub-sectors are not all described precise, when it comes to scale of production of the potential beneficiaries. Examples are provided here with a comment and/or questions to clarify.

- Dairy farms: Improve the competitiveness and sustainability of small and medium-sized but also larger sustainable dairy farms. What does it mean that large farms are referred to separately? It is expected that the specific objective is relevant for all farms.
- Vegetable producers: Increase the yield of the largest number of commercial producers. What does 'largest number' mean? Does 'largest' refer to the size of the beneficiary in terms of scale of production or in terms of Standards Outputs?
- Cereals: Enhance competitiveness of small and medium sized producers. Is increased competitiveness of larger producers not included in the specific objective? How is 'larger producer' defined? In terms of tones, ha or SO?
- Viticulture: Improve the mechanisation and machines and introducing these into the adapted modern viticulture production with many grapevine plants per hectare. Is this specific objective only relevant for producers with many grapevines per hectare? How big is this number? More than 5000 plants per hectare, or where is the limit? Is there no need for mechanization of smaller vineyards?

It is recommended to make the text more precise to avoid misunderstandings or unintended mistakes.

Linkages to other measures

The linkages to M3 are well described. It can be considered to add text related to the linkages to M7 Diversification and Business development and maybe to M5 LEADER.

Eligibility criteria

The economic viability of the recipient will be assessed with the help of three indicators: Payback time, net present value and Internal Rate of Return (IRR). The approach is described in annex, but the requirements to the indicators are not inserted. Is the payback time for example required to be at least 5 years for technology investments and 20 years for buildings and constructions, or are other values of the indicators required?

For each of the sub-sectors, specific eligibility criteria are in force. They are related to scale of production after the investments measured in animals etc. or scale of investment after the investment, measured in EUR. It is not clear why these limits or thresholds are applied and why they differ from one sector to another. The ex-ante evaluator notes that some of the limits are proposed in the sector analyses prepared as an integral part of the programming. However, it is not evident from these studies, why the exact limit of 50,000 EUR is chosen. Has it to do with feasibility of investments or the financial capacities of the potential beneficiaries? A justification is relevant. Furthermore, it is not clear, why the scale of the eligible expenditures must be reached by the end of the investment. It may be explained. For easy reference they are inserted here:

Meat and milk: Minimum capacity in terms of number of animals after the investments. The approach of setting a minimum number of animals, poultry etc. after the investment for the farmer to be eligible may exclude holdings, which are not in a position to purchase additional animals, and since animals are not eligible under IPARD III, the private co-financing of the investment is artificially increased. Is this intended?

Fruits and vegetables: Only investments above 50,000 EUR. Why this limit, and what about smaller investments? They may also be relevant.

Cereals and industrial crops: Why can small producers with 50 to 100 ha not renovate and modernize existing storage facilities but only build new, when the big producers with more than 100 ha can do that? Producers with less than 50 ha are not eligible, except for hop and seeds producers. Is this intended? and what is the justification?

Vineyards, vines, and other planting material: Only investments of more than 50,000 EUR are eligible. Why is this level of investment decided for these producers?

Fish: Minimum 10 tons capacity after investment. Why is this level decided? Renewable energy is eligible only when it is *primarily* on own needs. How is primarily defined?

It is recommended to consider making the text clearer to avoid misinterpretations of the text.

Aid intensity

The text about the aid intensity may also need to be edited a bit to avoid misunderstandings. The text reads:

‘Public aid under this measure is up to 60% of the total eligible cost of the investment. It can be increased up to 65% for investments in mountain areas, 70% for applications submitted by certified organic farmers and/or young farmers (a farmer, who is a natural person, under 40 years of age at the time of submitting the application, possessing adequate occupational skills and competences).’

It is not clear, if a beneficiary being a certified organic or young farmer located in mountain areas can still only receive the maximum of 70%, or he/she can receive additional 5% for the location in the mountains and 10% for being a young or organic certified farmer?

The text also reads: ‘An additional 10%, provided that cumulative combined support does not exceed 75%, can be given for investments related to effluent and waste management and renewable energy.’

To be able to receive 75%, the beneficiary must then be

- a) A farmer in mountains also investing in effluent and waste management and renewable energy.
- b) A certified or a young farmer investing in effluent and waste management and renewable energy.

The text reads that ‘a recipient can claim the support, irrespective of the total value of the investment, for eligible expenditure within the following ceilings: Minimum 20,000 EUR; Maximum 1,000,000 EUR.’ Furthermore, the text reads: ‘The recipient can receive a total support of maximum 2,000,000 EUR of public support under this measure from the IPARD III Programme.’

With the aid intensity of 60% as the minimum and 75% as the maximum, the minimum value of the eligible investments will be between $20,000 \text{ EUR} / 60 * 100 = 33,333 \text{ EUR}$ and $20,000 \text{ EUR} / 75 * 100 = 26,667 \text{ EUR}$ depending on the location of the beneficiary (mountains) and/or being a certified organic and/or a young farmer younger than 40 years at the date submitting the application for support.

The minimal possible investment taking advantage of the maximum threshold value will be between $1,000,000 \text{ EUR} / 75 * 100 = 1,333,333 \text{ EUR}$ and $1,000,000 \text{ EUR} / 60 * 100 = 1,666,667 \text{ EUR}$, also depending on aid intensity.

Finally, the notion that one beneficiary can invest in two projects, means that one beneficiary with 2 maximum projects with aid intensity of 60% will accomplish 2 projects with 3,333,333 EUR in total eligible investments.

Quantified targets

The quantified targets for the measure are inserted in the closing table of the measure description. A few observations may be made.

Baselines should be 0 for all indicators, even though there are achieved results during IPARD II.

The number of farms (and not agri-processors, as stated in the table) supported is quantified to be 800. It is not clear, if this number includes all the other numbers of beneficiaries (EU standards = 112, Young Farmers = 150, Manure management projects = 70, Waste treatment projects = 20, renewable energy projects = 80)? It can be clarified in the table. It is not clear either, how the quantification of these sub-groups of beneficiaries in the measure is done.

A target of 800 projects with a total eligible investment of 192 million EUR will give an average per project of 240,000 EUR in eligible total expenditures as a minimum. The private contribution will be 76.8 million EUR as a minimum, but It may well be higher. The leverage effects, if any, may give an even bigger amount per project.

By 31.12. 2020, the average value of total eligible investments per project under IPARD II was 88,684 EUR (46,647,705 EUR in total investments committed to 526 contracts). This means that the average under IPARD III of 240,000 EUR is 2.7 times bigger. What is the justification for this increase in the average project value? If the planned financial frame of 192 million EUR is used on projects of the same value as under IPARD II, the number of projects will not be 800 but will increase to 2,165. It is a considerable difference, which call for an explanation.

The range of projects can be between 7,200 minimum projects with an average of 26,666 EUR and 115 maximum projects with a maximum of 1,666,667 EUR, or even 58 beneficiaries, if one beneficiary implements two projects. It is a big difference in the expected number of projects, depending on how the applicants will take advantage of the maximum thresholds. The ex-ante evaluator has no information about the variations in size of total eligible investments under IPARD II (for example the biggest quartile) and how big a share of beneficiaries that has used the maximum limits and used the possibility for having more than one project. The risk for ending up with relatively few but big projects may not big high, which is also confirmed by MA, but it is still recommended to the MA to reconsider, if the

maximum limit of public support should be reduced in order to increase the number of expected beneficiaries and projects. The need for investments is big in the sector and is distributed on a large group of farmers.

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

Rationale

The rationale for the measure is well described. As it was the case with M1, it is possible to provide data to justify the rationale behind the measure even more. The labour productivity in the Serbian food industry is far behind the EU-average as well as behind neighbouring countries like Croatia and Slovenia.

The need for modernization and for fulfilling national minimum standards and EU standards is widespread in the sector and many companies are demanding support to the required investments. The text in the IPARD programme reads ‘that without support a larger number of processors will not be able to meet the EU standards.’ It is without any doubt correct, but on the other hand the IPARD III programme cannot with its limited support be expected to assist the complete food industry in meeting the standards. The number of potential beneficiaries under the measure will be discussed below

Objectives

The general objectives for measure 3 are fine. Focus is on competitiveness and standards through investments in modernization and technological/physical infrastructure. Increased investments in renewable energy, circular economy and short value chains are also objectives under the measure.

The specific objectives are similar for all 8 sectors regarding competitiveness, modernization, and new technologies, standards, quality systems, etc. However, there are a few differences. For most sectors, investment support is not eligible for new facilities but only for modernization of existing facilities. This is the case for the sectors milk, meat, fruits and vegetables and for the wine sector.

For the egg sector, for the sector for cereals and industry crops and for the fishery sector investments in new facilities are eligible. It is not clear from the measure description why there are these differences between the sectors, and it could be explained in the rationale for the measure or under the specific objectives for each sector.

Linkages to other measures

The linkage to M1 is obvious, and the objective to support investments with the aim of developing short value chains is a good example. No reference is made to M7 on Diversification and Business Development. Measure 7 has clear links to M1 and M3, and this should be referred to here.

Common eligibility criteria: Economic viability of the recipient

The criteria to be used by the IPARD Agency to assess the viability of the recipient should be found in annex, like the criteria for M1, but the annex is not filled in with values for the chosen indicators.

The section on economic viability refers wrongly to agricultural holdings, but it should be agri-processors.

Standards

The text reads in section 5: ‘The last two paragraphs of the measure fiche are not included or referred to, Are they not relevant?’

MA confirms that this is an internal MAFWM comment, which by mistake has not been deleted, but will be deleted in the final version of the programme.

Specific eligibility criteria per sector

As it was the case for M1, there are some variations among the 8 eligible sectors regarding the specific eligibility criteria. Some of the sectors have limitations based on the size of the physical production. This is the case for milk (3,000 - 100,000 liters of collected milk per day by the end of the investment), meat (number of animals to be slaughtered per day and number of kg meat processed per day after the investment), wineries (20,000 to 1,000,000 liters annual capacity by the end of investment) fishery sector (more than 200 kg of capacity per day by the end of the investment).

For fruits and vegetables and for cereals and industrial crops the size of the total eligible investment must be minimum 50,000 EUR by the end of the investment.

It is not clear from the text in the measure, why these differences are inserted. Finally, it is not clear, why the requirement of minimum 50,000 EUR of eligible expenditures must be met by the end of the investment. The minimum should be assessed already in the evaluation of the application. If this observation is correct, the text in the measure description should be amended, and the MA confirms that this will be done for all sectors.

Eligible expenditure - Investment in renewable energy production

In the second section reference is made to farms. It must be a mistake and should be changed to enterprises.

Selection criteria

Two criteria give reasons to comments. The selection criterion 'the investment is located in the areas with difficult working conditions in agriculture' gives 15 points, and the criterion 'projects implemented by an agricultural cooperative' gives also 15 points. Are these two criteria relevant for an agri-processing enterprise applying for support under IPARD III? If not, the criteria should be amended.

Aid intensity

The text in the section about aid intensity reads that 'the aid intensity can be up to a maximum of 50% of the total eligible expenditures. For investments relating to the treatment of effluents and investments in the productive use of waste materials – circular economy – and in renewable energy, the maximum aid intensity can be increased by 10%. The maximum level of aid for collective investments is 70%.' The text is not precise. Can the applicant receive 10% in additional support for each of the three types of investments, but only for two of them not going beyond 70% in total? If yes, this could be made clear in the text. Furthermore, it is not clear from the text, what the term 'collective investments' covers and to what extent the definition of collective investments refers to the 3 types of investments generating addition 10% in aid intensity. This should be clarified.

The text also reads that 'a recipient can claim the support, irrespective of the total value of the investment, for eligible expenditure within the following ceilings: Minimum 20,000 EUR and maximum 1,300,000 EUR. Recipient can receive a total support of maximum 2,500,000 EUR of public support under this measure from the IPARD III Programme.' It is not indicated in the text, how many projects one beneficiary can implement with support from IPARD III during the programme period. Is it 2 projects as under M1? If yes, this should be inserted in the text. Now it is only stated that one project cannot start before another is paid by the IPARD Agency.

For non-collective investments the minimum total eligible investments are 20,000 EUR /50 *100 = 40,000 EUR, but the total value of the investments may be higher if the projects generate leverage effects. In the same way, the minimum eligible non-collective investments taking advantage of the maximum threshold will be 1,300,000/50*100 = 2,600,000 EUR.

The minimum total eligible investments for one beneficiary with 2 projects will be 2,500,000/50*100 = 5,000,000 EUR, if the maximum number of projects is 2, which is not inferred in the text.

Indicators and quantified targets

Baselines should be 0 for the indicators, where there in the current version of the table are inserted numbers different from 0.

The two first indicators refer to both agricultural farms and agri-processors. It must be a mistake since agricultural farms are not eligible under the measure. This should be corrected.

The number of agri-food processing enterprises to be supported is quantified to be 300. Does this number include the different beneficiaries referred to in the table: Beneficiaries introducing EU standards = 46, Investments in waste treatment or management = 30, investments in renewable energy production = 20? It is recommended to edit the text, so that it is clear from the table how many projects/beneficiaries that are expected in total. Furthermore, it is not clear from the table and the text, how the number of projects in these sub-categories are estimated. Finally, it is not clear how the expected number of new jobs created = 90 is calculated.

With total eligible expenditures for the measure of 161,280,000 EUR and the quantified target of 300 projects, the average is 537,600 EUR per project. The average under IPARD II until 31.12.2020 was 558,867 EUR. The average under IPARD III is close to the average under IPARD II.

With the estimations made above regarding the average total expenditures, the maximum number of projects will be 4,032 if they all are at the minimum threshold level of 20,000 EUR in public support. On the contrary, if all projects are taking advantage of the maximum threshold, the number will be 62 projects.

With the maximum public support for two project of 2,500,000 EUR and an aid intensity of 50%, the maximum eligible investments will be 5,000,000 EUR. The minimum number of beneficiaries with 2 projects per beneficiary will then be as low as 32. In the same way as it was argued by the ex-ante evaluator under M1, the maximum threshold is too high, if there is a risk that bigger and resource strong enterprises will take advantage of the maximum level and maybe also implement two projects during the programme period. This will reduce the number of projects and beneficiaries considerable and should be avoided. The justification for this is also given in the rationale to the measure, where it is stated that a larger group of enterprises will not be able to meet EU standards, if they do not receive support under the programme. It is recommended to reduce the maximum level of support under measure 3.

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

Rationale

The agri-environmental-climate measure for Serbia consists of 5 operations: Crop rotation on arable land; Mechanical removal of weeds in permanent crop land; Grassing in inter-row area in permanent crop land; Establishment and maintenance of flower strips on arable land and Sustainable management of meadows and pastures through extensive grazing.

Operations are well described and justification for funding requirements going above standard production methods is given. However, it is recommended to provide data and description to justify the rationale behind the measure even more. This can for example be description of prevailing agricultural practices with regards to crop rotation, use of pesticides, data regarding the state of high nature values grasslands and biodiversity on arable land.

For each operation commitment, the baseline and comparison of commitment to baseline and standard production methods is well described.

Common eligibility criteria for all five operations

Common eligibility criteria are well described. The recipient must commit contractually to implement AECOF activities for a minimum of 5 years, must have ownership or right of use of the land proposed for commitment for at least a minimum of 7 years (covering entire duration of the commitment period), must attend a compulsory 4-hour training and keep a farm record book describing each activity performed on the farm relevant to the commitment.

The recipient shall respect the minimum mandatory standards as established by the national legislation that refer to the specific AECOF scheme.

Specific eligibility criteria

Specific eligibility criteria are clear and justified for all five operations. In addition to specific requirements described in IPARD III programme, for all operations (except Operation 2 - Mechanical removal of weeds in permanent crop land) crop/management plan must be prepared by a qualified expert (farm advisor, agriculture engineer, consultant, etc). This requirement will ideally enable that the implementation of operations is best adjusted to the situation and needs of individual farms, and consequently achieve the best environmental/nature conservation objectives. However, this approach requires substantial manpower, resources, expertise and time for the preparation of plans and also for controlling the proper implementation of operations. This approach will also require organisation and implementation of trainings for farm advisors and IA inspectors, who often do not have specific expertise needed to deal with agri-environment measures. Given the fact that the Advisory measure will not be implemented under IPARD III, capacities and time needed for the compulsory trainings of beneficiaries and preparation of management plans, might pose a risk for the smooth implementation of this measure. Therefore, it is recommended to explain how this potential risk will be tackled.

Linkages to other measures

The linkages described to M1, M3 and M7 are not obvious. The only clear link to M1 should be about non-productive investments, which are briefly described in M1 as capital works related to the implementation of agri-environment-climate objectives e.g., for restoration of habitats and landscapes, including setting up or re-instating the infrastructure needed to allow appropriate management of habitats. Although it is stated that certain agri-environment-climate operations and objectives can only be put in place if preceded by non-productive investments, no further description of non-productive investments is given in the measure description.

Payment rates

No calculation of payment rates is provided and must be elaborated prior to finalization of the programme.

Indicators and targets

Target for the whole measure is 30,000 ha and 1,000 operators. No detailed breakdown of targets per operation is given and it is recommended to make that breakdown.

Total investment for this operation is 16,941,176.47 EUR. No breakdown per operation is given and also this distribution of the resources should be made.

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

Rationale

The promotion and implementation of the LEADER approach in the Republic of Serbia started almost 15 years ago thanks to the support from several donor programmes and, and partially from state institutions. The national LEADER measure was adopted in 2019 and 21 partnerships received LAG status. Existing partnerships (potential LAGs) with the approved LDS established through implementation of national measure will be recognized, as LAGs with obligation for preparation and adoption of the LDS for the IPARD III programming period. It is justified to further develop and strengthen local partnerships for elaboration and implementation of LEADER type local development

strategies in rural areas as a part of IPARD III programme. National LEADER measure will not be implemented after IPARD III LEADER measure start to implement.

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

Aid intensity

Aid intensity is up to 100 percent. Maximum value of annual public support per selected LAG and activity is not given and will be prescribed by the Rulebook on the implementation of the LEADER Measure. Minimum 30% of annual LAG allocation should be allocated to the activity Acquisition of skills, animating the inhabitants of LAG territories.

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

Quantified targets and indicators

The total eligible expenditures for the measure 5 LEADER are planned to be 16,000,000 EUR, all in public support. A minimum of 30% must be used to animation and other costs related to the operations of the Local Action Groups (LAGs). It is recommended to split the budget so that it is possible to administer both actions: Support to the animation of LAGs and support to smaller projects under the LAGs. According to the indicator table of the measure, 500 small projects are planned. It is certainly an achievable number, which is on average 3 projects per LAG per year, but it does not seem too ambitious. If all 500 projects have maximum eligible support of 5,000 EUR, then the amount for all these projects will be 2.5 mil EUR or 16% of the LEADER measure budget. A more realistic target for small projects with the available budget of 5 million EUR after payment of the running costs of the LAGs will be 1,000 projects (7 projects per LAG per year in 5 years) with 5,000 EUR per project in public support.

It is also inferred in the indicator table that 30 jobs will be generated under the measure. It is assumed of the ex-ante evaluator that the number reflects one job in each LAG as coordinator, and that the number does not include possible new jobs generated with the help of the smaller projects.

4.2.6. *Measure 6: Investments in Rural Public Infrastructure*

Rationale

Both general and specific objectives are well formulated. There is no SWOT analysis at the level of Measure 6, and there are no sectorial studies on rural public infrastructure (although an interesting analysis of capacity of local government units, challenges and opportunities for the use of funds from the IPARD program, including the situation of the rural infrastructure, has been prepared). Inadequate rural infrastructure has not been mentioned as a problem in any context in any of the sectorial analyses. However, it is listed under weaknesses in the SWOT analysis on rural economy and quality of life (p. 92). Rationale on Measure 6 presents just some basic information about rural infrastructure and related challenges, without offering a deeper analysis. It provides just a few data supporting the problem description and there is not any comparison to the EU averages. However, much more information (including figures) on rural infrastructure-related problems is provided on pages 61-63. But the text of Measure 6 does not refer to it. Rationale does not elaborate sufficiently well why and how poor rural infrastructure hinders rural development in general, and agriculture specifically. The analysis also does not mention anything about the state-of-art regarding new technologies in rural areas, such as access to information and communication technologies and the development of fast and ultra-fast broadband. The paragraph on renewable energy just describes the legal framework, without providing any information about the current situation in Serbia regarding renewable energy in rural areas.

Needs assessment

Because of the modest problem description, a thorough needs assessment is missing.

Appraisal of lessons learnt from the IPARD implementation in previous programming period

An appraisal of lessons learnt from the IPARD implementation in previous programming periods is not provided because Measure 6 was not included in IPARD II. There is not any reference to the experiences and lessons learned from the national rural development program supporting development of rural infrastructure, although this support has been in place since long.

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

Measure 6 and its eligible investments correspond well with the general and specific objectives of IPARD III. Moreover, there is a good coherence between Measure 6 own objectives and its eligible expenditures.

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

IPARD III document does not provide any information about how the budget has been estimated. The budget is determined at the measure level, with no specific allocation for the key type of investments. Measure 6 accounts for 18.5% of the total public aid to be provided by IPARD III. Having in mind (i) the ample of needs for investing in public rural infrastructure, (ii) how costly rural infrastructure projects are, (iii) as well as that rural infrastructure accounts for about 10% of the country's support to agriculture and rural development under 2015-2019 (table on p. 98), it can be concluded that Measure 6 is given a solid and appropriate budgetary allocation.

Internal coherence

The text on Measure 6 does not provide any assessment of the internal coherence of the programme by paying particular attention to the balance between the operational objectives of the different measures (potential conflicts or synergies).

Appropriateness of targeting and definition of recipients

The selection of recipients is appropriate and is in line with the EC fiche on public rural infrastructure. The beneficiaries of this measure are municipalities, for projects implemented in settlements with up to 10,000 inhabitants. However, no explanation and justification are provided why the threshold is set at 10,000 inhabitants and why for instance a settlement with just 5,000 or more than 10,000 (e.g., 15,000) inhabitants would be ineligible for the support under this measure.

Eligibility criteria, eligible expenses, and payment rules

The common and specific eligibility criteria for recipients are well defined, appropriate, and well presented. The same goes for the examples of eligible expenditures. It is good that the rules stress that the maintenance costs are not eligible for EU-co-financing, because unclarity about this could lead to misunderstanding, raise unrealistic expectations, and create unnecessary problems.

Some criteria listed under “Selection criteria/Principles regarding selection criteria” are not clear and not specific enough. If not well defined, their assessment could lead to highly arbitrary decisions. However, the text does mention that a detailed list and allocation points will be prepared by the MA and approved by the Monitoring Committee, which will be an integral part of the Rulebook for Measure 6. A particular caution is needed with the following selection criteria, which owe to be better elaborated and precisely defined:

- Level of municipalities development: it is not clear which criteria and verifiable indicators will be used to assess the level of (just an economic?) development.

- Investment in the mountain or other areas: while Serbia has an official list of the mountain areas (“Official Gazette of the RS”, No. 39 /16), it remains unclear what is meant by “other areas” and how these will be defined.
- Energy efficiency, use of renewable energy sources: it is not clear which criteria will be used to assess this. E.g. number of investments, type of investments, kWh generated (per EUR invested), etc.
- Investment is located in an area where there is at least one recipient of one of the IPARD measures: it is not clear why this is selection criteria is important in the context of Measure 6 and its objectives.

The proposed aid intensity and EU contribution rate is in accordance with the EC rules. It is good that under Measure 6, the advanced payments will be allowed, as this will relief small municipalities with limited financial power (and probably cash flow problems) to easier (and timely) implement the measure. It is also good that for Measure 6, IPARD III offers a possibility to extend/align the number of instalments to construction phases. This is a particularly useful mechanism as it will ease beneficiaries’ liquidity.

Relationship and demarcations

The demarcation of assistance with other relevant instruments is appropriate and is clearly explained. Linkage to other IPARD measures is correctly explained, but there is nothing about a potential linkage of Measure 6 with national measures. The assessment of the coherence of proposed intervention under Measure 6 with the national rural development policy, bilateral and multilateral assistance is lacking.

Realistic values for targets and results

Measure 6 has four indicators, which are expected to provide an indication of the uptake. Their target values for 2027 are clear, but it is difficult to assess whether the allocated budget is sufficient for the targeted number of projects, recipients and jobs created. This is because no indication is provided about the magnitude of the rural infrastructure that could be constructed with the earmarked budget e.g., how many km of roads or sewage tubes, how many wastewater treatment systems, waste disposal sites, etc. The text also does not explain how the target values have been set-up and what is the rationale behind.

It should be noted that Measure 6 indicators barely comply with the indicators provided by the EC fiche on public rural infrastructure. The four Measure 6 indicators used in the fiche are:

1. Total investment in rural diversification, business development and infrastructure (EUR). (Note: IPARD III here counts only “investment in physical capital” – which is not necessarily the same).
2. Number of new jobs created: this indicator is completely missing in IPARD III.
3. Number of supported local infrastructures (Note: IPARD III here has “number of projects” – which is not necessarily the same).
4. Number of IPARD recipients with support in investments related to care for the environment or climate change (Note: IPARD III here has “number of recipients investing in renewable energy production” – which is not necessarily the same).

4.2.7. Measure 7: Farm diversification and business development

Rationale

The rationale of the measure 7 Diversification and Business Development describes well the needs for investments in rural areas contributing to job generation and to economic growth. Diversification of activities is referred to in the text as non-agricultural activities, but is this restriction appropriate? Can diversification also be about other agricultural activities not covered of the sectors under measure 1, than what the specific holding typically accomplishes? It is the advice to consider to what extent the measure also support on-farm agricultural diversification.

The rationale also describes that many donors and national, regional, and local initiatives support diversification and small business development in the rural areas and that it is essential that the support under IPARD III is complementary to other initiatives. This complementarity must be described with the help of concrete demarcation lines. This is done convincingly in chapter 10 of the IPARD Programme.

Objectives

The general objectives of the measure are formulated in a comprehensive way. However, it can be added that the general objective also can be to develop short value chains, which is referred to in the text describing the linkages to other measures.

The specific objectives of the measure are to facilitate the development of farm-related and general rural business-related sectors focusing on Direct marketing; Rural tourism; and Small-scale services for rural people and tourists. It is not clear from the text, why this focus of the measure has been chosen. It is also difficult to see how short value chains, which typically include some level of processing, are supported within the mentioned 3 sectors. It is recommended to consider including development of short value chains and local, on-farm processing of agricultural products under the measure. It is well known from other countries that rural tourism to a large extent is driven also of availability of and access to local authentic products. Therefore, it will be a natural complementary activity under this measure compared to activities and eligible investments under M1 and M3.

Linkages to other measures

The text about linkages to other measures in the IPARD III programme refers to the linkages to M1 and M3, which is understandable, in particular when the text also states that measure 7 aims at farm income diversification through strengthening short supply chains and direct marketing of agricultural products. It is recommended to amend the text regarding linkages to other measures in the description of M1 and M3, so that there is consistency in the programme text. This will be even more needed, if the objectives of the measure 7 also include development of short value chains and on-farm processing, as recommended above.

Common eligibility criteria: Economic viability

The assessment of the viability of the investments and the activities under the measure shall use the method and the indicators referred to in annex, but as mentioned before, the annex lacks data for the applied indicators.

Specific eligibility criteria

The specific eligibility criteria for 'rural tourism' put a limit of maximum 30 single beds. It is fine with a maximum level to make a demarcation line to bigger tourism investments, but why is this level chosen?

There are no specific eligibility criteria mentioned for the sector 'Small scale services.' Is this intended or is it a mistake?

Selection criteria

The measure description presents several selection criteria. The first of them is about the recipient category, where natural persons, family farm holders or members will be prioritized. Is this prioritization on the expense of enterprises? It is a reasonable prioritization, and it could be stated in the selection criterion that this is a prioritization over enterprises. The same is the case for the second criterion that family farm holders or members of the families investing in rural areas are prioritized before enterprises.

Finally, it is the viewpoint of the ex-ante evaluator that the criterion on educational status and professional experience of the recipient related to the sector in which the investor wants to invest may be contra productive. The question is, if the criterion will be difficult for many owners of agricultural holdings and their family members to fulfill, since the investment typically will be a new activity, which is almost the definition of diversification? On the other hand, it is also clear that the investing recipient

should indicate some knowledge about the sector, in which he/she will invest, but the selection criterion can be made less rigid, if it is stated that training, knowledge building or similar will be initiated of the recipient immediately after the investment is approved. Another possibility to make it a selection criterion that the recipient recruit staff with relevant experience from the sector.

Eligible expenditures

The eligible expenditures related to direct marketing and rural tourism are described. The expenditures seem to justify the point stated above that short value chains and on-farm processing is introduced as objectives for the measure.

Aid intensity

The aid intensity of the public support is 60% of eligible costs of the investment. It is observed that nothing is stated here for this measure that it may be irrespective of the total value of the investment, as it was the case for M1 and M3. Is this a mistake or is it intended?

Public support can be increased up to 70% for applications submitted by young farmers and certified organic producers. Again, the text is not precise. Are the additional 10% for applicants being a young farmer or 10% for an applicant being a certified organic producer? Is it also 10%, if the applicant is both a young farmer and certified organic producer?

Furthermore, an additional 10% can be given for an investment related to effluent and waste management, to renewable energy or circular economy-type investments (efficient reuse of waste materials), but the maximum limit is not stated. Is it 80%? This must be clarified, and it is recommended to do that.

The minimum and maximum values of public support per project are as follows:

- Direct marketing sector: minimum 3,000 EUR and maximum 300,000 EUR
- Rural tourism sector and Small-scale services for local people and tourist sector: minimum 20,000 EUR and maximum 300,000 EUR

In applications where a project includes activities in more than one sector, the minimum value of public support shall be 20.000 EUR, and the maximum 300.000 EUR. Recipient can receive a total support of maximum 600.000 EUR of public support under this measure from the IPARD III Programme, but it is not stated, how many projects each beneficiary can implement with support from IPARD III. Is it 2 like under measure M1, or is it more projects? This should be made clear in the text.

Indicators and quantified targets

The quantified target for recipients under the measure is 350. With total investments of 115,200,000 EUR, the average of total eligible expenditures per project is 329,143 EUR. The average level of total expenditures seems to be high compared to the investments in agriculture and food processing, but it is recognized of the ex-ante evaluator that there only are few experiences to draw from in the current programme. However, it may be possible to compare the chosen average level in IPARD III with the average under IPARD II.

The 350 projects may also include the project supporting young farmers (108), the number of projects in waste treatment or management (15) and the number of projects in renewable energy (25). It is not clear from the table, and it is recommended to amend the text so that the numbers are clear.

Since the measure operates with three different sectors, the budget should be distributed on each of the sectors. If this is not done, it will be difficult to control the implementation and to monitor the output and the spending in each action. It is therefore recommended to make budgets (financial plans) for each sector for the programme period.

The maximum total eligible investments per project using the minimum threshold will be 20,000 EUR/80*100 =25,000 EUR. With the financial frame available the maximum number of projects will be 4,608. On the contrary, if the applicants take advantage of the maximum threshold of 300,000 EUR, the minimum total eligible investments will be 300,000/80*100 = 375,000 EUR. The number of projects will be 307. This is very close to the quantified target. This indicates that the MAFWM expects that most if not all applications will hit the maximum of 300,000 EUR. It is not clear, why this is the case, but it seems to be unrealistic. It must be expected that many applicants will not apply for the maximum support but will apply for smaller amounts. Then the number of projects will be bigger than 350. It will not be as big as 4,608, but 1,000 projects with an average of 115,000 EUR in total eligible expenditures will probably be more realistic.

Finally, if the applicants take advantage of the possibility of implementing 2 projects in the programme period with a total of 600,000 EUR in public support, the number of beneficiaries will be only 153. It is not clear from the text, if the maximum number of projects per beneficiary can be 2 or higher, but this is used here in the estimation. It is advised to consider if this maximum of public support should be applied or reduced to get more projects and more beneficiaries supported under the measure.

4.2.8. Measure 9: Technical assistance

Rationale

The rationale of Measure 9 is short, made of just four sentences. However, they capture the essence of the measure's rationale.

Measure 9 has one general and nine specific objectives. The general objective is well formulated, and the list of nine specific objectives follows the measure fiche. In addition, the following three specific objectives (number 5, 6 and 7) are questionable although they are in line with the measure fiche so the ex-ante evaluator does not expect any action to be taken from the MA regarding these formulations:

Support for establishment and preparation of pLAGs. In EU Member States, this is a part of the LEADER measure. A substantial share of the LEADER measure budget can be used to animation, establishment, and preparation of LAGs.

Providing support for the improvement of the capacity of the national AAS. This is in principle acceptable but will require demarcation lines not supporting the same activities from two sources. Measure 9 can support training of public staff in topics which must be relevant for IPARD implementation, but it might be better to set-up a separate IPARD measure for AAS instead because such a measure would enable a more comprehensive training of farmers and other potential IPARD beneficiaries.

Improving the capacity of local entities (e.g. municipalities, regional entities) supporting the implementation of the IPARD Programme). This is legitimate, provided that public entities being supported have a role in IPARD.

Needs assessment

Except some general statements, the IPARD III document does not provide any specific needs assessment on Measure 9.

Appraisal of lessons learnt

An appraisal of lessons learnt from the IPARD implementation in previous programming periods is not provided.

Contribution of the selected measures to the IPARD III objectives

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

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

Eligibility criteria, eligible expenses, and administrative procedure

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

The administrative procedure is particularly well elaborated, going well beyond the template provided by the EC Measure 9 fiche. Transitional arrangements are well defined and in accordance with the EC measure 9 fiche.

Relationship and demarcation

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

Realistic values for targets and results

Measure 9 has seven indicators, which are in line with the EC fiche for Measure 9. However, two indicators suggested in the fiche are not included: (i) number of publicity campaigns, and (ii) number of Programme evaluation reports. These are quite useful indicators, and it might be good to include them, too. There is no explanation, how the target values have been set-up, and what is the rationale behind. However, the allocated budget seems to be realistic and sufficient for the targeted number of projects, recipients and jobs created.

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

The quantified targets

The quantified targets of the programme objectives are summarized in table in chapter 6.6 of the IPARD III programme. The ex-ante evaluator has assessed the quantified targets for each measure in chapter 4.2 above, and it has been emphasized that the expected number of projects and beneficiaries for example for measure 1, and measure 3 may be too high, and that the realistic number is lower, while it for measure 7 may be much bigger than what is estimated in the target.

Here it can be added that the quantified targets all except one (new jobs) are defined with the help of output indicators linked directly to the financial allocations for each measure, see the table below. Therefore, it is clear that the quantified objectives can be reached as long as the preconditions for the estimation of them are realistic. It seems to be the case for measure 3, where experiences from IPARD II indicates that the average eligible expenditures per project under IPARD III are well estimated. For measure 1, it is not the case. Here is the average of eligible expenditures per project under IPARD III 2.7 times higher, than the average under IPARD II.

It is also evident that the overall objectives of the IPARD III programme will be pursued, but not fulfilled. However, the supported beneficiaries will under all circumstances be in a better position regarding competitiveness, national and EU standards and income generation after the investment than before, *ceteris paribus*. The estimations of expected results and impacts of the investments under the income generating measures document this viewpoint.

It is also clear that the implementation and the management of IPARD III will contribute to capacity development and increased awareness not only in the institutions responsible for IPARD III, but also among the stakeholders in the sectors.

Balance of the programme

The table below presents the financial plan for the IPARD programme, and it is used to assess the balance of the programme in relation to the identified needs.

Table 4: Indicative budget breakdown by measure in million EUR, 2021-2027

Measure	Total public aid	% distribution of total public aid	Private contribution	Total expenditures	% of total expenditures
Investments in physical assets of agricultural holdings - M1	115.2	30.5	76.8	192.0	33.1
Investments in physical assets concerning processing and marketing of agricultural and fishery products - M3	80.6	21.4	80.6	161.3	27.8
Agri-environment - climate and organic farming measure - M4	16.9	4.5	-	16.9	2.9
Implementation of local development strategies – LEADER approach - M5	16.0	4.2	-	16.0	2.8
Investments in rural public infrastructure - M6	69.1	18.3	-	69.1	11.9
Farm diversification and business development - M7	69.1	18.3	46.1	115.2	19.8
Technical assistance	10.2	2.7	-	10.2	1.8
Total	377.2	100	203.5	580.7	100

Source: IPARD III programme, draft version 21.06.2021

It is the viewpoint of the ex-ante evaluator that the financial plan reflects a programme out of balance according to the identified needs.

Need 1: Improvement of agricultural production and processing industry competitiveness and Need 2: Achieving EU standards are primarily targeted of M1 and M3 representing 61% of the total financial frame for the programme.

Need 3: Diversification of activities and sources of incomes of farmers and Need 4: Development of non-agricultural sectors of rural economy are targeted by M7 and M5 with 22.6% of the financial frame.

Need 5: Improvement of the quality of vocational training and information services to farmers and small-scale local business is not covered of the programme.

Need 6: Improvement of the management and efficient use of natural resources, Need 7: Maintenance of biodiversity and environmental value of agricultural surfaces and agricultural systems and maintenance of water resource quality and Need 8: Cutting greenhouse gas emissions of the agricultural sector and providing support for low carbon economy are primarily target of M4 representing only 2.9% of the budget.

It is stated in the IPARD programme that also M1 and M3 contributes to these needs. It may to some extent be correct, but the needs 6, 7 and 8 are usually targeted directly with environmental and climate related measures, such as M4 and the measure supporting the establishment of forests.

Need 9: Reduction of poverty and risk of social exclusion may be pursued with the help of several measures under the programme (M1, M3, M5, M7), but the impact will be modest regarding these needs. Not more than 3,000 beneficiaries will be supported under the mentioned measures over 7 years, and this number cannot be interpreted as an important contribution to reduced poverty and reduced social exclusion.

Need 10: Improvement of the basic infrastructure and services in rural areas will be supported with M6 representing 11.9 % of the financial envelope. It is very financial demanding to meet the need, and the allocation to M6 may only help in a modest way.

Need 11: Creation of jobs in rural areas will be a result of the investment support under M1, M3, M5 and M7 and maybe to a small extent from M6 on rural infrastructure. The ex-ante evaluator is more optimistic about the number of new jobs, than is expressed in the quantified targets in the table in chapter 6.6 of the programme. But still the number of jobs will be very small compared to the total number of employees in agriculture and in food and agri-processing, only around 1%.

Need 12: Improvement of the capacity of the local stakeholders to implement the LEADER approach will be addressed with M5 and 2.8% of the budget. This level of support can hopefully contribute to some optimism in the rural communities, where LAGs have been established on a pilot basis, but the amount is not big and may not be sufficient to revitalize the energy in the LEADER-like communities.

It is recommended to strengthen the justification for the chosen prioritization of the measures and/or to adjust the financial plan so that the programme is better balanced in relation to the identified needs addressed by the programme.

4.4. Internal coherence, impacts of different measures, potential conflicts, synergies between measures, stakeholders positively and negatively impacted

4.4.1. Internal coherence

Internal coherence of the programme is a question about to what extent the individual measures support each other, for example through facilitation of complementary actions, which may create synergies in the sectors. The internal coherence is primarily determined by the allocations to M1 and M3. These two measures are the main measures under the programme with 60% of the total financial envelope. Modernization of agricultural production leading to increased production capacity, increased productivity, higher quality of the products and fulfilment of national minimum and EU standards, is a precondition for the development of a competitive and growth oriented agri-processing sector, and the modern agri-processing sector is the precondition for a market for the agricultural sector.

M7 is providing support both to diversification of agriculture and to development of small businesses in rural areas. These objectives are in coherence with M1 and M3 on the one hand and are also coherent with M5 with its objective of the development of the rural economy through the LEADER measure facilitating local initiatives and empowerment of local human resources. The coherence between these four measures is supported with 80% of the total budget of the programme. Furthermore, M6 supporting the development of rural infrastructure will also to some extent contribute to the development of the rural economy, but the scale of support under the programme is relatively small and the needs for investments very big, so the contribution to the programme coherence will be limited.

Finally, M4 on agri-environment is not playing any central role in the programme with its 2.9% of the budget. The measure seems more to be an appendix than an integral part of the programme and does not contribute to the coherence. Furthermore, conflicts between the beneficiaries of M1 and M3 on the one hand and M4 on the other may be possible, although the scale of the agri-environmental actions will be limited and only cover 30,000 hectares when fully rolled out.

4.4.2. *Expected impacts*

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

Economic impacts

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

Background data and international comparison

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

Table 5: GVA and employment (AWU) in agriculture and agri-processing, 2015 – 2019

Sector	2015	2016	2017	2018	2019
Gross Value Added in current prices (million EUR)					
Agriculture, forestry and fishing	2,400	2,470	2,360	2,721	2,737
Manufacture of food products	1,051	1,107	1,119	1,077	1,127
Manufacture of beverages	267	237	240	268	253
Manufacture of tobacco products	57	70	90	74	83
Total GVA in agri-processing	1,375	1,414	1,449	1,419	1,463
Employment					
No. of workers (AWU) in agriculture, forestry, and fishing	497,800	506,100	481,100	451,000	452,700
No. of workers (AWU) in agri-processing	101,500	106,400	105,800	110,100	101,800

Source: IPARD III programme, draft version 21.06.20221.

The GVA of agriculture, forestry and fishing has increased 14% from 2015 to 2019, although with some fluctuations. At the same time, employment fell with 9% primary due to migration from rural to urban area and even abroad. The labour productivity increased with 25.4% in the period.

For agri-processing, the GVA increased with 6.4%, while employment increased with 0.3%. Consequently, labour productivity increased with 6.1% in the period, see the table below.

Table 6: Labour productivity in agriculture (including forestry and fishing) and agri-processing (GVA/AWU), 2015 – 2019 and relative growth 2015 to 2019

Sector	2015	2016	2017	2018	2019	%, 2015-2019
Gross Value Added/AWU in current prices (EUR)						
Agriculture, Forestry and Fishing	4,821	4,880	4,905	6,033	6,046	25.4
Agri-processing	13,547	13,289	13,696	12,888	14,371	6.1

Source: IPARD III programme

Labour productivity in agriculture in Serbia is at a level of 6,046 EUR/AWU in 2019, which is 29% of the EU average of 20,833 EUR/AWU, but still 13% higher than the EU minimum level represented by Romania with 5,259 EUR/AWU. Both Slovenia with 7,890 EUR/AWU (+30.5%) and Croatia with 7,113 EUR/AWU (+17.6%) are higher than Serbia, see the table below.

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

Measure	EU average, reference year is 2020 for agriculture and 2017 for agri-processing	EU minimum countries	Croatia	Slovenia	Serbia as % of EU average, 2019
M1	20,833 (2020)	5,259 (Romania)	7,113	7,890	29
M3	50,664 (2017)	8,941 (Bulgaria)	25,946	27,617	28

Source: IPARD III programme, draft version 21.06.2021 and EUROSTAT

In agri-processing Serbia has a labour productivity level of 14,371 EUR/AWU in 2019, which is 28% of the EU average of 50,664 EUR/AWU (in 2017). The EU minimum level is represented by Bulgaria with 8,941 EUR/AWU. The level in Serbia is 38% higher than Bulgaria. Croatia has a level, which is 80.5% higher and Slovenia 92.2 % higher than Serbia.

Both for agriculture and for agri-processing there is a need to increase total factor productivity and as indicated here also labour productivity. In particularly in agri-processing is the need urgent, if the food industry in Serbia shall be able to compete with the neighbouring countries in the region in the coming years.

The investment level in agriculture is measured by the Gross Fixed Capital Formation (GFCF) indicator. It was 243.3 million EUR in current prices in 2019, according to the latest data from SORS, see context indicator 22, in section 6.6 of the IPARD Programme. There is no data on GFCF in the food industry. With total planned eligible investments under IPARD III at 192 million EUR in agriculture under measure 1, the investments per year in 7 years (27.4 million EUR/year) is 11.3% of the GFCF. The message with this observation is that the IPARD programme may contribute with an investment stimulus but that the level of investments in agriculture also without IPARD is almost 9 times higher.

M1: Investments in physical assets in agriculture

The expected impacts of the IPARD III investments in agriculture are summarized here with focus on GVA development, employment, and labour productivity. The table below provides data for measure 1. The total eligible expenditures planned are 192 million EUR, of which 76.8 million is private co-financing and 115.2 million EUR is public (EU plus national). M1 represents 33.1% of the total eligible expenditures under IPARD III 2021 to 2027 and is by far the highest prioritized measure.

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

Total public support, EUR	Private contribution, EUR	Total eligible expenditures, EUR	Share of total expenditures under IPARD III, %
115,200,000	76,800,000	192,000,000	33,1

Source: IPARD III programme, draft version 21.06.2021

The key number in the estimations of the impacts is the Return of Investment (RoI). For measure 1, the RoI is estimated to be 12% in the following way. Under IPARD II, the investments supported under M1 were distributed with 22% on constructions, modernizations of buildings, while investments in new equipment counted for 78%. The average payback time for investments in constructions and buildings is indicated to be 20 years, while the payback time for investments in equipment, new technologies and machines is indicated to be 5 years. Based on these defined payback times and the relative distribution of the investments between the two categories of investments, the average payback time is calculated to be 8.3 years. This is equal to a RoI of 12.1%, which is the RoI used in the impact calculations.

Table 9: Average payback time for IPARD II investments 2018-2020, measure 1, RoI (%)

Constructions and modernizations, % of total investments	Equipment, % of total investments	Payback time, years, Constructions	Payback time, years, Equipment	Average PBT, years	RoI
22	78	20	5	8.3	12.1

Source: AIR2020, MAFWM 2021 and own calculations

With this RoI, the growth in GVA is estimated to be 23 million EUR. The labour productivity in the agricultural sector was 6,046 EUR/AWU before IPARD III (2019) and will increase to 6,772 EUR/AWU for the supported beneficiaries. With the new achieved level of labour productivity, the newly generated GVA in the sector will affect 3,042 jobs. It is here anticipated that 50% of the investments are generating new production capacity and thus new jobs, while the other 50% will increase productivity (and quality) of the production. Therefore, the affected 3,402 jobs, will be distributed with 1,700 new jobs, while 1,700 jobs will be maintained with higher labour productivity than before the investment. The impacts are inferred in the table below.

Table 10: Impacts of IPARD III investments, measure 1, Labour productivity and jobs

RoI, %	Growth in GVA, EUR	Labour productivity (EUR/AWU) before (2019)	Labour productivity (EUR/AWU) after investment	Number of jobs, total	Of which 50% new
12	23,040,000	6,046	6,772	3,402	1,701

Source: Own calculations

The impact on the whole sector will be modest. The new jobs will represent 0.8% of the employment in the sector, while the generated GVA will represent 0.84% of the sector GVA, see the table below.

Table 11: Impacts of measure 1 in relation to the overall sector, GVA and jobs.

Employment in agriculture, 2019, AWU	Jobs created or maintained in agriculture with IPARD III, % of total employment	Total agricultural GVA, 2019, EUR	GVA generated in agriculture with IPARD III, % of total GVA, %
452,700	0,8	2,737,000,000	0,84

Source: IPARD III programme, draft version 21.06.2021, Own calculations

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

The expected impacts of the IPARD III investments in the agri-processing sector are summarized here regarding GVA growth, employment, and labour productivity. The table below show data for measure 3. The total eligible expenditures planned are 161 million EUR, of which 50% equal to 80.6 million is private co-financing. M3 represents 27.8% of the total eligible expenditures under IPARD III 2021 to 2017 and is the second highest prioritized measure after M1.

Table 12: Total eligible expenditures, EUR, measure 3, share of total IPARD III expenditures (%)

Total public support, EUR	Private contribution, EUR	Total eligible expenditures, EUR	Share of total expenditures under IPARD III, %
80,640,000	80,640,000	161,280,000	27.8

Source: IPARD III programme, draft version 21.06.2021

Also, for agri-processing is the Return of Investment (RoI) the key indicator. For measure 3, the RoI is estimated to be 10% using the same approach as for M1. Under IPARD II, the investments supported under M3 were distributed with 32% on constructions, modernizations of buildings, while investments in new equipment counted for 68%, which means that there were more investments in constructions and buildings under M3 than under M1. The average payback time for the investments is the same as for M1: Constructions and buildings is 20 years, and investments in equipment, new technologies and machines is 5 years. Based on these payback times and the relative distribution of the investments between the two categories of investments, the average payback time is calculated to be 9.8 years. This is equal to a RoI of 10.2%. This is the RoI used in the impact calculations.

Table 13: Average payback time for IPARD II investments 2018-2020, measure 3, RoI (%)

Constructions and modernizations, % of total investments	Equipment, % of total investments	Payback time, years, Constructions	Payback time, years, Equipment	Average PBT, years	RoI
32	68	20	5	9.8	10.2

Source: AIR2020, MAFWM 2021 and own calculations

The growth in GVA is estimated to be 16.23 million EUR. The labour productivity in the agricultural sector was 14,371 EUR/AWU before IPARD III (2019) and will increase to 15,808 EUR/AWU for the supported beneficiaries. With this level of labour productivity, the newly generated GVA in the sector will affect 1,020 jobs. 50% of the investments are generating new production capacity and thus new jobs, while 50% will increase productivity (and quality) of the production. Therefore, the affected 1,020 jobs, with 510 new jobs, and 510 maintained jobs with higher labour productivity than before the investment. The impacts are inferred in the table below.

Table 14: Impacts of IPARD III investments, measure 3, Labour productivity and jobs

RoI, %	Growth in GVA, EUR	Labour productivity (EUR/AWU) before (2019)	Labour productivity (EUR/AWU) after investment	Number of jobs, total	Of which 50% new
10	16,128,000	14,371	15,808	1,020	510

Source: Own calculations

The impact on the whole agri-processing sector will be just as modest, as it is the case for agriculture. The new jobs will represent 1% of the employment in the sector, while the generated GVA will represent 1.1% of GVA in the agri-processing sector, see the table below.

Table 15: Impacts of measure 3 in relation to the overall sector, GVA and jobs.

Employment 2019, AWU	Jobs created or maintained in agri-processing with IPARD III, % of total employment	Total agri-processing GVA, 2019, EUR	GVA generated in agri-processing with IPARD III, % of total GVA
101,800	1,0	1,463,000,000	1,10

Source: IPARD III programme, draft version 21.06.2021, Own calculations

M7: Diversification and business development

The expected impacts of the M7 are summarized here. The total eligible expenditures planned are 115.2 million EUR, of which 69 million EUR are public funded and 46 million is private co-financing. M7 represents 19.8% of the total eligible expenditures under IPARD III 2021 to 2027 and is the third highest prioritized measure after M1 and M3.

Table 16: Total eligible expenditures, EUR, measure 7, share of total IPARD III expenditures (%)

Total public support, EUR	Private contribution, EUR	Total eligible expenditures, EUR	Share of total expenditures under IPARD III, %
69,120,000	46,080,000	115,200,000	19.8

Source: IPARD III programme, draft version 21.06.2021

For measure 7, the value of the RoI is selected to be 12% similar to M1. The reason is that no data is available from IPARD II regarding this measure, and it is anticipated that a decision of an investment in diversification of farm activities or starting a new business will generate minimum the same RoI as if the money were spent on traditional agricultural activities. Otherwise, the investment will not take place, ceteris paribus.

The growth in GVA is estimated to be 13.8 million EUR. The labour productivity is anticipated to be the same as for agriculture both before and after the investment. With this theoretical level of labour productivity, the newly generated GVA under M7 will affect 1,020 jobs. Since all activities are new, all jobs will be new. The impacts are inserted in the table below.

Table 17: Impacts of IPARD III investments, measure 7, Labour productivity and jobs

RoI, %	Growth in GVA, EUR	Labour productivity (EUR/AWU) before (2019)	Labour productivity (EUR/AWU) after investment	Number of jobs, total
12	13,824,000	6,046	6,772	1,020

Source: Own calculations

M5: LEADER-measure

The expected impacts of the M5 are summarized here. The total eligible expenditures planned are 16 million EUR, all public funded. M5 is a new small measure and represents only 2.8% of the total eligible expenditures under IPARD III equal to the agro-climate measure 4 with 2.9%.

Table 18: Total eligible expenditures, EUR, measure 5, share of total IPARD III expenditures (%)

Total public support, EUR	Private contribution, EUR	Total eligible expenditures, EUR	Share of total expenditures under IPARD III, %
16,000,000	0	16,000,000	2.8

Source: IPARD III programme, draft version 21.06.2021

The value of the RoI is estimated in the same way as for M7 and is 12% similar to M1. The contribution to the growth in GVA is estimated to be 0.6 million EUR, since maximum 70% of the total public support minus operational costs to the LAGs, 5 million EUR can be used to smaller projects. The labour productivity is anticipated to be the same as for agriculture both before and after the investment. The newly generated GVA under M5 will affect 90 new jobs from the small projects, which all will be new, because all activities are new. The impacts are inserted in the table below, without taking the 30 LAG coordinators into consideration.

Table 19: Impacts of IPARD III investments, measure 5, Labour productivity and jobs

RoI, %	Growth in GVA, EUR	Labour productivity (EUR/AWU) before (2019)	Labour productivity (EUR/AWU) after investment	Number of jobs, total
12	600,000	6,046	6,772	90

Source: Own calculations

It must be mentioned that the estimation of the new number of jobs generated from the smaller projects under M5 may be too high. The estimation is based on the aggregated additional GVA generated, but since the number of small projects may be as big as 1,000 the contribution to job generation from the individual project may be limited. However, from a theoretical point of view, the GVA generated will in principle generate 89 new jobs, although it may be difficult in reality to generate this number of jobs with 1,000 individual small-scale projects.

Summary of economic impacts

The estimations presented above are summarized in the table below.

Table 20: Summary of economic impacts of M1, M3, M5 and M7, GVA, labour productivity, jobs

Measure	Growth in GVA, EUR	Labour productivity (EUR/AWU) before (2019)	Labour productivity (EUR/AWU) after investment	Number of jobs, new and maintained, total	Of which new jobs
M1: Investments in physical assets of agricultural holdings	23,040,000	6,046	6,772	3,402	1701
M3: Investments in physical assets concerning processing and marketing of agricultural and fishery products	16,128,000	14,371	15,808	1,020	510
M5: Implementation of local development strategies – LEADER approach	600,000	n.a.	6,772	89	89
M7: Farm diversification and business development	13,824,000	6046	6771,52	2,041	2,041
Total	41,112,000	n.a	n.a	6,553	4,252

Source: Own calculations

The four revenue generating measures will contribute to additional 41 million EUR in GVA in the rural areas and will generate 4,252 new jobs and ensure that 2,300 jobs are maintained. The total public support to the four measures will be 281 million EUR. The price per job affected will be 43,000 EUR. It must be mentioned that the estimated effects are generated per year if all projects are implemented the first year of the programme period. This will not be the case. Therefore, the impacts will materialize as the programme is implemented.

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

Environmental impacts

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

nature. There is a number of minimum standards with regards to environment that beneficiaries have to comply with in order to be eligible for the investment. Before the investment is contracted, the beneficiary needs to be in line with the national minimum standards and in line with the EU standards after the investment is performed.

Investments in the construction of manure storage capacities including equipment for its handling and use; investments in construction of facilities for wastewater treatment; investments in modernization/construction of slaughter-housing facilities, establishment of plants for renewable energy production will have direct positive impact on soil and water. Direct beneficial effect can be expected also on-air quality and climate (in terms of reducing ammonia and greenhouse gases).

However, this direct positive impact will be rather limited and local because of only limited number of projects supported (e.g., 70 facilities will be supported with investments related to manure management and 40 in waste treatment or management). Many small and medium farms cannot comply with the national minimum environmental and food safety standards and cannot afford necessary investments. Small farms will not be eligible for the IPARD III support; thus, it is important to find the ways to support them in complying with minimum requirements, especially with regards to proper manure storage and waste/wastewater handling. These farms might be small individually but since their number is big, improper storage and handling of manure could have cumulative negative effect. In this respect, access to small investments and simple solutions combined with proper information and capacity building could bring big improvements. Thus, national measures and other donor programmes will remain very important.

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

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

AECMOF measure and non-productive investments operation under Measure 1 will contribute to sustainable management of natural resources and have direct positive impact on biodiversity, the landscape and its features.

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

- 1,000 contracts, 30,000 ha covered under the five actions under M4.
- Number of recipients progressively upgrading towards EU standards under M1 and M3: 158.
- Number of recipients investing in promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food, and forestry sector under M1 and M3: 265.

Social impacts

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

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

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

4.5. Appropriateness of targeting (definition of recipients) of each measure

4.5.1. Definition of recipients

The targeting and the description of recipients is well defined for all measures. The following text summaries the definition of eligible recipients measure by measure.

M1: Farmers being natural or legal persons or legal entities, registered in the Farm Register.

M3: Entrepreneurs (probably being recognised as legal person) and legal entities. Below 25% of the ownership is public ownership. The enterprises must be registered in the Business Register of Serbia.

M4: Farmers being natural or legal persons or legal entities, registered in the Farm Register.

M5: Local Action Groups, registered in accordance with the Law on Associations, selected and contracted by the IPARD Agency.

M6: Recipients under this measure are municipalities, for projects implemented in settlements with up to 10,000 inhabitants, which is deemed to be precise and appropriate.

M7: Natural persons being family farm holders or family members. Agricultural holdings must be registered in the national Farm Register. Persons (family members of owners of agricultural holdings) can live in rural as well as in urban areas. Legal entities must be located in rural areas and must be registered in the Farm Register.

M9: Other IPARD III entities and related bodies (Operating Structure, Management Structure, AAS, TBs, pLAGs and national rural (development) networks) can benefit from the Measure 9 activities via the MA. The definition and selection of recipients is appropriate.

4.5.2. Appropriateness of targeting

The appropriate targeting is assessed for each measure in a previous chapter of this report, and they are summarized in chapter 4.7 below. Here the focus is on the targets in relation to the overall population of potential beneficiaries of the programme. The main measures in financial terms and regarding beneficiaries are M1 and M3 and for these measures there are specific demarcation lines to smaller agricultural holdings based on size of production (ha, LSU) and size of investment. The IPARD III

programme will only target holdings above the thresholds, while national instruments under the NRDP will target the smaller holdings below the thresholds.

Data are not presented in the IPARD programme about the share of farmers and processors being eligible under each measure compared to the total population of farmers and processors. Therefore, it is difficult from the information in the programme to see, how many of the farmers and enterprises that will be able to apply for support.

When it comes to M1, general data of farm size and numbers of farms within each size category may provide indications on how big a share of the farms that will be potential applicants under IPARD III. The table below presents the structure of the agricultural sector in Serbia in 2018 with a total of 654,541 agricultural holdings and only 63,000 are bigger than 10 hectares. Even though the number of hectares only for two sectors play a role as demarcation line, it is obvious from the table that most agricultural holdings will not be eligible for support under IPARD.

Table 21: Size structure of the agricultural holdings in Serbia, 2018

Land resources	Ref. unit	Total	<1 ha	1≤ha<2	2≤ha<5	5≤ha<10	10≤ha<50	50≤ha<100	ha≥100
AHs	No	564,541	111,876	110,893	182,253	96,262	58,010	3,825	1,422
	%	100.0	19.8	19.6	32.3	17.1	10.2	0.7	0.3
Average farm size	ha	6.2	0.6	1.4	3.2	6.9	53.4	67.0	493.0

Source: The IPARD programme, draft version 21.06.2021

A total of 800 projects are targeted under M1 according to the quantified target in the IPARD III programme. Where do these 800 beneficiaries come from? The text in chapter 3.2 and the sector studies provide some information, which can be used to answer the question. The table below summarizes the total number of agricultural holdings and the number of agricultural holdings found to eligible for support taking the given thresholds into consideration.

Table 22: Estimated number of eligible agricultural households (AH) per sector and share (%) of total number of agricultural holdings in each sector

Sector	Number of eligible AH, estimated	Total number of AH	% eligible AH of total AH	Demarcation criterion
Milk	1,690	116,292	1.5	Number of dairy cows. AH with more than 50 dairy cows.
Cattle	589	130,000	0.5	Number of animals
Pigs	723	140,559	0.5	Commercial oriented AH + AH with more than 10 pigs
Sheep	271	842	32.2	Size of SO of AH
Fruits	1,392	66,712	2.1	FSS, number of AH with more than 5 ha
Vegetables	5,995	8,126	73.8	FSS, AH with protected and /or open production environment.
Grapes	3,997	60,000	6.7	Wine register. Only 20 AH with more than 50 ha.
Cereals and industrial crops	4,986	436,328	1.1	AH bigger than 50 ha.
Total	19,643	564,541	3.5	Double counting is avoided. The sum of all sectors is not applicable since some AH operates in more than one sector.

Source: IPARD III programme, draft version 21.06.2021, sector study presentations and own estimations

The potential number of beneficiaries may be bigger than the 19,643 potential applicants indicated in the table above, since agricultural holdings below the thresholds can invest and manage to pass the thresholds after the investment is completed. Data in the table may not be precise since the solidity seems to vary from sector to sector. Also, the estimation principles in the programme and in the sector studies vary. So it is difficult to estimate the precise number of potential beneficiaries, but the number is under all circumstances not big compared to the total number of agricultural holdings. The share which can be supported is 4.1% of potential eligible holdings and 0.1% of all holdings.

The same estimations can be made for M3 regarding processing enterprises, where only a share will be eligible compared to the full population of agri-processing enterprises in Serbia. However, the relative share of eligible to total number of agri-processors in the individual sectors is not that alarming. In the dairy sector, 168 out of 230 milk processors (73%) will be eligible based on the number of litres of milk capacity per day (3,000 to 100,000 litres of milk per day). In the slaughterhouse sector for cattle, pigs and sheep, 343 enterprises out of 650 registered enterprises (53%) will be eligible. In fruits and vegetables processing 631 enterprises out of around 1,600 will be eligible (40%) and in the wine sector 310 out of 350 (88%) registered commercial oriented wineries will be the same. The estimations are based on information from the sector studies, and it must be emphasised that the numbers refer to capacity of production after the investment and not on any other formal requirement for example to the fulfilment of national minimum standards.

4.6. Relationship and demarcation with other relevant instruments, incl. with the national rural development policies, other IPA intervention and bilateral and international assistance

Chapter 10 of the IPARD III programme describes the demarcation principles applied in relation to international and national funded interventions like IPARD III. A table in the chapter summarizes the principle, measure by measure. It is well structured and provides a good overview. It is for example fine to see the demarcation lines between IPARD III and NRDP regarding a) size of investment and b) scale of production.

One observation is that it is not clear, what the role of aggregators is in the value chain. Are they eligible under both IPARD III and under national schemes, and if yes, what is then the demarcation line?

The role of NRDP is important to stimulate small producers to develop and take steps in the direction to be formal holdings. There is a big need in Serbia with more than 560,000 agricultural holdings, of which the majority is not eligible for IPARD, and even those who are, will not be able to be supported due to the relatively low number of potential beneficiaries under IPARD III.

Finally, one question from the ex-ante evaluator regards the demarcation lines based on the value of the total eligible expenditures of the investment. Does this defined demarcation line of 50,000 EUR mean that applicants independent of the size of the beneficiary measured in ha, LSU or SO can apply under both IPARD III and NRDP, if the size of the investment is adapted to the instrument and that the application does not relate to the same investment (same equipment, building etc)? If an agricultural holding can apply under both instruments, it may be a risk that bigger and resource strong holdings can absorb the available resources under both instruments, although it was the intention to save resources under NRDP for less strong holdings. It is recommended to consider this problem, if relevant for MAFWM.

Information from MAFW says that demarcation with national support also is applying the criterion related to the absorption capacity of potential beneficiaries. How this should be interpreted is not clear, but it is understood by the ex-ante evaluator in the way that applicants with low absorption capacity only are eligible under national instruments like NRDP, while agricultural holdings with high absorptive capacity only are eligible under IPARD III, but the content of this criterion is not made clear, and it is not referred to in the draft programme document. It is recommended to clarify the demarcation line between high and low absorption capacity of agricultural holdings.

4.7. Realistic values for targets and results

The assessment of the realism of the targets set for each measure is presented in this section. The targets shall not be too low or unrealistically high.

M1: Investment in physical assets of agricultural holdings

The target of 800 projects may be too high with the current maximum limits for support. The realistic number of projects will probably be lower. 150 new jobs are expected from the investments, but this number is probably far too low. The ex-ante evaluator estimates the number of new and maintained full time jobs to be around 3,400.

M3: Investment in physical assets related to processing and marketing of agricultural and fishery products

The target is 300 projects. This target may be too high with the current maximum limits for support. As is the case with M1, the number of 90 new Jobs is probably also here too low, and 1,000 new and maintained jobs is probably more realistic.

Measure 4: Agri-environment climate and organic farming

The target is to have 30,000 ha under 1,000 environmental contracts under this measure. There are no targets per each of five operations and no calculations of payments yet. Therefore, it is not possible to assess if the targets set are realistic.

Measure 5: Implementation of local development strategies-LEADER approach

30 Local Action Groups (LAGs) are planned, which seems to be realistic with the available resources in mind. The LAGs will contribute to the implementation of 500 smaller projects. This number may be far too low. With 5,000 EUR in public support per project and 5.0 million EUR available for small projects, the realistic target is 1,000 projects, with 7 projects per LAG per year.

30 jobs are estimated to be generated from the measure, but this may only be for LAGs and not for the number of jobs generated with the help of the 500 smaller projects. The realistic number of new jobs is difficult to estimate due to the small scale of the individual projects but based on the aggregated generation of Gross Value Added 0.6 million EUR, the number of new may be in the range from 50 to maximum 100 and is estimated to be 89.

M6: Investment in rural infrastructure

30 projects are planned under the measure. It is not possible to judge, to what extent this target is realistic, taking the big variation of sectors and types of projects that are eligible for support into consideration.

M7: Diversification and Business development

350 projects are targeted for this measure. This is probably too low, since the average total eligible investment costs per projects are as high as 329,143 EUR. It may be more realistic to expect a lower average cost per project and then a bigger number of implemented projects under the measure. The number of jobs generated is targeted to be 90. This is probably also too low. The realistic number of jobs may be closer to 2,000.

M9: Technical assistance.

The seven targets are quantified and seem to be realistic.

5. APPRAISAL OF MONITORING, DATA COLLECTION, IMPLEMENTATION SYSTEM

5.1. Assessment of the implementing provisions for managing, monitoring, and evaluating the programme

This section assesses the implementing provisions for managing, monitoring, and evaluating the programme with a focus on ensuring an efficient management. This includes an appraisal of risks resulting from possible bottlenecks which might impede the implementation of the programme.

5.1.1. Implementation system

The overall programme management and control structures are described briefly and in a well-structured way in chapter 11 of the programme. The ex-ante evaluator has no comments to the text.

The description of the operating structures including monitoring and evaluation is presented in chapter 12. The description is relatively generic and based on the requirements in the relevant regulations. The two organograms for MAFWM and for the IPARD Agency are good and informative and documents that the required organisations are in place in Serbia.

It is the assessment of the ex-ante evaluator that the Managing Authority in MAFWM is operating well, has benefitted from the experiences and lessons learnt under IPARD II in the programming of IPARD III and have received important support from EU and donor funded projects. External expertise is still needed to support the MA in the finalization of the programme, for example regarding calculation of support rates for M4.

According to interviews, the EU required registers are either in place (Farm Register, Animal Register, FADN) or will be in place later (LPIS). The FADN system will be improved during the next 2-3 years and the minimum number of 2,000 registered agricultural holdings will be reached from the current level of 1,700 farms. However, it is also important for the reliability of the data from the FADN that the sample of farms is adequate, when it comes to farm types. Steps should be taken by MA to ensure that all relevant farm types are included in sufficient numbers. This also include specialised farms such as fruit and vegetables producers, meat and milk producers, and other specialised holdings. Also mixed farms must be included in the FADN sample in a statistically representative way. Finally training of staff operating the FADN system is also needed for the optimal use of the FADN.

One register is not ready. According to the Law on Incentives in Agriculture and Rural Development MAFWM must establish an electronic registry of payments to farmers. The law provides that this registry should contain data on the type and amount of the paid support for each beneficiary, and a decision issued by the Minister should proscribe its content and updating methods. This registry has not yet been established. Increased transparency will be an outcome of the establishment of the register, and it will make it possible for MAFWM staff better to monitor and analyse the implementation of the support measures. The register will supplement data from SORS. It is recommended that MAFWM takes steps to establish the electronic register on payments to farmers. The data from SORS are solid and based on EUROSTAT methods and standards. The MA is optimistic about the finalization and approval of the IPARD III programme and about its implementation, among other things due to the increased awareness and attention from the stakeholders.

The main challenges for an effective implementation of IPARD III are identified in the IPARD Agency.

To assess the implementation system and its effectiveness, the ex-ante evaluator takes as point of departure the number of processed applications under IPARD II. The table below is based on information from AIR2019 and AIR2020.

Table 23: Number of submitted applications, rejections + withdrawn applications and share of rejections to applications (%), IPARD II 2018 to 2020

Applications submitted				
Measure	2018	2019	2020	Total
M1	141	315	779	1235
M3	0	70	132	202
Rejecetions + withdrawn applications				
Measure	2018	2019	2020	Total
M1	112	23	198	333
M3	0	36	15	61
Rejections/Applications, %				
Measure	2018	2019	2020	Total
M1	79,4	7,3	25,4	27,0
M3	0	55,7	16,7	30,2

Source: AIR2019 and AIR2020, MAFWM

The table provides two set of information. First, the total number of applications processed in 2020 (M1 = 779, M3 = 132 and M7 = 311) was 1,222. Second, the rejection rates are relatively low, only 27% for M1 and 30% for M3.

For IPARD III the following number of projects are planned, and with an average rejection rate of 30% the expected required number of applications can be estimated equal to the total number of applications needed to meet the target.

Table 24: Number of needed applications per measure, total under IPARD III and per year

Measure	IPARD III planned projects per measure	Number of applications, 30% rejection rate	Total applications needed
M1	800	240	1040
M3	300	90	390
M4	1000	300	1300
M5	500	150	650
M6	30	9	39
M7	350	105	455
Total	2980	894	3874
Average per year in 7 years	426	128	553

Source: AIR2019 and AIR2020, MAFWM and own calculations

The average number of applications per year during IPARD III 2021 to 2017 will be 553. This number must be supplemented with the tail of delayed projects from IPARD II, at least for the first years of the new programme period. This number of potential additional IPARD II applications is not known, but the average annual number of applications may not be as high, as it was in 2020 with 1,222 processed applications.

The ex-ante evaluator has in the Interim report from this assignment made a request data from the IPARD Agency related to this mandatory assessment of the implementing structures of IPARD III. The data request was as follows:

- Workload analysis for IA.
- Use of staff for the management of IPARD II, distributed in measures and calls and work processes.
- Planned use of staff for the implementation of IPARD III, distributed on measures and work processes.
- MoU or other agreements with delegated technical bodies. We do not ask for the text as such, just the confirmation, that a MoU is signed with relevant technical bodies, that guidelines and check lists are prepared for the management of the tasks and the cooperation.

Furthermore, workload analysis for MA, both for IPARD II implementation and for the planned implementation of IPARD III including number of staff in various sections, planned number for the new programme was requested from MAFWM.

The IA has not submitted the required information to the ex-ante evaluator, but in an interview conducted 23. August the IA provides good information about the following points:

IA confirms that the effectiveness of the management of the IPARD III implementation process is not satisfactory. There are several reasons for that: Internal factors such as shortage of manpower in IA, fluctuation of experts working in IA, and change in rankings of projects and external factors such as incomplete applications.

Regarding the internal factors, additional 101 new jobs were granted in January 2020 to the IPARD Agency, but the recruitment process is very slow due to administrative procedures and the number cannot be achieved before the end of 2022. However, with the recent recruitment of 16 employees, the IPARD Agency will be able to speed up the processing of applications. All staff in the IA are qualified, but effectiveness also largely depends on the work experience with IPARD applications. Therefore, IA operates an internal education programme and on-the job trainings. New employees have mentors and start first with simpler applications (e.g., for mechanisation) and move on to more complicated applications, requiring more experience and knowledge later. However, the IA also suffers from a high level of fluctuation of IA staff. The pressure and responsibilities on the staff is high, and the salary is considered to be non-competitive.

External factors also influence the effectiveness of IA. Many applications are incomplete, and it requires more time to process them. IA often prolongs deadlines for submission of missing documentation in order not to disqualify the applicant. Some applicants are also facing problems with purchasing of approved equipment, which by the time of approval is not available anymore.

The length of the procedure, from submission of application until decision is taken depends on measure, application, applicant, staff in charge, etc. The legal requirement is nine months (270 days) for the processing of applications, but the IPARD Agency cannot meet it. As it was documented in the On-going evaluation report, see tables in section 5.2 regarding bottlenecks under IPARD II below, the time for M1 in 2019 was above the legal limit with 300 days in 2019, while the time for processing of applications under M1 was below the limit with 241 days.

Regarding the payment claims, payment after the claim is usually 5 months for simpler investments, like tractors, but for complex investment it can be longer, but must be accomplished after 6 months according to the SA, article 41 (9). The On-going evaluation report indicate that the time both for M1 and for M3 is 4 months. The time has apparently increased since, ad it is of course not acceptable for the beneficiaries waiting years to get paid in order for them to reimburse their investments.

According to the IA, cooperation with technical bodies (MoU) have been formalised for IPARD II, while it for IPARD III still needs to be formalised. However, most technical bodies are under the jurisdiction of MAFWM, and no major problems are expected of the IA. Capacities of these technical bodies were not sufficient to efficiently manage IPARD II applications. Waiting time for checking the fulfilment of prescribed standards and issuing of certificates was sometimes very long because this was not priority for the technical bodies. The pressure on technical bodies will increase, but there is no specific action plan how to tackle this problem. It is expected that technical bodies will increase their capacities and improve efficiency. According to the IA, they know what can be expected under IPARD III.

There is still no WLA for IPARD III. IA will hire an external expert who will assist them with WLA and is supposed to start working by the end of the year.

As a summary of the observations, it is the assessment of the ex-ante evaluator that the implementing structures needs to be strengthened over the coming year to be ready and for an effective implementation of the programme can be anticipated. It is therefore strongly recommended that MA and IA take steps to evaluate the current work processes to see where effectiveness can be increased. It is also recommended to assess how dynamic effects of increased competences and experiences can be utilized to increase effectiveness. It is also recommended to do whatever is possible to recruit the required additional staff, also taking the bureaucratic recruitment procedures into consideration. It is recommended to take steps, if possible, to increase the salary level of staff in IA so that the salaries reflect the level of responsibility and competences required to support the smooth implementation of the programme. Regarding the cooperation with the delegated technical bodies, it is recommended to enhance the dialogue with the relevant institutions to establish a common approach and attitude in the pursuit of the goal of making the implementation of IPARD III as effective as possible.

Deadweight

As it was discussed briefly in 4.1.2 of this report, it is important for the managing structures and for IA in particularly to take steps to avoid risks for deadweight. The ex-ante evaluator has inserted a table below, which provides some assessment criteria to be used by IA in the assessment of risk for deadweight. Project applications with higher risk for deadweight should be assessed in the detail, and maybe have an extra set of eyes for final evaluation before approval. It is recommended to consider using the proposed tool for assessing of the risk for deadweight.

Table 25: Tool for assessing the risk of deadweight

Assessment criterion	Higher risk for DW	Lower risk for DW
Size of beneficiary (ha, LSU, SO)	Bigger	Smaller
Geographical location of beneficiary	Average agricultural area	Agricultural area with physical handicaps
Type of beneficiary	Average beneficiary (man, age, education)	Vulnerable beneficiary (young farmer, woman, other)
Contribution to public goods (environment, biodiversity, nature)	Low	High
Pay-back time of investment including public support	Short ($x \leq 3$ years)	Long ($x \geq 7$ years)

Source: Elaborated of the ex-ante evaluator based on experiences from EU MS and applicant countries

Equality between men and women and non-discrimination

MAFWM is responsible for actions taken avoiding discriminatory behavior. Chapter 16 on equality between men and women and non-discrimination describes the regulatory framework in Serbia guaranteeing that no discriminatory action is allowed and will take place during the implementation of the programme.

Women migration from rural to urban areas due to limited employment possibilities is one of the major threats for the vitality of Serbian rural areas. In Serbia, only 37.6% women live in rural areas, out of which 25.7% are older than 65 years. Women are owners and managers of physically and economically small agricultural holdings and their share decreases with the increase of farm size, in particularly for farms bigger than 10 hectares. 19.3% of the farm holders are women, but only holding 10% of utilized agricultural area and 10% of livestock units. Half of them is older than 65 years. Only 15.3% of the farm managers are women. Most of the work on farms women perform as farm members, usually as unpaid and unregistered labour force.

IPARD III document describes in detail how equality between men and women will be promoted and any discrimination based on sex, race, origin, religion, age, sexual orientation prevented at various stages of programme (design, implementation, monitoring and evaluation).

To ensure adequate reflection of gender issues, public authorities and NGOs active in the field of equal opportunities, are consulted during the preparation of IPARD III Programme.

IPARD III is not discriminating women but is also not explicitly providing support for the activities and investments actively improving their situation in rural areas. When it comes to supporting investments in physical assets, women, holders of agricultural holdings, have a ranking advantage in M1 and M7. However, given the relatively small share of woman farm holders and managers and the small size of their farms, effects of these measures on woman situation will be limited.

The gender equality is one of the selection criteria for the evaluation of the LDS and it should be secured by women participation at a decision-making level in LAGs. Similarly, participation of young people should be also ensured with their representation at a decision-making level.

The document states that monitoring and evaluation reports of IPARD III will allow the examination of the effects of the programme on gender equality but it does not specify how this will be done. The NRN will also support the empowerment of women. The monitoring of the programme implementation will collect data on gender.

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

Publicity, visibility and transparency

The chapter 15 of the IPARD Programme is a general description of the needed action to be taken regarding publicity, visibility and transparency in accordance with IPA regulation. This is an important task for the MA to manage. With the approval of the programme, the MA and the IPARD Agency will be obliged to provide the stated activities. Publicity, visibility, and transparency of all support activities for recipients and IPARD bodies will be planned, implemented, monitored, and evaluated by the IPARD III Plan for Visibility and Communication Activities for the period 2021-2027. The functioning and progress monitoring of this Plan is well described in the document and is line with the EC requirements.

Actions foreseen to inform potential recipients, professional organizations, economic, social, and environmental partners organization, bodies involved in promoting gender equality, and NGOs about possibilities offered by the IPARD III and rules of gaining access to funding is well described, too. It is appropriate but it seems to rely too much on traditional information transfer channels, notably the Web page and promotional materials. It does not seem to pay sufficient attention to actions and information transfer tools enabling a direct and more dynamic interaction with the target groups mentioned above. The same goes for actions foreseen to inform the recipients of the EU contribution and actions to inform the public about the role of EU in the IPARD programme.

The ex-ante evaluator has no indications that the planned activities will not take place. It is in the interest of the MA and the IA to provide sufficient information to potential beneficiaries to get as high a participation under the programme as possible.

The Monitoring Committee will be able to assess the activities and this possibility is important, since the main stakeholders are represented in the Monitoring Committee and it is expected that insufficient information, inadequate guidelines to applicants etc. will be subjects to discussions at the MC meetings. Visibility rules about the role of EU in the programme and the EU funding of the specific project will be provided to the beneficiaries and control of the actions taken by the beneficiaries about visibility action will be ensured. Finally, actions will be taken by the MAFWM to inform the public about the programme and the role of EU and the benefits for Serbia.

The description does not give reasons to concern about the planned actions for publicity etc.

5.1.2. *Monitoring and data collection*

The monitoring system for IPARD III will be the same as for IPARD II. Therefore, it is relevant to see if the current system works well. The monitoring indicators are common and defined by the EC, and they are applied appropriately in the programming to quantify targets. The data collection takes place in the IPARD Agency through application forms and business plans from applicants and from reporting in connection to the submission of payment claims from the beneficiaries. This is appropriate. It is important that the data are digitalized either with the help of digital application forms including business plans and payment claims or alternatively via entering of the data in the IT system of IA staff. It is recommended that the IA verifies that the data are entered correctly in the IT system and are reported to MA.

The monitoring data are reported in the annual implementation reports (for example AIR2020) and in the monitoring reports submitted to the Monitoring Committee. These reports are essential for EC and stakeholders in the assessment of the progress of the implementation of IPARD II and will be equally important in the monitoring of IPARD III. However, it is the observation of the ex-ante evaluator that the monitoring report and AIR 2020 are reporting data from the implementation of IPARD II in a way, which may raise some questions to the reported numbers. Two examples are summarized below: One regarding the relationship between the various numbers from application, via rejection and withdrawal to approval and payment and one regarding the specification of the committed and paid investment support.

The principal (or correct) relationship between the numbers from application to paid projects is presented here. The number of rejections (2) + withdrawn applications (3) are subtracted from the number of applications (1) leading to the number of approved projects (4). The number of paid projects (5) and unfinished projects (6) must be equal to the number of approved projects (6).

Number of applications	1
Number of rejections	2
Number of applications withdrawn before final IA decision	3
Number of approved applications	$4 = 1 - (2 + 3)$
Number of paid projects	5
Number of on-going projects	$6 = 4 - 5$

The way the numbers are reported in the AIR202 and the monitoring reports for M1 and for M3 is inserted below.

Number of applications M1	31.12.2020	1235
Number of rejections		186
Number of applications withdrawn		147
Number of approved applications/contracts		526 (755?)
Number of paid projects		191
Number of on-going projects		335

Number of applications M3, 31.12.2020	202
Number of rejections	46
Number of applications withdrawn	15
Number of approved applications/contracts	57 (126?)
Number of paid projects	26
Number of on-going projects	31

Source: AIR2020

For both measures the critical number is the number of approved applications/contracts. Why are the number of approved projects not higher, if the numbers of rejected and withdrawn applications are correct? The MA informs that the difference between the number of applications and the number of approved applications is due to a) rejections, b) withdrawn applications and c) applications not processed. For M1 the number of applications not yet processed as of 31.12.2020 is 229 (755 minus 526) and for M3 69 (126 minus 57). It is of course of paramount importance that the monitoring is precise. It is recommended that MA provides text to the tables in the future AIR reports explaining the relationship between the numbers in the various steps from application to payment.

The second observation of the ex-ante evaluator is regarding the specification of committed and paid resources under IPARD II. Below is an example from M1 under IPARD II.

Table 26: Example of unprecise data in AIR2020, M1

Measure	Total available public support, 2014-2020, EUR	Approved eligible investments, EUR	Paid eligible investments, EUR	Approved Investments + paid investments, EUR	% of total public support, 2014-2020
M1	101,386,667	21,808,384	6,645,923	28,454,307	28.1

Source: Table 10, AIR2020, MAFWM 2021

The principal way of reporting the data is that ‘paid eligible investments’ (6,645,923 EUR) is a part of the amount of ‘approved eligible investments’ (21,808,384 EUR). This is not the case in the monitoring reports. The question is, why ‘paid eligible investments’ not is a share of ‘approved eligible investments’? As the data are reported now, the immediate reading will be that 28.1% of the available public support (approved eligible investments + paid eligible investments) is committed, but this is not the case, since it is only the approved applications, which represent the total committed value. In this case only 21.5% of the total available public support. It is recommended that IA checks the figures and the way the data is presented. If the observation of the ex-ante evaluator is correct, the IA is recommended to correct the presentation. In the commenting process of the draft ex-ante evaluation report, MA has provided the ex-ante evaluator with a new table, presenting the data in an appropriate way as described above.

5.1.3. Evaluation

MAFWM has organised one evaluation so far during the implementation of IPARD II. It is the On-going evaluation of the IPARD II programme for the period 2018 to 2019, dated June 2020. The report is well prepared and provides useful results regarding the assessment of the application of mandatory context indicators and their validity. The report is also good, when it comes to analysis of the implementing system with important points and observations about the bottlenecks in the process, and it provides justified recommendations to improved implementation effectiveness. See also section 5.2 below, where these bottlenecks are commented further.

However, nothing was included in the report in relation to results and impacts of the programme for the beneficiaries, for the sector and the economy as a whole. It is normal practice of the on-going evaluations that they contribute to shedding light over these important aspects of the programme implementation. The results and impacts generated, or the lack of results and impacts, may lead to lessons learnt and thus to inspiration for MAFWM to new initiatives and maybe changes in the targeting and design of measures.

As described above, the data collection of IPARD Agency and MAFWM is focused on the mandatory financial input indicators (eligible costs, commitments, payments, EU, national and private funding etc) and physical output indicators (number of projects, hectares, LAGs etc.) linked to monitoring. It is understandable and the data collection system must be fully operational in relation to this task. However, data collection via the reporting from beneficiaries about results and immediate impact may be a possibility, which MAFWM may wish to explore to collect result and impact data on an on-going basis, not only regarding IPARD III but also regarding the national instruments. This is also highly recommended in the report prepared of professor Bogdanov regarding the national support system to agriculture and rural development. Based on the observations of professor Bogdanov and of the ex-ante evaluator in this report it is recommended to consider building up a coherent monitoring and evaluation system in MAFWM covering all instruments targeting agriculture and rural development. A well-functioning M&E system will without any doubts contribute to increased effectiveness and efficiency of policies, better results and impacts to the benefit of rural dwellers and a more effective policy development process in MAFWM.

Less ambitiously, it is also recommended that another ongoing evaluation or the ex-post evaluation of the programme should focus on the contribution of the programme to the economic growth, employment, and rural development as well as to environmental and biodiversity improvements and climate change adaptation and mitigation.

Finally, an evaluation plan must be prepared no later than 1 year after the launch of the programme. It is recommended that MAFWM takes step to the elaboration of the evaluation plan as soon as possible after the approval of the programme.

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

This section presents an analysis of the difficulties in the programme implementation, which are based on experiences from the previous programming period.

As referred to above, one of the most important findings in the on-going evaluation report on IPARD II for the period 2018-2019 concern the bottlenecks for implementing the measures including the low effectiveness of the work processes in the IPARD Agency. The report provides these findings regarding the use of days in the processing of applications.

Table 27: Average time from submission of application to approval, days

Average time for approvals, days			
Measure	2018	2019	% change
M1	284	300	5.6
M3	370	241	-34.9

Source: Ongoing evaluation of IPARD II for the period 2018 - 2019, MAFWM 2020

The IA has considerably reduced the number of days for processing applications under M3 in 2019 compared with 2018. The time is reduced with more than a third (34.9%) from 370 days in 2018 to 241 days in 2019. On the contrary the time spent for applications under M1 has increased from 284 days to

300 days or 5.6%. Since the data in the table do not refer to the number of applications or the number of staff in the work processes in IA, the only conclusion is that the effectiveness has increased for M3 independently if the reason is reduced time spent per IA staff, which will be appropriate, or more staff doing the evaluations. The effectiveness has decreased a bit for M1 but the difference from 2018 to 2019 is not alarming.

Regarding the time spent on payment claims the table below presents the findings from the On-going evaluation report.

Table 28: Time period for processing payment claims from submission to approval, months

Time for processing of Payment claims, months		
Measure	2018	2019
M1	4	4
M3	4	4

Source: Ongoing evaluation of IPARD II for the period 2018 - 2019, MAFWM 2020

The time spent for both M1 and M3 is the same in 2018 as in 2019 = 4 months. No increase in the effectiveness of IA staff can be reported from these figures, but it should be noticed that the payment procedure also requires involvement of other institutions and that the time period also depends on the effectiveness of these institutions, for example regarding controls and check of fulfilment of standards etc.

Based on these findings the On-going evaluation report summarizes the main points regarding bottlenecks in the programme implementation in this way:

- Insufficient administrative capacity of the IPARD structure
- Slow processing of applications
- Submission of incomplete applications
- Complex administrative procedure

According to the evaluation report, MAFWM in cooperation with the IPARD Agency has prepared an Action Plan for the improvement of absorption of IPARD funds with 4 sets of activities:

1. The insufficient administrative capacity of the IPARD Agency and the effectiveness of processing of applications is tackled with these steps:
 - a. recruitment of new staff
 - b. simplification of the work procedures in the IPARD Agency
 - c. introduction of rural development IT solution
 - d. weekly monitoring of the newly implemented Plan of processing of applications on executor and manager level
 - e. regular IA– MA meetings.
2. The problem regarding incomplete applications is tackled with
 - a. continuous promotion through TV and on-line campaign
 - b. publishing of the bi-monthly IPARD newsletter and
 - c. use of social networks of the MA (fb, Ig)
3. Enhanced education is also used to tackle the problem with incomplete applications.

- a. continuous education of advisors from the Advisory services
 - b. training of employees and targeted recipients
 - c. workshops for consultants
4. Enhanced cooperation and increased meeting frequency with relevant institutions should tackle complex administrative procedures with other institutions. The coordination should deliver:
- a. Documentation of ownership of land and buildings
 - b. Faster issuing of necessary permits, for example for constructions and buildings
 - c. Necessary certificates for IPARD recipients regarding registrations in formal registers, fulfilment of national minimum standards, etc.

Stakeholders have confirmed the obstacles and bottlenecks identified of the On-going evaluators. The information from IPARD Agency and MAFWM confirms that steps have been taken to remove the bottlenecks and that the implementation of IPARD III is expected to be more effective than it was under IPARD II.

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

The IPARD III document provides hardly any suggestion for a simplification of IPARD III procedures: tendering, application, projects approval, administration and approval of requests for payments, monitoring, etc. The stakeholders interviewed did not have many recommendations on this. However, a couple of suggestions emerged:

- 1) Inter-link the existing official databases so that IPARD Agency can retrieve some basic information available in those databases (e.g. birth certificates, company registration details, financial data of the applicants, VAT number, registered address, etc.). This would ease paperwork at the side of the applicants, as currently they must spend time and energy on collecting and submitting all sort of basic documents and certificates - most of which are already available in various official databases.
- 2) Make sure that the requirements in terms of “papers” are uniformed. Currently, it often happens that less experienced IPARD administrative officers require all sort of unnecessary papers/certificates.
- 3) Train better IPARD Agency staff – so that they have more equal level of competence (at present, there is a noticeable difference of competence levels among the staff. Less competent staff slow-down the application and approval process). Make sure to provide a better training and put in place a better-quality control over the staff work.
- 4) Simplify application requirements and procedures. Ask just the very essential documents, do not overdo the requirements. Do not ask “more papers than Brussels do”, and do not say that those are “asked by Brussels” – because some consultants and recipients are aware of the minimum administrative requirements, notably because they exchange information and compare administrative requirements with colleagues in other IPARD countries.
- 5) In case the applications cannot be approved on time and the announced deadline has expired (which happens with most tenders) – make sure to send a friendly letter to all applicants explaining them the situation and soliciting on their patience and understanding.

- 6) Having more staff working in IPARD agency would speed up the project applications and approvals and most likely increase the overall quality of the work – and make all parties involved in the process, much more satisfied.

Several of these good ideas are repeated in the list of recommendations from the ex-ante evaluator and summarized in chapter 6.2 below.

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

The text suggests that the AAS (whose functioning is well described) will have an essential role in supporting (potential) recipients in the planning, application and implementation of IPARD measures, see also chapter 17 in the IPARD III programme. The ASS will also assist (potential) recipients in completing IPARD applications; in developing business plans for Measure 1 and Measure 7, as well as in meeting the required standards. The AAS staff is expected to acquire a range of IPARD-related knowledge, including details of the general and specific criteria per measure, documentation needed, application and approval processes, etc. – through Measure 9 (Technical Assistance). This is all fine and appropriate. However, the IPARD III document does not provide enough clarity about how IPARD III-related information and support will be down-streamed to potential IPARD III applicants and recipients, and how the entire process will be organised. The text provides just a basic outline, which could be difficult to realise because IPARD III does not have a specific measure directed to supporting AAS. The text does not provide enough information about the rationale behind this decision. In the interviews with stakeholders, the following explanation for not including a specific measure for AAS was provided:

- 1) The AAS is already well-established and functions very well – all over the country, and its work has been supported through the national financing programme. Consequently, it was decided that it is better use IPARD funds to finance measures for which no national financing is available.
- 2) A substantial time, energy and manpower would be required to acquire accreditation for such a measure, which is not priority for MA.
- 3) If a measure supporting AAS would be included in IPARD III, the organisation would no longer be eligible for receiving support from the national programme.

The first two arguments are reasonable and lead to political/strategic decisions that one cannot question. However, this is not case for the third argument. Serbia could continue providing financing to AAS from the national programme even if there would be an IPARD III measure supporting the organisation – provided that there is a clear demarcation between the two and that IPARD money is used to support AAS's IPARD-related activities, such as specific trainings of advisors and of potential beneficiaries, which are not supported by the national budget.

A specific IPARD measure directed to the AAS would be important because it could provide support not only to the state-run AAS, but also to the qualified private companies involved in agricultural extension. These organisations too could be financed from the IPARD money (but first must be formally incorporated in the national advisory system) and could be providing a range of services to (potential) IPARD beneficiaries. This would relief (at least partly) the state-run AAS from the IPARD-related work pressure, which is recognised as a problem in the analysis:

- “The main challenge that AASs face is limited number of advisors, which is insufficient in meeting the needs of more than 564.000 AHs in the RS. (p. 225).
- “The IPARD III Programme will increase the need for additional advisors and widen the scope of work of the AASs...” (p. 225).

Mobilisation of private farm advisory sector in Serbia seems to be relatively easy to organise. There is already a well-established private farm extension, whose services are well recognised by farmers and

proved to be beneficial for the IPARD programme: “In the previous public calls for IPARD measures nearly 50 consultancy companies were involved in the preparation of documentation for the IPARD support (consulting services) and development of feasibility studies and other studies related to the project and/or business plans“ (p. 226).

Support to IPARD bodies is appropriate and is well described. The support will primarily be made available through the Technical Assistance measure. The recipient of this measure is the MA. However, other IPARD III entities and related bodies (operating structure, management structure, advisory services, technical bodies, potential LAGs and national rural development networks can benefit from the Technical Assistance activities via the MA. Support for the establishment and operation of the National Rural Network (NRN) will be also available from TA measure. This is important because a well organised, well-structured and well managed network may contribute positively to the implementation of the programme and to the generation of the expected results and impacts. Serbia has experience in rural development networking since 2010 when “Network for Rural Development of Serbia” (NRDS) has been established as an NGO. This organisation was very active since its establishment.

The National Rural Network (NRN) will be set-up using the same model as EU Member States. The basis for the development of the NRN will be cooperation with the current leaders of networking of rural stakeholders, such as the NRDS, organizations of organic and other agricultural producers, LAGs, etc. The NRN will have no legal form, it will be structure that exist to support the process of networking, the sharing of knowledge, practice and experience, flowing of information, exchange of ideas. The indicative time frame for the establishment of the NRN is given in the document. It will start its activities no later than 12 months after the approval of the IPARD III program by the EC. The structure that will consist of: (i) members of the NRN, (ii) Network Support Unit, (iii) NRN Steering Committee and (iv) optional thematic sub-groups and their functions are described in detail. Costs for structures needed to run the NRN and cost for preparation and implementation of the preparatory activities and action plans will be financed from the M9 of the IPARD programme.

5.5. Assessment of the verifiability and controllability of IPARD III measures

The assessment of verifiability and controllability of the measures under the programme is done by checking the eligibility criteria and eligible investments. Can they objectively be verified, and can they technically be controlled?

For all or most measures:

It is a common eligibility criterion for all measures that the investments shall be eligible up to the market value. The big variation in the items included on the list of eligible expenditures makes this a difficult task to control for the IPARD Agency. A two-layer system is used by the IA: The 3 offers approach plus a price reference system, which is not described in the details. Is it a price reference database in IA? How does it work and how is it updated?

Another criterion is that the eligible amount of general cost shall not exceed the reasonable. Justification and documentation must be provided of the recipient first as part of the application and later as part of the payment claim. What will it say that the amount is reasonable? and how is it assessed in the IPARD Agency?

A third criterion is the assessment of viability of the operation. It is done based on a business plan (full or simplified depending on the size of the investment), but it is not clear from the programme how the assessment of the business plan will take place, since the method in annex is not completely described. The applicant must ensure that the investment is not subject of double funding from two or more funds. How is this controlled? It is not described.

Regarding the individual measures the following points express the main observations.

M1: Physical investments are verifiable and controllable. NMS and EU standards are also controllable if the designated technical bodies can do the control. The control is not described here.

M3: Physical investments are verifiable and controllable. NMS and EU standards are also controllable if the designated technical bodies can do the control. The control is not described here.

Investments in renewable energy and assessment of self-consumption: What is a substantial change of the size of the operations? How will this be judged of the staff in the IPARD Agency?

M4: Administrative and on-the-spot controls. Relevant NMS referring to the specific AEC operation are controllable. The control is not described. Procedures will be developed later, including the identification of adequate controls ensuring controllability and verifiability of the commitments. This will also include system of sanctions for non-compliance with the obligations for each type of AEC operation.

M5: Administrative and on-the-spot controls, including price reasonableness, in accordance with contracted commitments. Animation, capacity building costs, running costs and costs of small projects implemented are verifiable and controllable.

M6: Investments in public rural infrastructure are all tangible, verifiable and controllable. Once completed, the investments can be objectively checked against NMS and EU standards. However, the control procedure is not described here.

M7: Physical investments are all verifiable and controllable.

M9: All deliverables expected to result from this measure are verifiable and controllable in terms of quantified target indicators. However, the quality of most of them will be more difficult to assess/control (e.g., quality of promotion materials, workshops, studies, etc.). The control procedure is not described.

The ex-ante evaluator acknowledges that the detailed procedures and processes, for example for controls, cannot be described in the programme but must be elaborated in the Rulebooks authorized by the NAO. It is the expectation that this will be appropriately accomplished at a later stage when the Rulebooks are prepared.

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

Chapter 13 of the IPARD III document is still not ready, so the quality and the extent of partnership arrangements cannot be assessed.

However, from the interviews made with various stakeholders, it appears that the consultation process of drafting IPARD III Programmes was solid. It involved a diversity of relevant partners: other ministries (notably the Ministry of Construction, Transport and Infrastructure), research institutes and universities, farm advisory service, office of the Food and Agriculture Organization in Belgrade, Conference of Towns and Municipalities, LAGs, agricultural producers, food processing industry and other private companies. The interviewed stakeholders were satisfied with the cooperation with MA and the mode and intensity of their involvement.

Several have stressed that their suggestions for the IPARD III improvement have been considered and included in the programme. However, a comprehensive assessment of the partnership arrangement will be possible only after the submission of the complete text of Chapter 13.

6. CONCLUSIONS AND RECOMMENDATIONS

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

6.1. Main conclusions

Situation analysis

The performance of the agricultural, forestry and food sectors is well described, and essential needs and challenges are presented both for the overall agricultural and food sector as well as for sub-sectors. However, the identification of many of the needs is not based on quantitative data. The text presents only in a few cases the required reference data to EU. Reference data can document and justify the challenges for the Serbian agriculture and food industry, for example labour productivity. The text does not systematically present the financial weight of the production in each of the sub-sectors. Only physical output data are presented systematically.

The information about the rural economy and quality of life is appropriate. Employment is lowest in rural areas, where also self-employment is most important. Income structures are presented at regional level and in rural versus urban areas. Incomes in rural areas are lower than in urban areas and lower than the average income. The trend in tourism in Serbia is positive for both international and domestic tourists, and the number of rural tourist households is increasing and reaching more than 500 in 2021. Detailed economic data for tourism in rural Serbia are not presented. Rural infrastructure is well described both regarding physical and social infrastructure.

The mandatory list of context indicators is almost complete. The data are new or relatively new. Most indicators are provided based on solid statistical information from SORS, but a few are still missing.

SWOT and needs

Several SWOT tables are presented. They are very detailed, and present considerably more SWOT elements, than are described in chapter 3 in the programme. However, they are not all prepared in line with usual practice. A summary SWOT table following international praxis for SWOT analyses and covering the main topics on one-two pages supplemented with a short text summarizing the SWOT table will be more adequate.

12 generic needs are identified.

- Need 1: Improvement of agricultural production and processing industry competitiveness
- Need 2: Achieving EU standards
- Need 3: Diversification of activities and sources of incomes of farmers
- Need 4: Development of non-agricultural sectors of rural economy
- Need 5: Improvement of the quality of vocational training and information services to farmers and small-scale local business
- Need 6: Improvement of the management and efficient use of natural resources
- Need 7: Maintenance of biodiversity and environmental value of agricultural surfaces and agricultural systems and maintenance of water resource quality
- Need 8: Cutting greenhouse gas emissions of the agricultural sector and providing support for low carbon economy
- Need 9: Reduction of poverty and risk of social exclusion
- Need 10: Improvement of the basic infrastructure and services in rural areas
- Need 11: Creation of jobs in rural areas
- Need 12: Improvement of the capacity of the local stakeholders to implement the LEADER approach

All in all, the needs are well described and justified. The needs must be prioritized in a transparent and objective way. However, no systematic, objective, and transparent prioritization of the identified needs is described. The prioritization of the needs must lead to the selection of the most important needs to be included in the strategy. The prioritization must also be reflected in the prioritisation of resources allocated to the individual measures in the programme.

Programme objectives

The objectives of the IPARD III programme are summarized here:

1. Increase the competitiveness of the agri-food sector, progressively aligning it with the EU standards and improving the efficiency and sustainability of on-farm production
2. Facilitate rural business development, increase employment in rural areas, attract young farmers into agriculture and rural business and improve rural infrastructure
3. Contribute to climate change mitigation and improve adaption of the agricultural sector to climate change
4. Improve the social capital in rural areas, increase the capacity for local development and strengthen the rural fabric
5. Build-up modern, efficient, and transparent public administrations for agriculture and rural development.

The overall objectives 1 to 4 are all relevant and are reflecting the identified needs and the IPARD strategy. However objective 3 is exclusively focusing on climate change challenges, which is very relevant, but the strategy seems to neglect the needs (6 and 7) related to improving the environment, improve resource efficiency, improve biodiversity and the protection of nature and land, water, and air from pollution.

Overall, the objectives of the programme are covering several of the important, generic needs. The selected measures represent a coherent set of interventions with actions targeting these needs. However, the situation analysis also provides justification for selecting additional measures to address needs of equal importance. This is the case for the measure 11 targeting the establishment and protection of forests, for the measures providing support to the strengthening of the agricultural advisory service (measure 10) and measure 13 to promotion of cooperation for innovation and knowledge transfer. Finally, it is the case for omitting support to organic farming under the Agri-environment, climate, and organic farming measure (measure 4).

An objectives hierarchy with overall, specific, and operational objectives will provide a better overview over the objectives of the programme. According to the identified needs it is also relevant to add an overall objective regarding environment, nature, and biodiversity (needs 5 and 6).

Measures

The measures are all well described and largely comply with the requirements from the EC measure fiche. However, there are still several sections in each measure, where the text can be improved and be more precise.

The maximum limit of public support for M1 and M3 may lead to relatively few, but big projects. The risk may not be high (confirmed by the MA), but the maximum limit of public support can be reduced for M1 and M3 to increase the number of expected beneficiaries and projects. The need for investments is huge in the sector and is distributed on a large group of farmers.

The specific objectives of measure 7 are to facilitate the development of farm-related and general rural business-related sectors focusing on Direct marketing; Rural tourism; and Small-scale services for rural people and tourists. It is difficult to see how short value chains, which typically include some level of processing, are supported within the mentioned 3 sectors. It is recommended to consider including development of short value chains and local, on-farm processing of agricultural products under the measure.

The targeting and the description of recipients is well defined for all measures. However, data are not presented in the programme about the share of agricultural holdings and agri-processors being eligible under each measure compared to the total population of farmers and processors. The potential number of beneficiaries is estimated to be 19,643 under M1. The number is not big compared to the total number of 560,000 agricultural holdings. The share, which can be supported, is 4.1% of the potential eligible holdings and 0.1% of all holdings.

Balance of the programme

The financial plan reflects a programme out of balance according to the identified needs. M1 and M3 are the main measures under the programme with 60% of the total financial envelope. M7 supports both diversification of agriculture and development of small businesses in rural areas. These objectives are in coherence with M1 and M3 on the one hand and are also coherent with M5 with its objective of the development of the rural economy through the LEADER measure facilitating local initiatives and empowerment of local human resources. These four measures are supported with 80% of the total budget of the programme. Furthermore, M6 supporting the development of rural infrastructure will also to some extent contribute to the development of the rural economy, but the scale of support under the programme is relatively small and the needs for investments very big, so the contribution to the programme coherence will be limited. Finally, M4 on agri-environment is not playing any central role in the programme with its 2.9% of the budget. The measure seems more to be an appendix than an integral part of the programme and does not contribute to the coherence.

Expected output, results, and impacts

The expected economic, environmental, and social impacts of IPARD III are summarized here.

The programme will support 800 agricultural holdings, 300 agri-processors, 1,000 farmers under agro-climate contracts covering 10,000 ha, 500 -1,000 projects under LEADER, 30 rural infrastructure projects, and finally 350 diversification and business development projects. A total of 2,980 contracts will be signed with a total of 581 million EUR in total eligible investments, distributed on 377 million EUR in public support and 204 million EUR in private co-financing.

The four revenue generating measures will contribute to additional 41.1 million EUR in GVA in the rural areas and will generate 4,250 new jobs and ensure that 2,300 jobs are maintained. The labour productivity in agriculture and in agri-processing will increase with 12% and 10% reaching 6,772 EUR/AWU and 15,808 EUR/AWU respectively. The total public support to the four measures will be 281 million EUR. The price per job affected will be 42,167 EUR.

Regarding the environmental impacts, 1,000 contracts will be signed with farmers taking part in voluntary actions, and 30,000 ha will be covered under the actions under M4. The number of recipients progressively upgrading towards EU standards under M1 and M3 will be 158. The number of recipients investing in promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sector under M1 and M3 will be 265.

Regarding social impacts, no big contributions to the objectives of reduction of poverty and social exclusion are foreseen. The LEADER network may generate preconditions for growth and development, and empowerment of women may also be an impact of the LEADER approach.

Implementing structures

The Managing Authority in MAFWM is operating well, has benefitted from the experiences and lessons learnt under IPARD II in the programming of IPARD III and have received important support from EU and donor funded projects. External expertise is still needed to support the MA in the finalization of the programme, for example regarding calculation of support rates for M4.

The EU required registers are either in place (Farm Register, Animal Register, FADN) or will be in place later (LPIS). The FADN system will be improved during the next 2-3 years and the minimum number of 2,000 registered agricultural holdings will be reached. One register is missing. According to

the Law on Incentives in Agriculture and Rural Development MAFWM must establish an electronic registry of payments to farmers. The law provides that this registry should contain data on the type and amount of the paid support to each beneficiary. This registry has not yet been established. Increased transparency will be an outcome of the establishment of the register, and it will make it possible for MAFWM better to monitor and analyse the implementation of the support measures. The register will supplement data from SORS. The data from SORS are solid and based on EUROSTAT methods and standards. The MA is optimistic about the finalization and approval of the IPARD III programme and about its implementation, among other things due to the increased awareness and attention from the stakeholders.

The main challenges for an effective implementation of IPARD III are identified in the IPARD Agency. The total number of applications processed of the IPARD Agency in 2020 was 1,222 with a relatively low rejection rate, but the effectiveness is currently too low and the time from submission of applications to decisions are taken is too long. The average number of applications per year during IPARD III 2021 to 2017 will be 553. This number will be supplemented with the tail of delayed projects from IPARD II, at least for the first years of the new programme period. The average annual number of applications from 2022 including the tail is not known, but it will still be a challenge for IA to process the applications in due time within the legally defined deadlines. It is recognised by the IA management that the effectiveness of the implementation process is not satisfactory. Internal factors such as shortage of manpower in IA, fluctuation of experts working in IA and external factors such as incomplete applications are the reasons. It is the assessment of the ex-ante evaluator that the implementing structures needs to be strengthened in the short term over the coming year to be ready for an effective implementation of the programme.

Monitoring and Evaluations

Monitoring is covering the common indicators. Additional indicators regarding results and impacts of the projects may be collected through increased digitalization of the application and payment claim processes.

MAFWM has organised the On-going evaluation of the IPARD II programme for the period 2018 to 2019, dated June 2020. The report is well prepared and provides useful results regarding the assessment of the application of mandatory context indicators and their validity. The report is also good, when it comes to analysis of the implementing system with important points and observations about the bottlenecks in the process, and it provides justified recommendations to improved implementation effectiveness. However, nothing was included in the report in relation to results and impacts of the programme for the beneficiaries, for the sectors and the economy. It is normal practice of the on-going evaluations that they contribute to shedding light over these important aspects of the programme implementation.

A coherent monitoring and evaluation system in MAFWM covering all instruments targeting agriculture and rural development is needed. A well-functioning M&E system will contribute to increased effectiveness and efficiency of policies, better results and impacts to the benefit of rural dwellers and a more effective policy development process in MAFWM. An evaluation plan must be prepared no later than 1 year after the launch of the programme as an integral part of the M&E system.

6.2. Main recommendations

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

Table 29: Overview over recommendations

IPARD III chapter Topic	Recommendation	Importance: High, Medium, Low	How recommendations have been addressed, or why they are not considered. Input from MAFWM and IA
Chapter 3.2 Sector analyses	It is recommended to improve financial data for agriculture and for food industry and to develop the FADN system to improve policy making based on actual and statically significant financial data.	High	Accepted. Available financial data for agri-food sector have been included in appropriate chapter (i.e. Chapter 3.2, paragraph 3).
Chapter 3.2 Sector analyses	The chapter lacks information about the number of potential IPARD applicants in the sub-sectors. It is recommended to apply information from the sector analyses in the chapter.	High	Partially accepted. Data are available for the meat, vegetable, cereals and industrial crops, grapes and wine, eggs and fishery sector. That is the reason why the recommendation was partially accepted, as well as due to the type of selection criteria.
Chapter 3.6 Context indicators	It is recommended to initiate an adequate data collection to make the context indicator table complete.	Medium	Accepted. The process has been initiated on two levels: MA is in close cooperation with SORS, SEPA and PHRD grant is building an overall monitoring platform for agriculture and rural development which should be implemented in 2022.
Chapter 4 SWOT	It is recommended to prepare a summary SWOT table of one-two pages covering the main topics covered in chapter 3 and to move the detailed tables into annex. It is also recommended to elaborate a short text summarizing the SWOT table.	High	Not accepted. Template is provided by the EC.
Chapter 6 Identification of the needs	The identified needs must be prioritized in a transparent and objective way. It is recommended to insert a text describing the basic principles of the prioritization in the final programme.	High	Accepted. Prioritization of needs is added in the relevant chapter.
Chapter 5 Lessons learnt	The results and impacts of the national support is not described, and the lessons learnt from the national support are not analyzed. It is recommended to benefit from already accomplished analyses or evaluations of national measures or to initiate new evaluations to learn from the previous national policies.	Medium	Partially accepted. Financial analysis of previous national support has been performed. For the next programming period, it is planned to perform evaluations of national support.

IPARD III chapter Topic	Recommendation	Importance: High, Medium, Low	How recommendations have been addressed, or why they are not considered. Input from MAFWM and IA
Chapter 5 Lessons learnt	It is recommended to collect lessons learnt and evaluations from EU and donor funded projects and use this information in the future policy development. It is recommended to initiate evaluations of IPARD II to measure the contributions of the programme on results and impacts.	Medium	Accepted. The Ongoing evaluation of the IPARD II Programme will be conducted in 2022 with the activities as follows: <ul style="list-style-type: none"> • Follow up on previous evaluation recommendations on barriers to absorption and administrative simplification; • Achievements of the results of IPARD II measures.
Chapter 17 Technical bodies and advisory services	It is recommended to make the following revisions: Re-consider introducing a specific measure for AAS and allow private advisory services to take part in it. Information transfer about IPARD: consider putting more emphasis on more direct and more dynamic information transfer channels	High Low	Not accepted. The national decision is that advisory system will continue to be financed through national budget.
Chapter 6 Description of the strategy	It is recommended to build an objectives hierarchy with overall, specific, and operational objectives. It is also recommended to add an overall objective regarding environment, nature, and biodiversity (needs 5 and 6).	High	Accepted. Hierarchy of objectives will be added as annex to the Programme. Overall objectives of the IPARD Programme are provided by the EC. Objective on environment, nature and biodiversity are covered by objective 3.
Chapter 6 Quantified targets and prioritization of needs	It is recommended to strengthen the justification for the chosen prioritization of the measures and/or to adjust the financial plan so that the programme is better balanced in relation to the identified needs.	High	Accepted. Prioritization principles are added in needs and therefore will be reflected in measures and financial plan.
Chapter 8 Measures	It is recommended to improve the text of the measures as suggested in the ex-ante report to make the descriptions even better.	High	Accepted (i.e. Rational for Measure 1 and Measure 6; Selection criteria for Measure 1 and Measure 3. For Measure 7 (Aid intensity and EU contribution rate): The maximum aid intensity is specified.).
Chapter 8.1 Measure 1 and 3	It is recommended to reduce the maximum level of support under measure 1 and measure 3 to be able to increase the number of supported beneficiaries.	High	Not accepted. The risk of supporting small number of beneficiaries with high level of support is minimal due to previous experience, i.e. average value of investment in Measure 1 was EUR 158,173, while maximum value of support was EUR 1 million;

IPARD III chapter Topic	Recommendation	Importance: High, Medium, Low	How recommendations have been addressed, or why they are not considered. Input from MAFWM and IA
			Average value of investment in Measure 3 was EUR 536,703, while maximum value of support was EUR 1 million.
Chapter 8 Measure 1	Describe and develop further Non-productive investments, including dedicated budget	High	Not accepted. The system has limited capacity to implement such a measure due to the lack of LPIS.
Chapter 8 Measure 4	It is recommended to explain how compulsory trainings for 1,000 beneficiaries of AECOF measure and preparation of crop/management plans for all beneficiaries will be organised	Medium	Partially accepted. This will be described in detail in the Rulebook for the implementation of Measure 4.
Chapter 8 Measure 6	It is recommended to make the following revisions: Improve the quality of the rationale section and strengthen it by providing more figures (or referring to them elsewhere in the document)	Low	Partially accepted. Available quantitative data are included.
	Outline experiences and lessons learned from the national rural development program.	Low	Accepted. Entrustment of Measure 6 is planned for middle of programming period until when the capacities on all levels shall be strengthened. Relevant experience acquired on CBC programmes is included in the Programme. NPRD has not implemented measures related to rural public infrastructure until 2021.
	Clarify selection criteria/principles as suggested in this evaluation report. Re-examine the list of indicators and align them with the indicators provided in the EC fiche.	High High	Accepted. The principles for Measure 6 are set in the Programme, while selection criteria will be described in the Rulebook. Accepted. List of indicators is aligned with the indicators provided in the EC fiche.
Chapter 8 Measure 7	It is recommended to consider including development of short value chains and local, on-farm processing of agricultural products under the measure.	High	Not accepted. Short supply chains in the EU are financed through operational groups. The RS does not have similar measure in place nor the capacity to implement it. The national decision is to support on-farm processing through NPRD.
Chapter 8	It is recommended to make the following revisions:		

IPARD III chapter Topic	Recommendation	Importance: High, Medium, Low	How recommendations have been addressed, or why they are not considered. Input from MAFWM and IA
Measure 9	Reconsider moving the objective “Support for establishment and preparation of pLAG” and related activities to measure LEADER	Low	Not accepted. This objective is provided by EC template.
	Consider setting-up a separate IPARD measure for advisory service.	High	Not accepted. The national decision is that advisory system will continue to be financed through national budget.
	Consider adding two additional indicators as explained in the text	Medium	Accepted. Two new indicators are added in the Programme.
Chapter 12 Implementing structures	It is recommended that MA and IA take steps to evaluate the current work processes in IA to see where effectiveness can be increased. It is also recommended to assess how dynamic effects of increased competences and experiences can be utilized to increase effectiveness.	High	Accepted. Specific evaluation of system set-up will be performed. The Ongoing evaluation of the IPARD II Programme will be conducted in 2022. The follow up on previous evaluation recommendations on barriers to absorption and administrative simplification will be one of the activities.
Chapter 12 Implementing structures	It is recommended to recruit the required additional staff, also taking the bureaucratic recruitment procedures into consideration. It is recommended to take steps, if possible, to increase the salary level of staff in IA so that the salaries reflect the level of responsibility and competences required to support the smooth implementation of the programme.	High	Accepted. Additional staff within IPA system will be recruited in accordance with the Action Plan for Improvement of Absorption of IPARD funds. The amended Decree on Job Classification and Criteria for Civil Servants Job Description will allow the advancement of the IPA system key bodies to the highest ranks.
Chapter 12 Implementing structures	Regarding the cooperation with the delegated technical bodies, it is recommended to enhance the dialogue with the relevant institutions to establish a common approach and attitude in the pursuit of the goal of making the implementation of IPARD III effective as possible.	Medium	Accepted. Capacity building will be provided through TA measure.
Chapter 12 Implementing structures	It is recommended to consider using the proposed (or another and better) tool for assessing of the risk for deadweight.	Medium	Partially accepted and will be implemented through risk assessment of deadweight using three factors (return period of investment, investment in innovative technologies and investment in environmental protection. Return period will be assessed through business plan,

IPARD III chapter Topic	Recommendation	Importance: High, Medium, Low	How recommendations have been addressed, or why they are not considered. Input from MAFWM and IA
			while the two other criteria will be assessed through LEE).
Chapter 12 Implementing structures	It is recommended that IA checks the applied principles in the monitoring tables and correct them, if the check shows that the observations of the ex-ante evaluator are correct.	Medium	Accepted. The principles in the Monitoring Tables will be communicated with the EC and adjusted accordingly.
Chapter 8.1 and 12 Implementing structures	It is recommended to improve the text regarding the functioning of the reference price verification system in IA.	High	Accepted. Text regarding the functioning of the reference price verification system in IA will be improved in Chapters 8.1 and 12.
Chapter 12 Implementing structures	It is recommended to consider building up a coherent monitoring and evaluation system in MAFWM covering all instruments targeting agriculture and rural development.	Medium	Accepted. MAFWM is implementing a project which should enable monitoring and evaluation of the whole agriculture and rural development policy in the RS.
Chapter 12 Implementing structures	It is recommended that MAFWM - IPARD Agency takes steps to establish the electronic register on payments to farmers.	Medium	Accepted. RD IT Solution for IPARD has been developed through technical assistance projects (IPA13 and FwC). Regarding current state of play in this point, it is planned to process submitted applications under the 4th Public Call for Measure 3 manually and, at the same time, through developed RD IT software. This will enable the IPARD Agency to observe the functioning of the software before the final transition from manual to electronic application processing.

7. ANNEXES

7.1. Annex 1: List of interviews

Table 30: Meetings organized in the framework of the ex-ante evaluation of IPARD III (2021-2027)

Date	Institution	Participants
12.08. 2021 09:30-11:00	Faculty of Agriculture, University of Belgrade	Natalija Bogdanov
<p>Ms Bogdanov is of opinion that IPARD III programme (version 26. June 2021) misses the measures related to Knowledge transfer/extension service, Organic farming, Forestry and a specific operation supporting On-farm processing under M7 ‘Diversification and business development’. She provided the following rationale for her reasoning. Forestry is a very important land use aspect, covering huge areas of Serbia, which is also described in the situation analysis in the programme. On-farm processing is important in relation to the development of short value chains and rural tourism, which is a priority sector in the programme. It is well known that the development of rural tourism to a large extent is facilitated by presence of local products produced authentically on-farm. Furthermore, development of organic farming in Serbia is important in the light of the green transition and the Green Deal. The development of the national extension service is important to support the agricultural sector, and in particular the smallholders and the medium sized farms in the transition from subsistence farming to professionalized formal farming.</p> <p>Specific attention should be paid to medium sized farms (10 - 20 ha in Central Serbia and 10 - 50 ha in Vojvodina), which are too big to be eligible for support from the national support measures and are too small and weak, although eligible, to be able to compete for the IPARD support with financially and technically strong bigger farms with adequate human resources to prepare high quality applications and to implement big investment projects. In this respect Ms Bogdanov also warns about too high maximum levels of support per project and per beneficiary under M1 and M3.</p> <p>Finally, Ms Bogdanov recommends that MAFWM takes steps to organize comprehensive evaluations of the national support measures as well as of IPARD II to assess the outcome of the measures and the policy on the competitiveness, income generation and employment of farmers, rural dwellers, and agri-processors.</p>		
16.08. 2021 12:00-12:45	Environmental Protection Agency (EPA)	Dragana Vidojević, EPA Verica Lazić and Marina Vujović, MAFWM
<p>Ms Vidojević expressed a big satisfaction with the co-operation with the MAFWM and her involvement in the programming process of IPARD III. EPA was involved in all steps, from the beginning, especially in Programming of M4. EPA was also involved in the preparation of indicators related to environment and nature. Ms Vidojević attended meetings and workshops with MAFWM and consultants working on the preparation of the programme. She also gave comments and inputs related to other proposed IPARD III measures.</p> <p>Ms Vidojević is very satisfied with the choice of the IPARD III measures and the fact that much more attention will be paid to the environment in the programme. She also finds that the programme is well aligned with the goals of Green Agenda for W. Balkans and circular economy which are part of selection criteria for IPARD III. She was not involved in IPARD II programme so could not comment on it.</p> <p>Regarding organic farming not being selected as eligible operation under M4, Ms Vidojević thinks that this is not a problem since organic farming has already been supported by the national programme</p>		

and it runs quite well. The proposed IPARD III measures were selected according to the real needs and realistic implementation expectations.

Ms Vidojević is of the opinion that the advisory service is a very important actor facilitating a higher uptake in M4 and in enabling its successful implementation. There are no existing tailor-made training programmes on agriculture and the environment for IPARD beneficiaries. She expects that the existing advisory service can be used for providing compulsory trainings to beneficiaries of M4. However, the advisory service must be trained first, but this is not expected to be a bottleneck.

17.08. 2021
10:30-11:00

*Food and Agriculture Organization
(FAO) REU, Project Office in Serbia*

*Jelena Čubrilo Vranac and Ljiljana
Isić, FAO
Verica Lazić, Lidija Aćimović and
Marina Vujović, MAFWM*

Ms Čubrilo Vranac works at an FAO project on agriculture and climate change. In the framework of this project an assessment of the agricultural vulnerability to climate at the municipal level has been prepared. The gaps in legislations related to agriculture and climate change have also been analysed. She was also involved as a consultant in the preparation of M5 and M7, but has not seen the final version of the measures. In general, she was satisfied with the cooperation with MAFWM. She participated in one meeting and one workshop on IPARD III but have not been given the final draft of IPARD III and final version of the measures.

The biggest problem in the implementation of IPARD II are too long procedures from the application to payment – sometimes it takes more than a year. The procedures are not uniformed because not officers in charge, approving the applications have the same level of competence and experience. Timing of tendering is also very important. December is not the most appropriate time for issuing tenders and receiving applications. The coordination of data exchange and integration of data, as well as coordination between institutions are also points for improvement. Ms Čubrilo Vranac hopes that not all attention and money in IPARD III will be spent on agricultural machinery again.

17.08. 2021
10:30-11:00

*Standing Conference of Towns and
Municipalities (SCTM)*

*Sladžana Grujić and Ljiljana Jovanović,
SCTM
Verica Lazić i Aleksandra Bogić,
MAFWM*

SCTM has a long-standing cooperation with MAFWM, dating back to 2015. SCTM has been involved in the preparation of IPARD III programme and it is very satisfied with the co-operation. It has made an analysis on rural infrastructure and capacities of local municipalities for absorbing IPARD money. It was based on a survey with the 58% response rate of questionnaires. As assumed, the main bottlenecks are the lack of technical documentation and unresolved property issues. The requirement for 100% prefinancing was also identified as a serious problem hindering absorption of IPARD fund. Municipalities, notably the smaller ones do not have enough money for prefinancing IPARD investments. MAFWM took this analysis into account when preparing the IPARD III programme, and the prefinancing rule has been changed. SCTM is also involved in LAGs work, it is a member of the evaluation committee for LAG Strategies.

Compared to IPARD II which was mainly directed to farmers, the needs and opportunities are much better represented in IPARD III. The interest of non-farming rural communities are now much better reflected and considered, including those from municipalities. Also, in the preparation of IPARD III, a much wider social platform has been established and many more experts with wider areas of expertise have been involved. Proposed IPARD III measures match reality much better. In IPARD II,

municipalities had hardly any role, except transfer of information, and they were more focused on the national programmes.

Communal infrastructure is essential for a decent rural life. However, capacities of local services – primarily health protection – are not well addressed in IPARD III, as well as cultural life. Some “softer” added value, not only heavy communal infrastructure, especially for the youth is needed.

The whole IPARD procedures are very long, and very bureaucratic. More flexibility is needed, payments are too long, should be simpler and faster. Officials should be able to access applicants’ basic information from other databases.

18.08. 2021
10:00-11:00

*Ministry of Agriculture, Forestry and
Water Management (MAFWM) -
Department for Agricultural Policy*

*Milica Jevtić, Verica Lazić, Jasmina
Miljković and Aleksandra Bogić,
MAFWM*

Data for programming of IPARD III are robust and reliable, agricultural statistics are very good and well aligned with Eurostat requirements. MAFWM has a very good co-operation with the Central Bureau for Statistics. The only data missing are the environmental ones and there is room point for improvement there.

There are 1.700 farms in FADN, and the target is 2.000 in the next 2-3 years. FADN particularly wants to attract more big farms, as these are currently underrepresented.

LPIS is still not ready, there was a pilot project in the South of Serbia. One of the problems is with orthophoto images which must not be older than three years. Ms Jevtić is of the opinion that IPARD III cannot rely on LPIS.

Farm Register is established in 2004, MAFWM is the owner, but the Ministry of Finance manages it. MAFWM has a direct access to the Register (Directorate for Agrarian Payments), but this is not the most convenient and most operational situation. The situation with the Animal Register is much better because this is managed by the Veterinary Directorate.

Measures are selected taking care of demarcation with the national support. Also, an important criterion was the absorption capacity of potential beneficiaries. Organic farming was not included because most organic operations are small farms which are too small and too weak to compete for the IPARD support. In addition, organic farming support from the national scheme has already been running quite well.

Measure 4 targets have been calculated based on the budget availability and on the experience gained from IPARD II (amount of investments). Calculations of support rates for M4 will be prepared by an independent institution which will be contracted during September to perform this task. The Measure 4 is still under revision and will undergo certain improvements. Notably because through a recent round of consultations with experts and relevant stakeholders, many useful insights and suggestions for improvement have been collected. Compared to the version from June 25, there will be four instead of five operations under this measure. Calculations of support rates for the investments were based on experience and WLA (e.g., the same amount of work and time is needed for the project of 20,000 EUR and 500,000 EUR). There were no specific calculations for the target on new jobs to be created.

In general, IPARD III is a big step forward because lessons learned and experiences gained from the implementation of IPARD II (both at the level of institutions and beneficiaries) have been considered and built in the new programme. In addition, IPARD is much better known now, there is more information available and overall, a greater awareness on the programme. Several EU and international donor projects provided important support in the process of IPARD III preparation.

18.08. 2021
11:00-11:30

Mikros Union (MU)

*Aleksandar Nikolić, Mikros Union
Verica Lazić, Slobodan Živanović and
Aleksandra Bogić, MAFWM*

Mr Nikolić is a member of the IPARD Monitoring Committee, representing the poultry sector. His company produces 180,000 laying hens and 30,000 broiler. It applied for funding under IPARD II in 2019 but did not received support because at that time priority was given to individual farmers and producers in less-favoured areas.

In co-operation with the Chamber of Commerce, poultry sector organized a series of meetings on IPARD topics and its eligibility criteria. As a result, the eligibility criteria were changed. Consequently, also producers with up to 200,000 laying hens became eligible. The same criteria are valid for IPARD III.

Mr Nikolić expressed a big satisfaction with the co-operation with MAFWM, most of the sector's proposals were accepted and, in his words, "the sector got more than it has expected".

Thera are a lot of challenges in the poultry sector, including replacement of battery cages production and fulfilment of criteria regarding animal welfare.

In his opinion, the biggest problem in the implementation of IPARD II are very long application procedures, in his case it took it nearly two years for the decision.

19.08. 2021
09:15-09:45

*Ministry of Construction, Transport
and Infrastructure (MCTI)*

*Svetlana Čeperković, MCTI
Verica Lazić, Slobodan Živanović and
Aleksandra Bogić, MAFWM*

Ms Čeperković is a member of the IPARD Monitoring Committee from 2016. In her opinion, one of the biggest problems IPARD II applicants were facing is issuing/obtaining of construction permits. This is in the jurisdiction of local governments and there is a huge difference in the procedures and the requirements between municipalities. In some cases, applicants can obtain permit in one municipality with certain documentation but not in another with the same documentation. Application procedure and documentation requirements should be simplified and harmonized across all municipalities. All municipalities should have the same requirements in terms of "paperwork" required to obtain relevant permits. Of course, this problem cannot be fixed at the IPARD programme level, but IPARD can point to the problem and initiate this change.

Ms Čeperković assisted IPARD programme also by providing clarifications regarding legal requirements for constructing farm and other buildings in rural areas that applied for the support under IPARD II. In a couple of cases where the application turned to be particularly complex, she also acted as a bridge between applicants and municipalities and made a direct link both with municipalities and applicants and facilitated a smoother and faster issuing of relevant documents.

In her opinion, M6 of IPARD III will be of great help to municipalities. Also, investments in farms are also much better elaborated and more diverse in IPARD III.

19.08. 2021
10:30-11:00

*Institute for Science Application in
Agriculture (ISAA)*

*Boris Berisavljević, ISAA
Verica Lazić, Slobodan Živanović and
Aleksandra Bogić, MAFWM*

ISAA has been involved in IPARD from the very beginning, providing trainings for advisors and the end beneficiaries. In total, 22 regional ISAA offices and most advisors took part in the trainings.

Both, agriculture advisors and farmers were very enthusiastic about IPARD programme at its commencement. Farmers had great expectations. However, the results are not as great as they expected. Many farmers could have not applied for funding, mainly because of the limited finances (as Mr Berisavljević said, "assets rich cash flow poor") and the lack of "papers" on ownership/use of agricultural land and farm buildings.

Purchase of agricultural machinery is very popular among farmers, and this measure is also badly needed. Also, agro-tourism is very popular, but ownership, licenses, permits etc. are the main

obstacles. There was also interest for the establishment of new perennial crops and buildings, but that turned to be more complicated to apply for and implement – and became less popular among farmers. One of the main problems of IPARD II is a short tendering procedure and a very long application procedure.

For the IPARD III, ISAA is much better prepared, as well as end users. Also acquisition of necessary project documentation is faster and more effective. There are more measures and opportunities and there is again an increasing interest among farmers and other potential beneficiaries. Promotion of IPARD III has been better, but it is still a challenge. Advisory service should be mobilized more to help applicants, and this would result in more successful applications.

Commenting that Advisory service measure is not included in IPARD III, Mr Berisavljević said that there is national financing for advisory and it is functioning well so there is no need to include this measure in IPARD. In addition, substantial time, energy and manpower would be required to acquire accreditation of this measure.

19.08. 2021
11:00-11:30

Zlatiborski eko agrar/ Naša Zlatka
(ZEA/NZ)

Vladimir Bojović, ZEA/NZ
Verica Lazić, Slobodan Živanović and
Aleksandra Bogić, MAFWM

Zlatiborski eko agrar is a limited company established by Municipality of Čajetina. Naša Zlatka is a dairy company and is part of the Zlatiborski eko agrar. They applied for M7 under IPARD II. Rules were clear, but the whole process of approving the application and was very long, nearly 1 year. There is no communication and feedback from the IPARD Agency, no explanation why it takes so long. People have started losing patience and have become discouraged. The length of the process sometimes depends on the official in charge. Some of them are not experienced enough, are too cautious because they are afraid of making mistakes. Thus, they need more time to process the applications and they sometimes ask all kind of unnecessary documentation to be submitted.

Ms Bojović took part in the consultation process of IPARD III. In the dairy sector, the interest for IPARD III is bigger than the available funding. Specific eligible criteria for milk sector should not be changed (20-300 cows).

In the IPARD II, out of 1,600 applications, only 12 were from subjects with 20-50 cows and none of them was successful. Construction permits were the biggest problem – very few of them have them.

Ms Bojović is also manager of LAG Zlatar-Zlatibor, and he thinks that LAGs are excellent models. They are very useful for rural development and offer lots of opportunities. He is very pleased that the LAG measure is included in IPARD III programme. He is also aware of possible problems in the implementation of this measure and is of the opinion that lots can be learned from the Croatian example.

19.08. 2021
11:30-12:00

National Association "Rural Tourism
of Serbia" (NARTS)

Vladimir Ivanović, NARTS
Verica Lazić, Lidija Aćimović and
Marina Vujović, MAFWM

NARTS has 1.400 members and rural tourism is very well developed in Serbia, which is a big market. Quality of the offer is constantly improving. There were 300 applications for rural tourism projects under IPARD II programme and many of these are NARTS members. The application process is long and for many potential applicants too complex. Thus, they are aware of their limits such as financial problems, construction, and other permits, etc. Also, many (potential) applicants are reluctant to hire a consultant for the preparation of IPARD application. Prefinancing is also a big problem, but this has requirement been much softened in IPARD III. There are also other opportunities for rural tourism in IPARD III compared to previous programme (e.g., vehicles for selling souvenirs).

NARTS has a very good co-operation with MAFWM. They participate in the consultation process for IPARD III programme, and their recommendations are always taken seriously and almost always accepted.

Mr Ivanović warns of the possible misuse of funds for reconstruction and refurbishment of own villas for private purposes and not for business. Only registered rural tourist households which can prove that they are operating rural tourism activities should be eligible for IPARD support. This should be included in criteria.

19.08. 2021
12:00-12:30

ND Consulting (NDC)

*Nenad Brkić, NDC
Verica Lazić and Marina Vujović,
MAFWM*

Mr Brkić is working as a Grant Coordinator at Serbia Competitive Agriculture Project (SCAP) financed by the World Bank. Project target are medium sized farms which are too big to be eligible for support from the national support measures and too small and weak for IPARD support. He was also involved in the preparation of M4 as a local consultant.

M4 is new in IPARD III and is very different from other measures. It is difficult to predict the interest of the farmers for this measure, no feedback from farmers have been received, also because consultations with them were very limited due to COVID. Payment calculations for M4 are not ready yet. The requirement for five-year commitment could be a problem for some farmers and LPIS is still not fully functioning.

Advisory service will be very important for the M4 but their capacities might not be sufficient. Control system must also be established, and inspectors trained, especially for on-the-spot checks.

In general, the fulfilment of the appropriate national minimum standards will be a problem for many IPARD beneficiaries.

23.08. 2021
09:00-09:40

*Ministry of Agriculture, Forestry and
Water Management - IPARD
Agency(IA)*

*Marko Kesić, Lazar Popović, Nikoleta
Predojević, Bojana Gladović, Sonja
Skorupan, Aleksandra Bačević, IA
Jasmina Miljković (MA), Verica Lazić
and Slobodan Živanović, MAFWM*

IA agrees that the effectiveness of the management of the IPARD III implementation process is not satisfactory. There are several reasons for that: shortage of manpower, fluctuation of experts working in IA, incomplete applications and change in rankings (due to rejection or withdrawal of applications).

Even though the new systematisation act was approved in January 2020 and granted a further 101 new posts to the IPARD Agency, the employment process is very slow. This number cannot be achieved before the end of 2022. There is a Government Committee that must approve all new employments, and this is slowing the process. In 2021 no new staff has been employed. However, with the recent recruitment of 16 fixed-term employees, the IPARD Agency should be able to speed up the processing of applications.

There is also a difference among employees handling the application requests. They are all qualified, but their competence also largely depends on their work experience with IPARD applications. There is an internal education programme and on-the-job trainings. New employees have mentors, they first start with simpler applications (e.g., for mechanisation) and then move to more complicated applications, requiring more experience and knowledge. There is also a fluctuation of IA staff, there is a lot of pressure and responsibilities on them for a non-competitive salary (e.g., 400 EUR per month).

Many applications submitted are incomplete. Processing such applications require more time and energy. Often, IA prolongs deadlines for submission of missing documentation in order not to disqualify the applicant. Some applicants are also facing problems with purchasing of the approved equipment which by the time of approval is not available anymore. There are also frequent changes in rankings (e.g., rejections, withdrawals) which also slow down the process.

The length of the procedure, from submission of application until decision is taken depends on measure, application, applicant, officer in charge, etc. The legal requirement is nine months, but they most of the time this deadline cannot be met. For simpler investments, like tractors, the payment after the claim usually takes no more than 5 months, but for complex investment it can be more than two, up to three years even.

Cooperation with technical bodies (MoU) have been formalised for IPARD II and for IPARD III it still needs to be formalised. However, most technical bodies are under the jurisdiction of MAFWM, and no major problems are expected in terms of the fulfilment of their IPARD-related duties. Capacities of these technical bodies were not sufficient (or were just at the border of being manageable) to efficiently manage IPARD II applications. Waiting time for checking the fulfilment of prescribed standards and issuing of certificates was sometimes very long because this was not priority for technical bodies. The pressure on technical bodies will increase, but there is no specific action plan how to tackle this problem. It is expected that technical bodies will increase their capacities and improve their efficiency, they are well-aware about what is expected from them in IPARD III.

There is still no WLA for IPARD III, IA still needs to receive relevant data from MA to make it. IA will hire an external expert who will assist them with WLA. This consultant is supposed to start working by the end of the year.

WLA analysis for IPARD II will be sent to evaluator.

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7.3. Annex 3: Terms of Reference



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