

Minutes No. 10

Minutes of the Tenth session of the IPARD II Monitoring Committee

14th December 2022, Belgrade

I List of participants

The session was attended by the following voting members of the IPARD II Monitoring Committee (hereinafter: IPARD II MC):

1. Ministry of Agriculture, Forestry and Water Management – the Chairperson;
2. Ministry of Agriculture, Forestry and Water Management - Sector for Agricultural Policy;
3. Ministry of Agriculture, Forestry and Water Management - Directorate for Agricultural Land;
4. Ministry of Economy;
5. Ministry of Tourism and Youth;
6. Ministry of Public Administration and Local Self-Government;
7. Ministry of Education;
8. Ministry of Culture;
9. Statistical Office of the Republic of Serbia;
10. Development Agency of Serbia;
11. Chamber of Commerce and Industry of Serbia;
12. Standing Conference of Towns and Municipalities;
13. Provincial Secretariat for Agriculture, Water Management and Forestry;
14. Serbian Cooperative Union;
15. National Society for Fruit Production “Our Fruit Serbia”;
16. Farmers Association;
17. Association of Agricultural Producers “Club 100P plus”;
18. Association of Agricultural Producers “Vojvodina Agrar”;
19. Rural Development Network of Serbia;
20. Serbian Milk Producers Association;
21. National Association “Rural Tourism in Serbia”;
22. Associations of Independent Associations of Farmers of Serbia;
23. Association “Natura Balkanika”;
24. Serbian Young Farmers Association;
25. BA “Community of poulteres” and
26. Association of Serbian Winemakers and Winegrowers.

Representatives without voting right:

1. Directorate for Agrarian Payments, Ministry of Agriculture, Forestry and Water Management (IPARD Agency, hereinafter: IA);
2. Ministry of Finance (hereinafter: MF);
3. Governmental Audit Office of EU Funds (Audit Authority) and
4. Ministry of European Integration.

Representatives without voting right, as observers:

1. Faculty of Agriculture, University of Belgrade;
2. Faculty of Agriculture, University of Novi Sad.

The session was not attended by members of the IPARD II Monitoring Committee (with and without voting right), representatives of:

1. Ministry of Environmental Protection;
2. Ministry of Construction, Transport and Infrastructure;
3. Ministry of Labour, Employment, Veteran and Social Affairs;
4. National Association of Fruit and Vegetable “The Fruits of Serbia”;
5. National Association of Milk processors “SEDA”;
6. Association of Citizens “National LEADER Network”;
7. National Association for Development of Organic Production “SERBIA ORGANICA”;
8. Faculty of Agronomy in Čačak, University of Kragujevac;
9. Institute for Science Application in Agriculture and
10. Team for Social Inclusion and Poverty Reduction.

The Tenth session of the IPARD II MC was also attended by representatives of the General Directorate for Agriculture and Rural Development of the European Commission (hereinafter: DG AGRI, EC) in an observer role, the Delegation of the European Union to the Republic of Serbia (hereinafter: DEU), the National Fund and the National Authorising Officer Support Office, Mrs Jelena Tanasković, Minister of Agriculture, Forestry and Water Management and Mrs Milica Đurđević, State Secretary of the Ministry of Agriculture, Forestry and Water Management (hereinafter: MAFWM), as well as representatives of the Chamber of Commerce and Industry of Vojvodina and the PHRD Grant project of the World Bank to support the MAFWM for strengthening agricultural sector capacity for evidence based policy making. The session was also attended by representatives of the Department for Management of IPARD Programme, MAFWM (Managing Authority).

The result:

The session was attended by 26 members/deputy members out of a total of 33 members/deputy members with voting right. A quorum was reached and decision could be made.

Annex 1 of the Minutes: List of participants;

Annex 2 of the Minutes: Agenda.

II Outcome of the IPARD II MC session

Item 1 of the Agenda: Introductory speeches

The Tenth session of the IPARD II MC began with an address by *Mrs Jasmina Miljković, Head of the Managing Authority (hereinafter: MA), Department for Management of IPARD Programme, MAFWM*, who welcomed the attending participants and the IPARD II MC members, representatives of the EC and DEU and expressed gratitude that members accepted the invitation to attend. At the end of the introductory speech, she announced the address of Mrs Jovana Zdravković, Assistant Minister in the Ministry of Finance, on behalf of the National Authorising Officer.

Item 1.1. of the Agenda

Mrs Jovana Zdravković, Assistant Minister, Department for EU Funds Management, Ministry of Finance, welcomed the attendees and expressed her satisfaction for participating at the IPARD II Monitoring Committee session. She noted that the agricultural sector is one of the most important sectors, that is, a sector that contributes significantly to the GDP of the Republic

of Serbia. Given that there is a great potential for further progress and increasing the sector's competitiveness it is very important to provide support. When it comes to the EU funds and the IPA programmes that are currently implemented in the RS, agriculture and rural development within the IPA II financial perspective have the largest available budget compared to other entrusted programmes. The aforementioned trend will continue in the IPA III financial perspective, under which the allocated budget for agriculture and rural development is significantly higher. In that sense, the IPARD Programme is an important tool for supporting the agricultural sector of the RS. Monitoring and implementation of the IPARD Programme and more effective implementation of measures is one of the main priorities from the point of view of the NAO and the Management Structure. During the previous period, the MF and the MAFWM cooperated intensively, whereby timely responses to all identified weaknesses were made possible through information flow. Mrs Zdravković expressed that she is not fully satisfied with the achieved results, and pointed out that there are opportunities for further development and progress in the functioning of certain parts of the system. She further stated that in terms of the functioning of the system, it is important to fulfil the condition from the Financing Agreement regarding Measure 7 and Measure 9, which refers to the long-term employment of assistant directors in the DAP. In that regard, the MF provides full support to the MAFWM in order to fulfil the stated condition as soon as possible, given that failure to meet this condition would lead to delays in submitting request for roll over of Measure 7 and Measure 9. In the continuation of her presentation, Mrs Zdravković emphasise the importance of treating potential irregularities in the Programme implementation and the payment of IPARD funds. Communication with the EC and OLAF (European Anti-Fraud Office), as well as with the relevant internal unit of the MF and the public prosecutor's office on this matter, is continuous and open, and it will be intensified in the coming period. She also stated that the signing and ratification of the Sectoral Agreement for the IPARD III Programme implementation (hereinafter: SA) is expected, after which it is planned to submit a request to the EC for roll over of already entrusted measures, as well as a request for entrustment of new measures (Measure 4, Measure 5 and Measure 6). At the end of the presentation, Mrs Zdravković pointed out that the IPARD Programme is also important from the perspective of the negotiation process and Chapter 11. On behalf of the MF, Mrs Zdravković thanked the participants of the session and wished a successful continuation of the work.

Item 1.2. of the Agenda

Mr Frank Bollen, Head of Unit G.4 – Neighbourhood, Enlargement and Pre-Accession Assistance, European Commission, at the beginning of his presentation, he greeted participants of the session. The focus of his address was implementation of the IPARD II Programme, as well as the beginning of IPARD III Programme implementation. Then he referred to the field visit to IPARD recipients after the Ninth session and added that on that occasion it was possible to see how much the recipients value the contribution of the IPARD Programme and that they are interested in participating in new public calls. Mr Bollen pointed out that there is a great interest in the measures implemented and the support that can be achieved within the IPARD II Programme from the aspect of the number of applications, which indicates the importance of this Programme financed by the EU. However, he expressed serious concerns regarding the utilization of IPARD funds, which is still at an unsatisfactory level. In that regard, he stated that by the end of the third quarter, the Republic of Serbia had paid out approx. EUR 30.5 million, which achieved an execution rate of approx. 17%, which is also the lowest achieved rate compared to other IPARD beneficiary countries. Having in mind forecast regarding the payment of funds during the last quarter of 2022, he emphasized that there is still a significant risk of de-commitment of funds. He also expressed concern that the de-committed funds at the

end of 2022 will exceed the amount that remained unused at the end of 2021. Considering that the allocation for 2019 in the amount of EUR 40 million should be used by the end of December, Mr Bollen pointed out that the MAFWM once again sent a letter to the EC in order to extend the deadline for using the allocation for 2019. The European Commission considered the possibility of extending the deadline, and an answer to the above question is expected in the coming period. He added that the EC's response will be affirmative, that is, that the Republic of Serbia will be granted an extension of the deadline for using the allocation for 2019, with a note that the implementation of the IPARD II Programme must be completed by the end of 2023. Mr Bollen emphasized that the extension of the deadline for using the allocation for 2019 is good news for IPARD recipients, however, it should be noted that this delay means that approx. EUR 120 million should be paid by the end of next year. Furthermore, he stated that the possibilities for improving the absorption of funds should be considered and he used the opportunity to encourage recipients to realize their investments in order to spend the maximum amount of funds by the end of the next year. He noted that the acceleration of implementation is also necessary from the aspect of the IPARD III Programme, which was adopted by the EC in March 2022. He reminded that the EU contribution in the new programming period has increased by 65% compared to the IPARD II Programme and amounts to EUR 288 million. The prerequisite for the start of IPARD III Programme implementation is the establishment of a legal framework in terms of signing of agreements between the RS and the EC. He pointed out that by the end of 2025, the allocations for 2021 and 2022 under the IPARD III Programme should be used. Therefore, it is necessary to take all steps in order to start the implementation as soon as possible. At the end of the presentation, Mr Bollen invited participants to take active role and express their opinions, comments and suggestions, all with the aim of finding solutions to overcome identified difficulties in the Programme implementation.

Item 2 of the Agenda: Adoption of the Draft Agenda

Mrs Jasmina Miljković in the continuation of the session, noted the existence of a quorum, after which voting procedure began for the adoption of the Agenda for the Tenth session of the IPARD II Monitoring Committee.

<u>Decision No. 1</u>	The Agenda for the Tenth IPARD II MC session was adopted unanimously.
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Item 3 of the Agenda: Adoption of the Draft Minutes from the previous session of the IPARD II Monitoring Committee

Mrs Jasmina Miljković noted that the Minutes of the Ninth session of the IPARD II Monitoring Committee were unanimously adopted.

<u>Decision No. 2</u>	The Minutes of the Ninth session of the IPARD II Monitoring Committee were adopted unanimously.
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Item 4 of the Agenda: Information on the implementation of the decisions adopted at the previous IPARD II MC session and information on changes of the MC members

Mrs Jasmina Miljković at the beginning of her presentation reminded that at the previous IPARD II MC session, the Proposal for the Annual Implementation Report on IPARD II Programme for 2021 was adopted by the MC members and then by the EC on 29th September, as well as the Proposal for the Fifth Modification of the IPARD II Programme. This Modification was adopted by the EC on 5th October 2022. She informed participants that the

Proposal for the Fifth Modification of the IPARD II Programme has been submitted to the legal department and it is expected that it will be confirmed by the Government's Conclusion by the end of the year. When it comes to the Decision on the appointment of IPARD II MC members, Mrs Miljković announced that in the period between the two sessions, there were changes in the representatives of the Ministry of Tourism and Youth, the Ministry of Public Administration and Local Self-Government, the Provincial Secretariat for Agriculture, Water Management and Forestry, the IPARD Agency, as well as the Directorate for Agricultural Land. The aforementioned changes of the members were confirmed by adopting the Amendment to the Decision on the appointment of IPARD II MC members. Furthermore, she referred to the activities related to the IPARD Programme for the period 2021-2027 that were conducted between the Ninth and Tenth sessions of IPARD II MC, reminding that the IPARD III Programme was adopted by the EC on 9th March 2022. She also noted that the EU financial contribution is significantly higher compared to the IPARD II Programme and amounts to EUR 288 million. Currently, the preparatory activities for entrustment of the budget implementation tasks for Measure 1 - Investments in physical assets of agricultural holdings, Measure 3 - Investments in physical assets concerning processing and marketing of agricultural and fishery products, Measure 7 - Farm diversification and business development and Measure 9 - Technical Assistance are being carried out. Therefore, the mentioned measures require roll over, which is a less complex procedure compared to the entrustment of new measures. Then she announced the address of the Minister, Mrs Jelena Tanasković.

Address of the Minister

Mrs Jelena Tanasković, Minister of Agriculture, Forestry and Water Management, welcomed the present members of the IPARD II Monitoring Committee and emphasized the interest to work on better utilization of IPARD funds. She announced the employment of 34 economists at the beginning of 2023 as support to the Agricultural Advisory Services, for the purpose of education, informing agricultural producers and advisory services regarding IPARD support and filling out documentation. The Minister expressed her strong will and intention and emphasized that she will support IPARD Programme implementation in the RS, with the aim of absorption of the available funds. She thanked for the approval of the extension of the deadline for allocation for 2019, and expressed the hope that the EC will also approve the extension of the deadline for allocation for 2020. She thanked the EC for the cooperation and support.

Mrs Jasmina Miljković in the continuation of the session informed the attendees in more detail about the implemented activities related to the IPARD III Programme. In that regard, she stated that the preparation of new measures for entrustment - Measure 4 Agri-environment-climate and organic farming measure and Measure 5 Implementation of Local Development Strategies - LEADER approach - is being performed with the assistance of the IPA 2017 project: "Support to the IPARD Operating Structure". She informed the audience that the Financial Framework Partnership Agreement was ratified on 13th December 2022, and added that the ratification of the Sectoral Agreement is expected, which is a prerequisite for the start of the IPARD III Programme implementation. When it comes to the IPARD II Programme implementation, Mrs Miljković informed participants about the implemented activities that are foreseen in the Action Plan for improvement of absorption of IPARD funds, as well as activities that are expected to be implemented by the end of 2022 and 2023. In that sense, she indicated the upcoming activities regarding the introduction of price indexation due to the increase in the prices of construction materials, machines and mechanization that are the subject of IPARD support. In addition, activities related to capacity building within the IPARD Operating Structure, consideration of the possibility of introducing a guarantee fund for IPARD recipients

with the aim of facilitating access to financial resources for natural persons are foreseen. Certain activities from the Action Plan refer to the implementation of Measure 9, introduction of a software solution in order to facilitate the processing of applications, promotion and education, while during the next year the emphasis will be on the IPARD III Programme promotion. In order to increase the overall absorption of the IPARD fund, animation of recipients with approved IPARD support will be performed for the purpose of finalizing their projects.

Item 5 of the Agenda: Audit Report

Mr Saša Čelić, Head of the Audit Group for IPARD Programme, Governmental Audit Office of EU Funds, greeted all participants. At the beginning of the presentation, he presented the activities carried out by the Audit Authority for the period 2021-2022. During 2021, an audit of operations was carried out, during which the audit team, based on the assessment of the Control and Management System of the IPARD II Programme in the RS, determined a sample of 60 recipients (20%) in order to check whether the declared expenditures are legal and regular. The audit procedure carried out related to the period from the day of receipt of the application for project approval until the payment of IPARD support to the final recipient, and the included amount that was the subject of the audit was approx. EUR 2 million of paid EU contribution. The Audit Authority established six findings with financial implications, while the remaining findings refer to non-compliance, with procedures during the processing of IPARD applications. Furthermore, the Audit Authority carried out the control of the annual accounts and the Management Declaration for 2021, whereby no cases of discrepancies were identified in the documents that were subject of the audit. The Annual Audit Report and Opinion with all findings and recommendations included were submitted within the prescribed deadlines. The System Audit of IPARD Programme for 2022 was carried out in the period April-June 2022, and eight findings with the existence of deficiencies in the management and control system in the IPARD bodies in the RS were established, for which recommendations were given. Based on the conducted audit, the Audit Authority rated the IPARD system in the RS with a grade of 3 and Mr Čelić pointed out that this grade is relatively high. At the end of the presentation, he informed the audience that the Audit Authority is currently working on the audit of the operations of support paid during the first three quarters of 2022.

Address of the State Secretary

Mrs Milica Đurđević, State Secretary, MAFWM, welcomed all participants, expressing her satisfaction with the presence of representatives of the DG AGRI and the Delegation of the EU in the RS, in light of the opening of opportunities for further discussions regarding the improvement of the IPARD II Programme implementation. She also used the opportunity to announce upcoming activities related to the IPARD III Programme. In her further address, she followed up on the presentation of the Minister of Agriculture, Forestry and Water Management by expressing her gratitude for the extension of the deadline for allocation for 2019. In that regard, she emphasized the maximum commitment in order to justify the trust shown and added that numerous activities were undertaken to improve the IPARD II Programme implementation. She confirmed the necessity of introducing price indexation in order to overcome the problem of rising prices on the market. In addition, she stated that in the coming period, intensive work will be done on the establishment of a guarantee fund in order to facilitate the obtaining of bank guarantees for IPARD recipients. Mrs Đurđević, referring to the results achieved within 13 public calls, until 9th December 2022, expressed her belief that the implementation of the proposed activities will lead to improved results. She emphasized that through the IPARD III Programme young farmers, certified organic farmers, investments

in renewable energy sources, as well as investments related to waste water management will be more intensively supported. At the end of the address, she thanked for the cooperation so far and expressed the hope that the cooperation will be more intensive in the future.

Item 6 of the Agenda: Proposal for the Action Plan for Technical Assistance for 2023

Mrs Sanja Prodanović, Head of the Group for Technical Assistance and IPARD Programme Promotion, Managing Authority, reminded at the beginning of the presentation that the objective of the Technical Assistance Measure is to support the development, implementation, monitoring, reporting, coordination and evaluation of the IPARD Programme. Also, she reminded that the Managing Authority is a recipient of this Measure, but at the same time a contracting body, as well as that the indirect recipients are IPARD MC, farmers, local action groups, the network for rural development, as well as advisory services. Mrs Prodanović pointed out that for the implementation of the Technical Assistance Measure, it is necessary to ensure budget for pre-financing, as well as that the Action Plan for Technical Assistance is subject to approval by the IPARD MC members. In the continuation of her presentation, she presented the activities to be implemented in 2023, with a total budget of EUR 508,211 and the EU contribution of EUR 431,979. The largest amount of the budget for activities within the Action Plan refers to the preparation for the new programming period, which includes preparation for the implementation of Measure 6 - Investments in rural public infrastructure, potential local action groups for the preparation of local development strategies, organization of IPARD info days with the aim of announcing the IPARD III Programme implementation and roll over of measures, as well as measures that will be in the entrustment process, printing leaflets, brochures and guides for recipients. A significant amount of funds has been envisaged for activities related to information and publicity campaigns, which includes the campaign "Well invested, IPARD returns well", establishment of the IPARD website, video materials with the participation of IPARD recipients, procurement of promotional and office materials, etc. In addition to the above activities, Mrs Prodanović stated that the Action Plan also foresees activities related to the organization of IPARD MC sessions, capacity building of the IPARD Operating Structure (visits and seminars), as well as the engagement of experts.

After the presentation of the Proposal for the Action Plan for Technical Assistance for 2023, voting procedure was started by the IPARD II MC members.

After the voting procedure, Mrs Miljković noted that the Proposal for the Action Plan for Technical Assistance for 2023 was unanimously adopted.

<u>Decision No. 3</u>	Proposal for the Action Plan for Technical Assistance for 2023 was adopted unanimously.
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Item 7 of the Agenda: IPARD II Programme implementation

Item 7.1. of the Agenda: Managing Authority

Mrs Jasmina Miljković in the continuation of the session informed the attendees about the activities carried out from the aspect of the IPARD Managing Authority, as well as the planned activities for the next period. At the beginning of the presentation, she referred to the letter sent by the MAFWM to the EC with the aim of extending the deadline for using the allocation for 2019, and then presented the activities from the Action Plan for improvement of absorption of IPARD funds for 2022 and 2023. After that, Mrs Miljković reminded that the Fifth Modification of the IPARD II Programme was adopted at the Ninth session by the IPARD II MC members, while the EC adopted this Modification on 5th October and added that adoption

by the Government of the RS is expected by the end of 2022. The Fifth Modification of the IPARD II Programme includes financial reallocation, as well as the adjustment of the target values of indicators per measure in accordance with the aforementioned reallocation of IPARD funds.

One of the activities included in the Action Plan for improvement of absorption of IPARD funds refers to price indexation. In that regard, she informed the participants that the Managing Authority, in cooperation with the IPARD Agency, conducted consultations with the Statistical Office of the Republic of Serbia (hereinafter: SORS) and added that it was agreed that investments from the List of Eligible Expenditures would be classified into four categories of expenditures for which SORS monitors price indices on a monthly basis. In addition, she pointed out that in order to start implementing this model, it is necessary to amend the rulebooks for Measure 1, Measure 3 and Measure 7, as well as the annex to the Memorandum of Understanding with the SORS. After the approval of the proposal of the price indexation model by the EC, changes will be made, i.e. harmonization of the procedures of the IPARD Agency for the purpose of application of the model.

When it comes to implementation of Measure 9, Mrs Miljković informed the attendees that the public call for this Measure was published in November, with the deadline for submission of applications until the end of December. The Managing Authority submitted an application for project approval for the design of the IPARD website under the aforementioned call, and by the end of the year an application for project approval for promotional material is also expected. Mrs Miljković stated that visibility and communication activities are carried out continuously in order to raise the awareness of potential recipients about the funding opportunities through the IPARD Programme.

In terms of capacity building, Mrs Miljković informed the attendees about the employment plans within the Managing Authority, as well as the implementation of activities related to the staff retention policy.

When it comes to the IPARD III Programme that was approved by the EC in March, upcoming activities relate to roll over of existing and entrustment of new IPARD measures. She announced that the confirmation of the Financial Framework Partnership Agreement has been completed, and that it will enter into force on the eighth day after its publication in the Official Gazette. At the same time, she expressed her expectation of the confirmation and signing of the Sectoral Agreement at the beginning of 2023, with the adoption of the IPARD III Programme by the Government of the RS, as well as the signing of the Financing Agreement between the Government of the RS and the EC.

In terms of preparation for the roll over process of already entrusted IPARD measures, she stated that the draft rulebooks are in the final stage of development, and preparations are also underway for Measure 4 and Measure 5, whose entrustment is expected by the end of 2023 and the start of implementation in 2024. Entrustment for Measure 6 is expected to be finalized in 2025, whereby consultations are carried out with the Standing Conference of Towns and Municipalities, considering that the recipients of this Measure are local self-government units. In the continuation of her address, she used the opportunity to once again point out the novelties within the IPARD III Programme, which are primarily reflected in the introduction of new recipients, new sectors, specific eligibility criteria, selection criteria, but also in equalizing the percentage of co-financing in Measure 1 and Measure 7 (60%). In addition, she pointed out that in the fruit and vegetable sector financial demarcation is used as specific eligibility criteria instead of number of hectares. She also informed the IPARD II MC members that the certificate on the control of the origin of goods was cancelled by the EC, which will significantly facilitate the processing of applications in the IPARD Agency. At the end of the address, she emphasized

the importance and impact of the Green Agenda for Western Balkans in the context of the IPARD III Programme, and added that investments related to environmental protection will achieve a greater intensity of support, as well as a greater number of points during the scoring and ranking procedure.

Item 7.2. of the Agenda: IPARD Agency

Mr Marko Kesić, Directorate for Agrarian Payments, greeted all participants. At the beginning he presented the achieved results, the challenges that the Directorate for Agrarian Payments faced in the previous period, as well as planned activities for the next period. When it comes to the achieved results until 13th December 2022, EUR 109.10 million was approved, while EUR 34.44 million of EU contribution was paid. Mr Kesić presented the dynamics of approval and payment of applications per year of implementation, and emphasized that from 2021, significant progress has been noticed both in terms of approval and payment. This positive trend continued, and almost a third of the total number of approved applications was approved during 2022, while 39% of the approved amount of support was approved during this year.

From the aspect of payment, Mr Kesić stated that progress has also been achieved, and added that it is expected that the paid support will reach the amount of approx. EUR 40 million by the end of the year. In the continuation of his presentation, he referred to the reasons for the rejection and withdrawal of the applications and applications that are in the appeal procedure.

In his address, Mr Kesić explained why the achieved results deviated from the expected, citing as some of the reasons the delay in the start of the implementation of the IPARD II Programme, the quality of the submitted applications and the insufficient efficiency of the application processing, then the pandemic caused by the corona virus, the fluctuation of prices on the market, etc. He further stated that we are currently between two programming periods, which brings new challenges. Regarding the activities implemented to improve the utilization of funds, Mr Kesić pointed out that first of all activities in order to strengthen human capacities are undertaken. Therefore, he informed participants about the conducted competitions during 2022, as well as about employment plans for 2023. In addition, certain activities were carried out in terms of the implementation of the staff retention policy. One of the activities that will significantly contribute to the increase in the utilization of funds is the digitization of the work process, i.e. the transition from manual to electronic processing of applications.

He also reminded participants about the activities undertaken regarding the introduction of advance payments for IPARD recipients. When it comes to the effects achieved by the introduction of advance payments, he pointed out that so far 30 claims worth EUR 3.22 million of EU contribution have been paid in advances. Taking into account the fact that natural persons have difficulties in obtaining a bank guarantee, he added that in the coming period work will be done on finding solutions for the use of various means of collateral. At the end of the presentation, Mr Kesić also referred to price indexation and expressed the hope that the application of this model will start at the beginning of 2023. He ended his speech by pointing out that it is planned to finalise approval of funds under the IPARD II Programme by the end of June 2023.

Item 8 of the Agenda: IPARD III Guidance on Communication and Visibility

Mr Marius Lazdinis, Unit G.4 – Neighbourhood, Enlargement and Pre-Accession Assistance, European Commission, after the welcome speech, briefly presented the guidelines for communication and visibility under the IPARD III Programme. He indicated that the focus of his presentation relates to the change of visual identity that will be used within the new

programming period. Mr Lazdinis pointed out that there are two objectives related to the visibility and communication activities, which are to inform the general public about the funding opportunities under the IPARD Programme, as well as to ensure adequate communication and visibility of the EU support granted to the recipients. In the continuation of the presentation, Mr Lazdinis reminded that the tasks of the IPARD Managing Authority regarding communication and visibility relate to the preparation and implementation of the Plan of Visibility and Communication Activities, the establishment of a functional website or web portal in order to provide relevant information related to the IPARD Programme, as well as informing potential recipients about the funding opportunities under the IPARD Programme.

On the other hand, the tasks of the IPARD Agency relate to informing recipients regarding IPARD III support and the Union contribution, publishing the list of projects and recipients of IPARD III support, which will be updated every six months and available on the website or web portal. Furthermore, he reminded that the Plan of Visibility and Communication Activities shall be prepared by the IPARD Managing Authority in cooperation with the IPARD Agency and shall be adopted by the Monitoring Committee no later than one year after the adoption of the IPARD III Programme by the Commission. In addition, Mr Lazdinis pointed out obligations of the recipients in order to ensure the visibility of the EU support they have received. He concluded his address by presenting the EU visual identity that will be used within the new programming period and pointed out the differences compared to the IPARD II Programme. In that sense, he emphasized that it is an obligation to display the Union emblem in any communication regarding the IPARD III Programme, as well as that the Union emblem has to be always accompanied by the statement "Funded by the European Union" or "Co-funded by the European Union". Mr Lazdinis presented to the participants the visual identity within the IPARD III Programme and emphasized that the new EU visual identity rules do not permit to add any other graphic elements to that visual identity. The IPARD visual identity should be included in all materials related to information and communication about the IPARD III Programme, supported measures and projects, as well as at the premises of each IPARD body, i.e. the IPARD Managing Authority and the IPARD Agency.

Item 9 of the Agenda: Discussion

Mrs Jasmina Miljković thanked for the previous presentations and invited participants to start the discussion.

Mr Božo Joković, *National Society for Fruit Production "Our Fruit Serbia"*, at the beginning of the address wished successful work to the Minister and the Cabinet and pointed out a proposal to urgently provide guarantee fund of the RS for applying for IPARD funds. At the same time, he proposed the introduction of project managers who will guide applicants to the final stage of payment of support, noting that applicants are often collateral damage within the work of consulting agencies, which results in a reduction in the overall absorption of the IPARD funds. In that sense, he proposed the inclusion of agricultural advisory services in this process. He particularly emphasized the importance of measures that ensure the direct placement of products on the market, which represents one of the key segments of the IPARD fund absorption, considering the dominant participation of intermediaries in product placement. He proposed direct access to the market through the cooperative sector, having in mind successful examples in other countries, citing as an example the possibility of entering the market through limited liability companies within the processing sector, in order to achieve the primary goal of providing quality primary and processed products, as well as products with added value for direct placement on the domestic market and export. He concluded his address with a proposal to organize a meeting with the representatives of the Serbian Cooperative

Union, the MAFWM, the Managing Authority and the IPARD Agency in order to consider the abovementioned issues and find solutions.

Mrs Jasmina Miljković reminded that workshops for consulting agencies were held in the past period and highlighted progress in their work, noting that the proposal to introduce project managers into the IPARD system will be considered. She also indicated the possibility of using the so-called collective investments within the IPARD III Programme, precisely through agricultural cooperatives and at the same time agreed with the proposal to organize a joint meeting.

Mr Marius Lazdinis praised the Action Plan for Technical Assistance for 2023, emphasizing the numerous possibilities and a wide scope of activities that can be supported through this Measure, while at the same time expressing the hope that its implementation will begin immediately. In the continuation of his address, he pointed out that in the period between the two IPARD II MC sessions significant improvements were achieved, noting at the same time that the situation regarding the Programme implementation is not satisfactory. In that regard, he emphasized the necessity of radical changes, hence he proposed the implementation of the Action Plan for improvement of absorption of IPARD fund, emphasizing the necessity of personal involvement of the Minister in coordinating its implementation, as well as commitment at the highest political level. At the same time, he praised the improvement of the mentioned Action Plan, which refers to the introduction and implementation of new, additional activities. He also supported the Programme expansion by including infrastructure and other measures and encouraged the acceleration of the entrustment of new measures. He stressed out that the next 10 months will be crucial in the IPARD II Programme implementation, and in that sense he invited the IPARD II MC members to become more intensively involved in the entire process in order to enable IPARD Agency to approve a greater number of projects by the end of the summer, which will significantly depend from the discipline of the applicants as well. He rated the proposal to involve experts, i.e. project managers in the IPARD process, as positive. At the end of the address, he emphasized the importance of using support through the IPA 2017 project: "Support to the IPARD Operating Structure" and in that sense encouraged the preparation of ideas, i.e. activities for their implementation.

Mr Žarko Kobilarov, Association of Agricultural Producers "Club 100P plus", pointed out the inadequacy of the scoring system for submitted applications in terms of insufficient support for potential recipients who are actually engaged in agriculture, as well as the issue of type of crop production and number of hectares on the day of application submission. He proposed to use investment value as eligibility criteria instead of a number of ha under the other crops sector, i.e. cereals and industrial crops sector, as it is under the Vegetable sector. Considering the mechanization market, he proposed to publish reference prices in order to make it easier for potential recipients to make a decision when applying for IPARD support. He also raised the question of the adequacy of the scoring system from the point of determining areas with difficult working conditions, i.e. according to which criteria are certain municipalities (Indija, Ruma, Sremska Mitrovica, Novi Sad, Beočin) classified as areas with difficult working conditions, and certain municipalities (for example, Vrbas) are not despite a higher number of unemployed. He believes that it is necessary to change the criteria related to the territory of the national park. In the end, he stressed out the issue regarding timely completion of application processing within calls for purchase of tractors in order to enable potential recipients from these calls to apply within the IPARD III Programme. **Mr Marko Kesić** expressed the expectation that the processing of the applications for the mentioned call will be completed by the end of the third quarter of the following year.

Mrs Jasmina Miljković in response to a question related to the scoring and ranking system, indicated the need to comply with EC instructions on gender equality and participation of women, which in practice can lead to a wrong conclusion that in Serbia more than 50% of women are engaged in agriculture. She stated that this criteria cannot be excluded, but that the scoring system can certainly be changed.

Mrs Radmila Vučinić, *Association of Agricultural Producers "Vojvodina Agrar"*, following on from the previous address, emphasized that this criteria is misused because it is not defined precisely enough by the rulebook, noting that support should certainly be provided to women in rural areas who are actually engaged in agriculture.

Mrs Jasmina Miljković reminded of the possibility of IPARD Programme modification in terms of changing the scoring system. She stated that more detailed selection criteria regarding women applicants could be defined by the rulebook. She also pointed out the challenges related to the artificial conditions that could arise in this regard, suggesting further work on the education of consultants on the aforementioned issue.

Mrs Radmila Vučinić pointed out that the precisely defined criteria cannot be misused and that the applicants act within the framework of the rulebooks that define the Call.

Mr Božo Joković pointed out the importance of the questions raised during the IPARD II MC session, which relate to the situation on the field in order to provide support to those engaged in agriculture.

Mrs Jasmina Miljković regarding the possibility of introducing financial demarcation stated that application of financial demarcation was not the point of the IPARD Programme, and that an exception was made in this regard as a result of the conducted sectoral analysis for the mentioned sector.

Mrs Nataša Pantić, *IPARD Agency*, following up on the question regarding the type of crop production, indicated that it can be changed within the established limits, with the condition that the defined maximum cannot be exceeded, i.e. that the type of crop production can be changed within it.

Mr Jovica Jakšić, *Associations of Independent Associations of Farmers of Serbia*, noted that the issue of type of crop production can be changed by the legislative framework. As significant obstacles for greater absorption of IPARD funds in the area of Central Serbia, he cited unresolved property issues, as well as the impossibility of obtaining a building permit, and therefore suggested that the issuance of building permits be accelerated in cooperation with local self-government units. He also pointed to the problem of the impossibility of direct placement of products on market by farmers (for about 90% of agricultural producers) and as an example of good practice he stated that in the EU there are no intermediaries, hence farmers themselves place products on market through their cooperatives, while in our country buyers are becoming stronger in the market chain. In this regard, he stated that support is needed for better functioning of cooperatives. The Law on Professional Farmers would clearly define professional engagement in agriculture, and in that sense, he proposed that the aforementioned applicants obtain a higher number of points in ranking. In order to increase absorption, he proposed to increase the budget for investments for which there is the greatest interest (tractors, agricultural machines etc.).

Mr Marius Lazdinis regarding the issue of IPARD support for women in terms of scoring criteria, reminded that the same ranking criteria were accepted by Serbia, as well as other IPARD beneficiary countries, stressing that the original intention was to support women engaged in agriculture, noting that if such an approach does not work in practice, can be raised to the level of discussion. When it comes to tractors, he emphasized that the purchase of tractors

was not allowed within the IPARD I Programme, due to the great interest in this type of investment. DG AGRI provided the possibility of support for this type of investment in the amount of up to 20% of the budget under IPARD II considering that greater number of Programme objectives should be achieved.

Mr Miroslav Kiš, Farmers Association, referred to the insufficient absorption of IPARD funds and expressed the hope that in the next programming period the previous experiences will be used for the purpose of increasing the overall Programme efficiency.

Mrs Jasmina Miljković agreed with the previous address adding that a lot of time is missed at the very beginning until the entrustment of the first IPARD measures, and with regard to the efficiency of application processing, which is now accelerated according to Mr Kesić. In that sense, the legal deadline for application processing of nine months is ensured, which represents a significant improvement compared to the previous practice.

Mr Aleksandar Vinčić, Association of Serbian Winemakers and Winegrowers, replicated the issue of the defined rural areas of Serbia, stating that the mentioned municipalities are located on the slopes of Fruška Gora, that support is necessary for the development of viticulture and that therefore the mentioned municipalities should remain within the defined rural areas of Serbia. In addition, he presented a proposal to robotize, as well as to include robots in the rulebooks as eligible expenditures.

Mrs Jasmina Miljković agreed with the previous proposal, noting that a general List of Eligible Expenditures will be used under the IPARD III Programme, with the indication that a wider List of Eligible Expenditures with clearly defined eligible investments will not be excluded, in order to meet the needs of potential recipients when applying.

Mr Vasa Džigurski, Serbian Milk Producers Association, highlighting the unfavourable position of livestock production, raised the question of the existence of this agricultural production, having in mind the sustainability of production. Also, he believes that from a regional perspective there are different needs regarding the establishment of cooperatives. He emphasized that the introduction of the professionalization of agriculture would clearly define who is professionally engaged in agriculture and would avoid the situation of paying subsidies to those who are not professional farmers. Asking the question why livestock production is disappearing, he noted that this agriculture production requires large investments, proposing that, in addition to association, higher level of support for livestock production should be provided at the sector level, with an emphasis on organic farming, with simultaneous work on reducing toxic substances in agricultural production.

Mr Marius Lazdinis in reference to the proposal to reallocate funds towards investments in the purchase of tractors for the purpose of timely absorption of IPARD II fund, stated that the expenditures so far have been covered by available funds under the IPARD II Programme. On the other hand, he encouraged the proposal of adequate allocation of IPARD funds in the context of the IPARD III Programme, with the expectation of publishing the first call already at the beginning of autumn 2023, after the finalization of the Sectoral and Financing Agreement, as well as the entrustment of measures. Accumulated funds from allocations for 2021, 2022 and 2023 could then be expected, which anticipates that large amount of funds will have to be spent in a short period of time. In the context of the proposal related to the allocation of funds, it would be useful to hold a discussion at the state level by spring regarding sectors that should be supported by the IPARD III fund, in addition to the expressed great need for the purchase of new tractors. He proposed that one of the first calls could be related to renewable energy production, considering the trend of rising energy consumption prices in Europe, followed by machinery and less complex projects. One of the proposals of Mr Lazdinis was to

publish a preliminary list of approved projects, instead of the final one, due to the long period of application processing by the IPARD Agency. This will facilitate decision-making by potential recipients regarding application for the IPARD III support in terms of timely planning of expenditures. At the end of the address, he suggested that within workshops at the level of smaller working groups with colleagues from different institutes and sectors, the difficulties in order to implement measures to increase the absorption of IPARD fund should be discussed.

Mrs Radmila Vučinić emphasized the need to harmonize the criteria from the rulebook with the real situation on the field. She pointed out that agriculture has become a risky production due to the many uncertainties, such as significant increase of prices of raw materials, which results in the difficult decision-making on whether to invest in such conditions. She proposed to solve the issue of criteria for women applicants through additional regulations in order to avoid the situation of supporting those who are not engaged in agriculture. When it comes to cooperatives, she agreed with application of this criteria, at the same time she pointed out the need to clearly define the criteria in terms of active participation and business of applicants with cooperatives, instead of purchase of membership for scoring purposes. As obstacle of better absorption of IPARD funds, she pointed out the duration of the application processing period, considering that agricultural producers cannot wait about a year to invest. Also, there are frequent changes of market prices which leads to withdrawal of applications. At the same time, she emphasized that farmers need timely information on financial demarcation (by the MAFWM and the Provincial Secretariat for Agriculture, Water Management and Forestry) in order to have a strategic approach to planning of production, instead of a spontaneous approach due to the lack of relevant information. She raised the question regarding support of investments, for example, from EUR 15,000 to 49,000 under the Fruit and Vegetable Sector, noting that with such a demarcation, the pillar of agricultural development, i.e. medium-sized farmers, has been excluded.

Mr Petar Samolovac, Provincial Secretariat for Agriculture, Water Management and Forestry, answered the question from the previous address by informing the participants that the amount of financial demarcation is up to EUR 50,000 for the Fruit and Vegetable Sector, while for the Other Crops Sector the demarcation is up to 100 ha.

Mrs Radmila Vučinić emphasized that farmers have to have information regarding support in order to plan the type of crop production and investments for the next year, regarding national measures, as well as IPARD measures. She replied to Mr Samolovac comment that the support level from the Provincial Secretariat for investments in physical assets ranges from EUR 3,500 to 6,000.

Mrs Jasmina Miljković following the previous address, noted that until the adoption of the Law on professional farmers, the criteria for determining women and cooperatives as IPARD recipients in the capacity of professional farming are clearly defined through rulebooks, while at the same time defining the time period of professional farming through the Register of Agricultural Holdings. In order to meet the needs of farmers, she emphasized that during the preparation of the rulebooks the representatives of the associations of agricultural producers will be included as interested parties. Having in mind the mentioned differences in priorities at the level of Vojvodina and Central Serbia, she emphasized that the IPARD Programme refers to the level of the RS. When it comes to scoring and ranking criteria within the IPARD III Programme, she informed the attendees that a system of directly defined selection criteria was chosen for Measure 1 and Measure 3, taking into account previous experiences within these measures. On the other hand, scoring procedure within Measure 6 and Measure 7 will be conducted on the basis of clearly defined principles for determining the selection criteria, which should be adopted by the IPARD III MC. Considering the previous experience within the

IPARD II Programme, she also pointed out that it is planned to allocate the largest amounts of funds for the first calls in the next programming period, with the simultaneous inclusion of funds from subsequent allocations, in order to avoid the ranking procedure due to a larger number of applications by potential recipients in relation to the available funds under the published calls.

Mr Božo Joković expressed satisfaction regarding constructive discussion, expressed shortcomings on the field, as well as proposals what should be changed. On this occasion, he proposed to organize a meeting of interested parties with representatives of the MAFWM, in order to shape the final requirements announced at today's session and prepare concrete solutions to overcome the aforementioned challenges in all sectors of agricultural production.

Mrs Jasmina Miljković agreed with the proposal to organize a joint meeting in the form of working groups that would deal with specific issues of interest to IPARD MC stakeholders.

Mr Aleksandar Bogunović, Chamber of Commerce and Industry of Serbia, raised a question for the IPARD Agency regarding the time needed to process an application for a tractor, and time needed to process investment in plant that will engage 50 employees, i.e. for an investment worth around EUR 1 million. By his opinion, too much time is dedicated to processing of applications related to primary production. On the other hand, he emphasized that the processing sector does not have an alternative source of financing, and therefore proposed to speed up the processing of the so-called capital applications, considering that such an approach would enhance the overall absorption of the IPARD funds. He also mentioned that the IPARD Agency is blocked by the processing of applications for tractors, whereby about 200 such applications have been approved, and at the same time, about 5,000 tractors (new and used) are purchased annually in Serbia, and financial and human resources are tied to these applications. He remanded on the activities under the SCAP project, and suggested that simpler investments, such as tractors, should be redirected to this project in order to relieve IPARD financial and human resources. In that sense, he emphasized the need to accelerate application processing and provision of timely feedback, as well as to provide priority for capital investments in terms of application processing. He substantiated the above by stating that in the business world delaying investment in conditions of rising prices leads to a big profit loss. He also mentioned that it is necessary to support cooperatives and limited liability companies whose primary activity is not agriculture, but which achieve significant export results. Regarding the scoring system, he pointed out that 11 points for organic farming is high, but also that regarding women and cooperatives a strategic approach should be applied, reminding that without involvement of women there is no development of rural area. Referring to the List of Eligible Expenditures, he noted the need to introduce expenditures related to digitization, automation, circular economy and new technologies, with the possibility of transparent application of reference prices, in order to avoid the situation of investment planning without prior information about the expected amount of approved support.

Mr Marko Kesić, following up on the question related to the speeding up of application processing for tractors on the one hand and capital investment on the other, he reminded that applications for tractors are processed in a shorter period of time compared to the applications within Measure 3. In addition, he stressed that in the case of a comparison of the ratio of time for application processing and of the amount of approved support, it would certainly not be in favour of Measure 1, supporting the statement by the significantly higher average value of approved and paid support under Measure 3 compared to Measure 1. Although the speed of application processing is not satisfactory, he emphasized that the processing of applications has recently significantly accelerated considering the experience gained by both IA staff and recipients, i.e. consultants. Nine months is the period in which there are significant price

changes due to the inflationary influences, and in this regard he noted that an adequate price indexation model will be applied in order to cover the period spent for processing of applications in order to absorb uncertainty, i.e. losses that recipients may incur in that period. He expressed the expectation of greater operational efficiency in this regard by the IPARD Agency in the first quarter of the following year.

Mr Aleksandar Bogunović thanked the IPARD Agency for its operational efficiency in terms of changing the deadlines for the implementation of projects.

Mr Jovica Jakšić emphasized the need to give priority to primary agricultural producers in relation to large processing capacities with a significant number of employees, regardless of the duration of application processing in the field of primary agriculture and the amount of approved support, while referring request to state institutions to express a clear position regarding mentioned support.

Mr Aleksandar Bogunović in his reply to the previous statement, explained the necessity of the presence of processing capacities in the immediate vicinity of the raw material base, which was accompanied by the assertion of **Mr Jovica Jakšić** that, in the above context, the stimulation of cooperatives should be ensured through the system of association of farmers.

Mr Božo Joković followed up on previous presentations regarding the claim that IPARD should be primarily dedicated to agriculture and in that context asked the EC representatives whether the mentioned approach is correct from the aspect of IPARD support.

Mr Frank Bollen, praised the participation in the discussion of a large number of MC members with the recommendation to formulate certain conclusions. He emphasized the need to speed up the work.

Mrs Jasmina Miljković thanked for the support from the EC, stressing that there is quality both on the side of the state administration and on the side of producers, whereby diversity should be considered as an advantage. She announced frequent meetings in the coming period, taking into account that the start of the IPARD III Programme implementation requires intensive cooperation. She mentioned that the establishment of the IPARD III MC is foreseen, whereby the IPARD II MC members will be primarily considered, with involvement of new institutions, considering the entrustment of new measures compared to the IPARD II Programme.

Item 10 of the Agenda: Proposals of the Agenda and date of the next session

Mrs Jasmina Miljković proposed to organize the next IPARD II MC session in June next year.

Item 11 of the Agenda: Closure of the Tenth IPARD II MC session

The Tenth session of the IPARD II Monitoring Committee was closed with an address by **Mrs Miljković**. She thanked the participants for their attendance and contribution, the entire team of the Managing Authority, colleagues from the IPARD Agency, as well as the translators.

III Summary

Conclusion	IPARD II MC	Follow-up activities
Adoption of the Draft Agenda for the Tenth IPARD II MC session	Draft Agenda for the Tenth IPARD II MC session was adopted unanimously.	
Adoption of the Minutes of the Ninth IPARD II MC session	Minutes of the Ninth IPARD II MC session were adopted unanimously.	
Information on implementation of decisions adopted at the Ninth IPARD II MC session	Information	
Change of appointed members/deputy members of the IPARD II MC	Information	
Adoption of the Proposal for the Action Plan for Technical Assistance for 2023	Proposal for the Action Plan for Technical Assistance for 2023 was adopted unanimously.	Implementation of activities in accordance with the APTA 2023
IPARD II Programme implementation	Information	Implementation of activities envisaged within the AP for improvement of absorption of IPARD funds
IPARD III Programme	Information	Roll over and entrustment of procedures for IPARD III measures; preparation of rulebooks; organization of meetings of the IPARD Operating Structure with stakeholders
Discussion on the results of IPARD II Programme implementation	Exchange of information and recommendations for overcoming challenges and limiting factors in the processing of applications, selection criteria for scoring and ranking procedure, etc.	

CHAIRPERSON


Jelena Tanasković

Minister of Agriculture, Forestry and Water Management

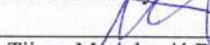
For the Secretariat of the IPARD II MC

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Marko Saranovac, Head of the Cabinet of Minister