



**Minutes No. 3**

Minutes of the third meeting of the IPARD II Monitoring Committee

5<sup>th</sup> Jun 2018, Belgrade

**I List of attendees:**

**The meeting was attended by the IPARD II Monitoring Committee (hereinafter: MC) Members and representatives of:**

1. Ministry of Agriculture, Forestry and Water Management (hereinafter: MAFWM );
2. Ministry of Economy;
3. Ministry of Construction, Transport and Infrastructure;
4. Ministry of Education, Science and Technological Development;
5. Ministry of Labour, Employment, Veteran and Social Affairs;
6. Statistical Office of the Republic of Serbia;
7. Development Agency of Serbia;
8. Chamber of Commerce and Industry of Serbia;
9. Standing Conference of Towns and Municipalities;
10. Provincial Secretariat for Agriculture, Water Management and Forestry;
11. Serbian Cooperative Union;
12. National Association of Fruit and Vegetable "The Fruits of Serbia";
13. National Society for Fruit Production "Our fruit Serbia";
14. Associations of Farmers;
15. Association of Farmers "Club 100P plus";
16. Association of Agricultural Producers "Vojvodina agrar";
17. Rural Development Network of Serbia;
18. Serbian Milk Producers Association;
19. National Association of Milk Processors " *SEDA* ";

20. Association of citizens "National LEADER Network";
21. National Association for the Development of Organic Production "SERBIA ORGANICA";
22. Union of Independent Associations of Farmers of Serbia;
23. Serbian Association of Young Farmers;
24. IPARD Agency, MAFWM (hereinafter: IA);
25. Ministry of Finance (hereinafter: MF);
26. Ministry of European Integration;
27. Audit Authority Office of EU Funds (hereinafter: AA);
28. European Commission (hereinafter: EC);
29. European Union Delegation to the Republic of Serbia (EUD);
30. Faculty of Agriculture, University of Belgrade;
31. Faculty of Agriculture, University of Novi Sad;
32. Faculty of Agronomy Čačak, University of Kragujevac;
33. Institute for the Application of Science in Agriculture;
34. Team for Social Inclusion and Poverty Reduction.

**Following members of the IPARD II Monitoring Committee, did not attend the session, i.e. representatives of :**

1. Ministry of Environmental Protection;
2. Ministry of Public Administration and Local Self-Government;
3. Ministry of Trade, Tourism and Telecommunications;
4. Ministry of Culture and Information;
5. Ministry of Youth and Sports;
6. National Association "Rural Tourism in Serbia";
7. Association "Natura Balkanika".

**Result:** 25 members/ alternates of 32 as total with voting right were present. Quorum was reached and decisions could be taken.

**Annex 1** to the Minutes: List of participants;

**Annex 2** to the Minutes: Agenda.

## **II Outcome of the IPARD MC meeting:**

### **Item 1 of the Agenda**

At the beginning of the third session of the MC, **Mr Zoran Janjatović**, Deputy Chairperson, Acting Assistant Minister of Agriculture, Forestry and Water Management, Head of Managing Authority, welcomed the MC members, as well as guests from Brussels, after which he gave the floor to the chairperson of the MC, Mr Branislav Nedimović, Minister of Agriculture, Forestry and Water Management.

**Mr Branislav Nedimović**, Chairperson, welcomed the present members of the European Commission (hereinafter: EC), the European Union Delegation to the Republic of Serbia (hereinafter: EUD), all representatives of agricultural producers, Ministry of European Integration, Chamber of Commerce and Industry of Serbia. He expressed satisfaction with the first results of the implementation of the IPARD II Programme and the expectation of signing the first contracts with the IPARD funds applicants, while at the same time he expressed his concern about time necessary for processing the submitted applications. At the same time, he pointed out the importance of transparency in the implementation of the IPARD II Programme. The initial results from the first two calls showed a wide regional distribution of submitted applications. Furthermore, he announced the future calls for July and August 2018 and pointed out that so far 20 requests have been processed. In order to shorten the time of processing applications he announced the possibility of strengthening the capacity of the Directorate for Agrarian Payments.

### **Item 2 of the Agenda**

**Mr Danilo Golubović**, Advisor to the Minister for European Integration, Ministry of European Integration, greeted the present MC members on behalf of Ms. Jadranka Joksimović, NIPAC. He expressed satisfaction with the beginning of the implementation of the IPARD II Programme, as well as signing of the Financing Agreement. He strongly supported future strengthening of capacities of the Directorate for Agrarian Payments.

### **Item 3 of the Agenda**

**Mr Zoran Janjatović** informed the members of MC that the procedure for official appointment of National Authorizing Officer (hereinafter: NAO) has not been implemented yet and at the same time announced addressing to the gathering of *Mr Liam Breslin*, a representative of the EC.

#### **Item 4 of the Agenda**

**Mr Liam Breslin**, Head of the Pre-Accession Assistance Unit of the Directorate-General for Agriculture and Rural Development (hereinafter: DG AGRI), the EC, noted that the period of the past 6 years of preparation for the accreditation was a long period and a lot of work had been done. He presented positive impressions from the recently held 85th International fair of agriculture in Novi Sad. In the forthcoming minutes he pointed out that it would be of great importance if the IPARD Agency (hereinafter: IA) could employ 10-15 extra staff for processing of IPARD applications. Secondly, he stressed that the whole IPARD II Programme implementation process has to be clean so that in the forthcoming period the EC can justify additional funds for Serbia. Analyses of the spent funds will be done for all countries in the region. Furthermore, it is very good that the announcement of the Fourth Public Call is expected soon, as well as the experience from the conducted first two public calls. The signed Financing Agreement simultaneously enables the use of EU funds and the conclusion of first contracts in Serbia. Also he referred to the need of accreditation of new measures in the coming period, primarily M7 and M9 measures. At the end of the presentation, he expressed his satisfaction and congratulated Serbia on the beginning of the IPARD II Programme implementation with the advice on to make good use of the money for the benefit of the Serbian agriculture.

After the introductory presentations, the working session of the MC took place.

**Mr Zoran Janjatović**, in the next part of the meeting called on all present members of the MC to present themselves in order to establish a quorum for the voting. After presentation of the MC members, it was determined that a quorum was reached, considering that there were 25 members/ deputy members with voting rights, which provided the possibility of making decisions.

#### **Item 5 of the Agenda: Adoption of the Agenda**

**Mr Zoran Janjatović**, stated that there were no comments on the Agenda, consequently the Agenda was placed for voting and adoption.

##### **Decision No. 1**

The Agenda has been adopted by consensus.

#### **Item 6 of the Agenda: Approval of the Minutes of the previous meeting of the Monitoring Committee for IPARD II Programme**

After the voting, it was noted that the Minutes from the previous session of the MC were adopted by consensus.

##### **Decision No. 2**

The Minutes from the Second Session of the MC were adopted by consensus.

#### **Item 7 of the Agenda: Information on the implementation of the decisions adopted at the previous session of the IPARD II Monitoring Committee**

**Mr Zoran Janjatović**, in the continuation of the session, gave the floor to Mrs Sanja Prodanović, Head of the Group for Technical Assistance and Rural Development Programmes Promotion, MA, MAFWM, who informed the attendees of the implementation of decisions made at the previous session of the MC. She noted that all anticipated activities were successfully implemented, while others were still being implemented.

**1. The Agenda of the Second Session of the MC and the Minutes of the First Session of the MC were adopted.**

The decisions taken at the Second Session of the Monitoring Committee were related to the adoption of the Agenda of the Second Session and the Minutes from the First Session of the MC.

**2. The NAO and the EC accreditation package has been sent.**

The accreditation package was sent in October 2017 to the European Commission. The result was positive.

**3. The first public calls for IPARD measures were announced.**

The First Public Call for IPARD measure M1 was published on 25 December 2017. The Second Public Call for the same measure for the investments in purchasing of new tractors was opened on 4 January 2018 and both calls for measure M1 were closed on 26 February 2018. The First Public Call for measure M3 was opened on 27 March 2018 and closed on 28 May 2018.

**4. Implementing the Plan of Visibility and Communication Activity.**

Activities relating to the promotion are continuously implemented.

**Mr Zoran Janjatović**, in the continuation of the session, announced the next item of the Agenda, information on the change of the MC members.

**Item 8 of the Agenda: Information on changes of the members**

**Mrs Sanja Prodanović**, informed the attendees of the change of 11 members/ deputy members of the MC, as follows: Directorate for Agricultural Land, Ministry of Agriculture, Forestry and Water Management; Ministry of Finance; Ministry of Labour, Employment, Veteran and Social Affairs; Ministry of Public Administration and Local Self-Government (the procedure for appointing a deputy member is in progress); National Association for Fruit Production "Our fruit Serbia", Development Agency of Serbia, Faculty of Agriculture, University of Belgrade. The new members of the IPARD MC are following: Serbian Association of Young Farmers, the Union of Independent Association of Farmers of Serbia and Association "Natura Balkanika".

**Item 9 of the Agenda: Information on the Amendments to the List of Eligible Expenditures**

**Mr Slobodan Zivanović**, Head of Group for Programming, MAFWM, said that the intensive work was carried out in the past period regarding the modification of the List of Eligible Expenditures (hereinafter: LEE), which was adopted by the EC in mid-2016. Following

the adoption of the IPARD II Programme and the accreditation package approved by the EC, the MA worked intensively on the preparation of the rulebooks for measures M1 and M3, with the LEE being an integral part of them. When preparing these rulebooks, it was noted that certain expenditures and investments were not explained in an adequate manner, and therefore the procedure for amending the LEE in cooperation with colleagues from the Directorate for Agrarian Payments was initiated. A draft of the modified LEE was prepared in March, which was discussed with colleagues from the Directorate for Agrarian Payments during March and April. Also, the consultative process was also carried out with the EC. The LEE was approved by the IA on 30 May, and the EC provided consent to the modification of the LEE on 4 June 2018 and as such will be a part of amendments to the rulebook for M1, which will be the subject matter of joint work with colleagues from the IA in June. Main changes in the LEE relate to the newly added investments. Mr Slobodan Živanović also thanked on the suggestions received by the Chamber of Commerce and Industry of Serbia that were entered into the amended LEE. Also, the LEE involved all forms of renewable energy sources as eligible expenditures for measures M1 and M3.

**Item 10 of the Agenda: The current situation regarding the implementation of the IPARD II Programme**

**Mr Nebojša Petrović**, Deputy Minister, Sector for the Management of EU funds, Ministry of Finance, NAO SO, at the beginning of his exposure he confirmed signing of the Financing Agreement. He thanked on the support of the DG AGRI, the EC, colleagues from the EUD, colleagues from the Ministry of European Integration, MAFWM, Audit Authority, as well as colleagues from the Ministry of Finance. In the context of the aforementioned, he informed the attendees that in the first quarter of 2017 an IPARD working group was established with the aim of performing all preparatory activities in order to finalize the entrustment of the budget implementation tasks that was prepared by the Action Plan for addressing the external audit findings. The AP was implemented in July 2017, which created the conditions for the implementation of the second external audit in August and September with the aim of verifying the functionality of the entire IPARD operational structure, as well as the NAO SO and the NF in terms of institutional and administrative capacities. The DG AGRI carried out another additional mission in November, followed by an external audit focusing on the Reference price database, in order to receive the final report of the DG AGRI at the end of February 2018, giving a green light for signing of the Financing Agreement and for beginning the implementation of IPARD measures M1 and M3. The following steps, or goals for the forthcoming period, relate to the preparation of the Action Plan for new measures: M7 - Farm Diversification and Business Development and M9 - Technical Assistance. At the same time, implementation of the accredited measures M1 and M3 will be monitored.

**Mr Liam Breslin**, noted that the accreditation process took place very quickly, which was good. At the same time, he pointed out the importance and the need to maintain continuity and stability of the institutions relating to National Authorising Officer. In accordance with the announced preparation of the Action Plan for new measures, he pointed out the possibility of starting implementation of the measure M9 - Technical Assistance from the next year, as well as M7 measure related to rural tourism, which is very important for the development of rural tourism in Serbia.

**Mr Zoran Janjatović**, expressing gratitude for the suggestions presented by *Mr. Liam Breslin*, said that we would follow that direction in the future and in the following segment of the session announced the presentation by Mrs Danica Popadić on behalf of the AA.

**Mrs Danica Popadić**, Head of the Audit Group, Audit Authority Office of EU Funds, after welcoming the meeting, noted that the IPARD II Audit Group was formed within the AA, with currently 4 employed staff within the framework of the envisaged 5 working positions. The IPARD II Audit Manual of Procedures was and as such delivered to the DG AGRI. In the past AA was involved in all pre-accreditation audits and in the audits which were conducted by DG AGRI, has been actively involved in the IPARD MC, and in a working group to resolve the IPARD findings. In the forthcoming period, further training of employees is expected and also adoption of the audit strategy, updating of checklists in accordance with the procedures, rulebooks and guidelines received from the DG AGRI, implementation of the audit of the system starting from signing of the Financing Agreement, as well as activities related to the preparation of the training plan, workload analysis, etc. The AA has all the certificates required for performing all the necessary audits. Currently, there is a procedure underway for obtaining certificates for 4 auditors. The process of adoption of law concerning the Audit Authority, retention policy, information system audit, as well as the assessment of the work of the internal audit function in all ministries is in the final stage.

**Item 11 of the Agenda: General information regarding the implementation of the Programme/ Measures based on the monitoring tables and the results of the calls**

Under this item of the Agenda on behalf of the Managing Authority, **Mr Zoran Janjatović** stated that they launched the first of three public calls, with the aim of using budget from the 2015, which explains why the focus of those calls were only investments is the purchase of new equipment and machinery, without construction. The First Public Call was announced for the measure M1, in the amount of EUR 8.3 million, while the Second Public Call related to the purchase of tractors, with available resources of EUR 4.6 million The Third Public Call for IPARD measures, i.e. the First Public Call for measure M3, was announced for procurement of equipment for processing and marketing of agricultural and fishery products, with the total amount of available funds of EUR 7.3 million. Within the M1 measure, a required expenditures amount to nearly EUR 7 million (83% of the funds in relation to the available budget) in the submitted applications, which means that there will be no ranking within the First Public Call. In the case of the Second Public Call for tractors, situation was different in terms of a larger amount of required funds (around EUR 11.5 million) compared to available funds. The Public Call Plan, published in December 2017, provided enough space for potential recipients to prepare the necessary documentation for the forthcoming Fourth and Fifth Public Call for investments and construction, upgrading and reconstruction of facilities, as well as the installation and procurement of equipment and machinery. Analysing the call structure per each sector, it was noted that 82 applications were submitted within the First Public Call for Measure M1, with the most significant share of the fruit and vegetables sector being 53%, then the milk sector 17% and the meat sector 9%. The milk and meat sector was less represented, as eligible investments were primarily related to the procurement of equipment and machinery for manure handling, feed preparation, as well as the procurement of vehicles for transport. He also explained that the reasons for the lower response of potential recipients in the livestock sector is in the fact that it is easier to reach the standards at the end of the investment



are easier to reach in the fruit sector than in the livestock sector. One of the limiting factors is the large number of small farms with combined production that includes the milk and meat sector, as well as the fruit and vegetable sector, especially in the regions of Central Serbia. Producers who are intensively engaged in the production of fruits and vegetables invested primarily in harvesting, sorting and packaging equipment (over 5 million EUR, with 48% share) in order to improve the existing production. Also, potential recipients showed a significant interest in the number of submitted applications for irrigation systems, manure handling equipment, hail protection systems, equipment and machinery for soil treatment, feed preparation, etc. He also noted that the problems related to the legalization of the objects within the cattle breeding production are a challenge to be worked on in the future, in cooperation with the competent ministries, in particular the Ministry of Public Administration and Local Self-Government, as well as on improving the fulfilment of conditions for the construction of facilities. Within the Second Public Call for the purchase of tractors, 396 applications were submitted, of which 2/3 of the applications were related to the other crop sector, 20% to the fruit sector, while the other sectors had significantly lower participation in the number of the submitted applications. The greatest interest shown for the purchase of tractors is a clear indication of the obsolescence of mechanization on farms, with a need to emphasize the limitation of 20% within the measure M1 for this investment. Pursuant to the above, due to the wide response of potential recipients, within the Second Public Call, a ranking system will be applied. Regarding the structure of the applications according to the type of recipients, in both calls natural persons are dominant 2/3 (73%) in the First Public Call and 96% in the Second Public Call, while for both calls for measures M1 natural persons - individual agricultural holdings - have participation of 92% in the total number of submitted applications, whereby legal entities - commercial companies realized a share of 7%. More participation of legal entities in total submitted requests for measure M3 is expected. Regarding regional representation, Vojvodina Region has more than 50% participation in submitted requests. In the continuation of the lecture, he noted that the next steps were related to the announcement of the Fourth and Fifth Calls in July and August for the construction of facilities, the procurement of equipment, the purchase of tractors, with the possibility of using the allocations from 2016 and 2017. Within the Fourth Public Call, milk, meat, fruits and vegetables sectors will be represented, with a minimum support of EUR 5.000 and a maximum of EUR 1.000.000. Within the Fifth Public Calls for investments in the processing and marketing of agricultural products and fishery products, all sectors will be represented. The following activities will relate to the preparation for accreditation of measures M7 and M9, especially measures M9 - Technical Assistance. Also, the preparation of measures M4 - Agri-environment-climate and organic measure and M5 - Implementation of local development strategies - LEADER approach will also be done. In the forthcoming period, active work on the education of the employees will be conducted as well as finalization of the fulfilment of vacancies.

**Mr Žarko Radat**, Director of the IA, welcomed the attendees at the beginning of the address, reiterating that three public calls were finalized, applications were received and their processing is in progress, as well as 10 on-the-spot checks have been carried out so far, which indicates that we are on the threshold of signing the first contracts. During 2016 and 2017, two audit missions were carried out. In accordance with the audit findings, amendments to the relevant legal framework were adopted at the end of 2016. In August 2017, the Directorate for Agrarian Payments (future IPARD agency) was moved to adequate premises in terms of meeting the standards - ISO 20 000 related to the security of access and information. An external audit was welcomed in the new building, as well as the EC audit team. There was a challenge for the

DAP to recruit the appropriate staff as well as to make an estimation of the anticipated number of applications that will be operational for processing, then good communication with potential recipients in terms of identifying potential recipients bearing in mind that IPARD is primarily intended for medium-sized AH, with a clear development plan, industry, small and medium-sized enterprises engaged in appropriate activities in order to increase competitiveness and reaching standards. The workload analysis was provided for processing of about 500 applications annually, and taking into account the number of applications submitted on the basis of three public calls so far, it can be said that the assessment was satisfactory. Nevertheless, the impression is that the pace of processing of the received applications is a bit slow compared to the possibilities, which can be justified by objective and subjective reasons. According to estimations, about 80-90% of the applications received have some formal deficiency which subsequently affects time needed to supplement the documentation. According to the new Law on General Administrative Procedure, the application is not considered incomplete if a document for which it is obliged to be issued by another state authority is missing. There are about 5 months left to resolve the applications received. According to the results of calls so far, for the First Public Call we have more available funds than required, for the Second Public Call we have less available funds than required, while for the Third Public Call we have more available funds in relation to the amount of funds requested. In particular, this means that when the amount of available funds is higher compared to the required amount of money, the applications are paid in a regular manner in the order of submitting. As far as purchasing a tractor, after reviewing the received applications, they will be ranked according to the procedures. At the same time, two more measures are being prepared for accreditation, as the announcement of two more calls during the summer months, in which, in addition to the investments announced so far, the construction of facilities will be included as well.

After the presentation of Mr Žarko Radat, Director of the IA, a discussion took place.

**Mr Nenad Budimović**, Chamber of Commerce and Industry of Serbia, noted good cooperation with the MA. The problem of legalization of the facilities was highlighted as the biggest problem in the livestock sector, as well as the insufficient information of the agricultural producers on standards and legislation. Also, the issue of adequate disposal of manure is a significant problem. He pointed out the problem of producers of poultry meat and eggs for human consumption, and given this issue the preparation of the proposal for amending the List of Eligible Expenditure was initiated, which was positively resolved within the MA. In the coming period it will be worked on recognizing the importance of the producers of eggs for human consumption, which has not been the case in the IPARD programme so far, given that the value of this production is annually of about EUR 130 million, with about 2.500 employees in the relevant sector. Production is concentrated within 20 major producers, and by 31 December, 2020, legislation foresees an obligation to adjust the production to certain standards in terms of conditions in the cage system of keeping poultry.

**Mr Zoran Janjatić** thanked for his presentation, as well as on the provided comments, and emphasized that cooperation with the Chamber of Commerce and Industry of Serbia in the forthcoming period will continue, and at the same time he pointed out the great importance of receiving feedback.

**Mr Božo Joković**, National Society for Fruit Production "Our fruit Serbia", at the beginning of the presentation, expressed hope that in the coming period the vine growers will be

included in the IPARD programme. He pointed to the need to make a new analysis of the eligible limits for investments. At the same time, he emphasized the need for the relevant institutions to address the issue of property ownership in the cadastre in the future, especially regarding agricultural cooperatives with unresolved property-legal relations, to enable the direct appearance of producer groups on the market without intermediaries, which would strengthen producers' organizations themselves, according to the model of producers' organizations in the EU. The current situation that prevents the direct placement of products from producers' organizations leads to persistent problems. The biggest problem is that our producers are not organised, which ultimately results in the fact that although we have several strong brands in the fruit growing sector (raspberries from Arilje, cherries with protected geographical origin), they are not recognizable in terms of market-driven performance on the world market. He expressed belief that producers must organize themselves when it comes to the marketing presentation in the world market, with the help of the Ministry of Agriculture, Forestry and Water Management, the Ministry of Trade, the Ministry of Finance, the Chamber of Commerce and Industry of Serbia. The Chamber of Commerce and Industry of Serbia should be the ambassador of the Association of Producers for promotion and marketing, with the establishment of cooperation between the mentioned institutions. For cooperatives based on the founding share that do not have the capacity to apply for IPARD subsidies, he proposed considering the preparation of the model under the IPARD II programme, which will by joining the assets of cooperatives and cooperative contracts provide the necessary areas and contracted production quantities for the IPARD application subsidies, since cooperatives are bearers of production for the account of cooperatives, cooperatives' members and co-operators. Bearing in mind that cooperatives and co-operators have combined production, at the same time it is necessary to ensure fulfilment of all the necessary standards, health and safety requirements in food production, as well as production monitoring in controlled conditions.

**Mrs Anna Nowak-Wood**, Programme Manager, DG AGRI, the European Commission, referring to the submitted Report, noted that Serbia expressed responsibility in the implementation of previous calls. She also noted that in terms of investment in equipment, fruit sector is dominant, i.e. other crops sector for investments in the purchase of new tractors, and that it would be desirable to diversify into other sectors, as much as possible. She also expressed satisfaction with the significant participation of natural persons - individual agricultural holdings in the total submitted applications, but that on the other hand, a small number of applications were submitted by the cooperatives and that in the following period it would be desirable to increase their participation. She also pointed out that Vojvodina Region had the largest share with participation in the number of submitted requests of 72%, and in that context expressed the hope that more applications will be received from the Region of South and East Serbia, which now participate with 14% in the following calls. , it is also necessary to strengthen the support of the Advisory Services. 29 business plans prepared by AS is good, but we expect higher number of business plans from them. When it comes to general costs, she considers that the cost of preparing applications and business plan is too high and that it would be better if these funds are directed at the investment itself. In this context, she stated the need for greater engagement of Advisory Services in terms of assisting the applicants in preparing the business plans and the application forms. Regarding the submission of a large number of applications for the purchase of a tractor, it raised the issue of timely notification of potential beneficiaries before launching the next call for tractors on whether their applications were accepted or rejected, in order to avoid the situation of double applications and consequently significantly increased number

applications for processing. She believes that in this sense, the process of processing an application should be visible to the applicants themselves, which for now does not seem to be the case.

**Mr Nikola Mihailović**, Serbian Cooperative Union, announced a meeting about the experiences of colleagues from Croatia regarding the animation of cooperatives in terms of their greater involvement in the use of IPARD funds, related to the regulation of the cadastre issue, legalization of rural facilities and granting of scholarships to young farmers. He also noted that on the one hand the state helps cooperatives and on the other hand the state obstructs them in terms of not regulating the issue of a cooperative property.

**Mr Liam Breslin**, Head of the Pre-Accession Assistance Unit of the Directorate-General for Agriculture and Rural Development, EC, expressed his agreement with Anne Nowak-Wood on the processing of submitted applications for tractors and expressed concern over the large number of still unprocessed applications. He pointed out that this is our problem and that we should solve it ourselves. Concerning the upcoming Fourth and Fifth Public Calls, their importance was stated. He asked the question towards producer associations whether there is someone who helps individual producers in their cooperation and processing/storage in the fruit and vegetable market. Maybe the Chamber of Commerce and Industry of Serbia? An example was given for the establishment of a central storage warehouse, with a cooling chamber owned by several small producers, for the purchase of raspberries.

**Mr Nikola Mihailović**, Serbian Cooperative Union, said that there are 33,000 different associations in Serbia, of which 1,500 are agricultural cooperatives and 20 cooperatives, and in cooperation with the Chamber of Commerce and Industry of Serbia, membership is mandatory. He pointed out the problem of property-legal relations in the sense that certain state authorities do not properly implement the registration of cooperative property, which additionally slows down the work of the cooperative. In this context, he cited an example of a cooperative that by using its own resources and with the state's support, built a silo, but the cadastre does not allow its registration, even though it has valid evidence, which is a concrete example that the state helps on the one hand and on the other hand defrauds the cooperatives. He also emphasized that they provide assistance and support to cooperatives and that by their work we should encourage them to achieve better results in their work.

**Mr Aleksandar Bogunović**, Chamber of Commerce and Industry of Serbia, reminded that the question was whether the state specifically helps producers to organize themselves into cooperatives and thinks this question primarily aims at the work of Advisory Services in terms of educating producers because Advisory Services had detailed education and training of cooperatives. The Chamber of Commerce and Industry of Serbia does not deal with this business, it already helps co-operatives in the market search and market presence, since legal entities are also members of the Chamber. He believes that the introduction of producers and cooperatives into the processing segment, i.e., food industry is very risky. The most profitable product in processing are frozen raspberries because of the highest profit on frozen raspberries, that is, any additional processing does not bring such profits. He emphasized that the manufactured product needs to be sold and that serious marketing and presence in foreign markets is needed. The whole system, which includes control, purchase, processing, storage, contracting, transportation, delivery, quality guarantees, is a complex system, so that the taking out producers from primary production would be a risky process.

**Mrs Evica Mihaljević**, National Association of Fruit and Vegetable "The Fruits of Serbia" believe that there is a serious production of sour cherries and raspberries in Serbia and that the evaluation of such production is also measured by the achieved volume of exports. She also said that the export of fruits and vegetables with around 400.000-500.000 tons in recent years reached a volume of about 1.000.000 tons. She noted that the biggest profit is in the sale of fresh products in small packages, entering the European market, which is conditioned by the seasonal moment of the arrival of agricultural products. Existing fruit and vegetable processing in Serbia is insufficient for a serious performance in the international market, for which financial stability is needed, as well as meeting very demanding standards for the European market. She stressed that in Serbia it is necessary to consider the potentials for fruit varieties. Regarding the implementation of the IPARD II programme, she expressed the opinion that for the future calls, it would be desirable to shorten the deadlines for processing of the submitted applications in order to timely inform stakeholders.

**Mr Zoran Janjatović** thanked for the previous presentations and expressed opinion that there were a lot of good comments on the calls that were announced, which would be adopted in the future.

**Mr Božo Joković**, National Society for Fruit Production "Our Fruit Serbia" concluded that Serbia has a very good fruit production, but that this quality is not used in the form of a brand in an adequate way, stating that Serbia has better quality of raspberries than Poland but in comparison with Poland it is incomparably smaller exporter of fresh raspberries.

In the continuation of the session, **Mr Zoran Janjatović** announced the presentation of Anna Nowak-Wood with a topic relating to short supply chains.

#### **Item 12 of the Agenda: Short supply chains and opportunities within the IPARD in Serbia**

**Mrs Anna Nowak-Wood**, Programme Manager, DG AGRI, European Commission prior to the presentation, reminded that at the previous session there was a word about preparing a publication on the LEADER measure, and now this publication has been prepared and translated into Serbian.

The presentation on a short food supply chain made by Anna Nowak-Wood is available on the website of the MAFWM.

**Mr Zoran Janjatović** thanked for the previous presentation and expressed his satisfaction at the presence at the aforementioned workshop in Romania. He also noted that the possibility of cooperating with cooperatives on the concept of short supply chains will be considered in the coming period, as well as the possibilities of adapting the eligibility criteria for application, which involves working with local and regional development agencies, as well as cooperation with Standing Conference of Towns and Municipalities (SCTM) and expressed hope that the involvement of the local level will be more expressed in order to implement the concept of short supply chains. He reported that the LEADER rulebook was in the final stage of legal procedure and that in the next half of the year a national competition for preparation of local strategies is planned.

**Mr Liam Breslin**, Head of the Pre-Accession Assistance Unit of the Directorate-General for Agriculture and Rural Development, the EC, raised the question if producers are not involved in the process of storage and processing, when it comes to raspberry production for example, what will happen to them? The company and supermarkets will affect the price without the influence of the manufacturers themselves. For that purpose they should use IPARD funds to improve their own production and processing. All countries in surrounding areas have products and potential for short supply chain concept. Pilot projects in the duration of one year should show us if it is worth our time to test this measure. If we decide to try this concept of short supply chains it could be applied within the M3 measure.

**Mr Zoran Janjatović** thanked for the previous presentation and expressed hope that by the end of July we will have very precise development projects with the Rural Development Network of Serbia and the association "Agro-eko voće" and that we will be ready to present the results. Concerning the concept of short supply chains, he stressed that it will be taken into consideration in the upcoming period. In the following, he announced the following item of the Agenda related to the modification of the IPARD II programme.

#### **Item 13 of the Agenda: Discussion on Program Modification**

**Mr Slobodan Živanović**, Head of Group for Programming, MA, MAFWE, announced a previous discussion on the modification of the Programme related to the introduction of the wine sector into the Programme. Under the IPARD II programme budget allocations are defined for each measure for each year. In the forthcoming period IPARD working group should prepare and submit to IPARD MC proposal defining which allocations and from which year allocations should be changed in the IPARD II programme. The allocations for the M7 and M9 measures that have not been accredited yet should be reallocated to the same measures for allocations for 2016 and 2017 or to other measure, which will be decided in the upcoming period. The proposal should be prepared for the next IPARD MC session, given that these allocations should be completed by the end of this year. At the same time, he invited stakeholders to submit proposals and suggestions for the modification of the IPARD II programme in order to prepare the draft amendment for the next session of the MC.

In addition to the proposals submitted to the MC Secretariat in writing **Mr Aleksandar Bogunović**, Chamber of Commerce and Industry of Serbia, emphasized that in the ranking system within Measure 1 legal entities are not in a position of being equally ranked compared to natural persons and therefore suggested the possibility of separating ranking charts between legal and natural persons. The next suggestion concerns the question of meeting the minimum national standards in the field of environmental protection, considering that this is not a minimum but all the standards that need to be fulfilled in this area, and therefore the focus of the IPARD programme on competitiveness moved towards fulfilling environmental standards in the field of environmental protection. He also pointed out that these issues within measure M3 are expressed in an even more drastic level in terms of unregulated wastewater treatment, especially in the field of processing animal products, where such an obligation does not exist even within national regulations. Article 19 of the Regulation on Limited Emissions of Emissions of Pollutants of

Water and deadlines for their achievement, the deadline for implementation of the same by the end of 2025 is set, with the obligation to prepare the Action Plan. Based on the results of 6-year project of the Ministry on the subject of reducing pollution from industry, only two slaughterhouses are in possession of plant for wastewater treatment in Serbia, not even one milk house, so the assumption is that in the context of applications for the measure M3 does not have any milk house or slaughterhouses. At the same time, a small number of processing capacities have a connection to the sewage system. For the foregoing reasons, the first investment would be in this case related to the purchase of the plant for waste water treatment. These investments are significant and financially demanding, both from the standpoint of procurement and subsequent maintenance. He suggested the possibility of defining the national minimum standards that companies would expand through a set of investments or complement until the completion of all required national and EU standards. Regarding green-field investments, he pointed to possible ambiguities with the beneficiaries in terms of what is meant by the same in terms of requirements, that is, the requirements at the beginning and at the end of the investment, as well as the capacities available to the beneficiaries. When it comes to the DG SANTE List, in the sense that the facilities that are already on this List cannot use IPARD funds, he noted the existence of certain facilities that are on the List but do not export to the EU, so that due to the specified requirements, they would request removal from the DG SANTE list, since this situation leads to a blockade in terms of using the IPARD funds. He thinks it would be good to allow such companies at least investments in environmental protection. It is thought that the announced competition lasting for three months is rather a long period, and suggested that the deadline for the competition and the processing of the applications could be shorter. At the same time, he pointed to the usual length of the process of collecting the necessary documentation regarding building permits, which, depending on the municipality, can last for more than one year. Regarding the List of reference prices, proposal is that it should be publicly available. One of the proposals is also that the offers submitted should not be in the original but that also copies of the offer should be submitted. Within the proposal of inclusion of the wine sector he noted the need to make a distinction between small and large producers in terms of directing small producers to the national scheme. The next suggestion relates to questions of artificially created conditions, whereby the proposal is to clearly define what conditions are artificially created for each situation, in order to avoid the situation that someone, who wants to truly meet certain requirements for ranking, is not characterized as an applicant creating artificial conditions for ranking such as transferring the farm to young bearers of AII or women.

**Mr Zoran Janjatović** thanked for the proposals and suggestions made before by the members of the Chamber of Commerce and Industry of Serbia. Regarding the criteria of ranking, he noted that after the first calls follows the ranking, and ranking criteria. In the case of a large number of users who can meet the criteria they are the subject to change. The only difference in ranking between legal entities and individuals relates to women and persons up to 40 years old, while all other criteria are the same for both legal and natural persons. The strategic orientation of the Ministry is to support young farmers whose agriculture is the only activity, unlike legal entities that can be engaged in other activities besides agriculture, so there will be no deviations on this matter. On the issue of minimum national standards, when you have usage permit in M3, at the same time all of the national minimum standards are met. Regarding the fulfilment of ecological standards, no additional conditions are required, such as an environmental impact assessment study. If it is invested in the treatment of wastewater and it is an investment for IPARD, in this case the fulfilment of European standards is followed up. Concerning greenfield

investments, according to the rule book, the objective for M1 measure is to improve the competitiveness of existing agricultural holdings, which implies the necessity of presence of recipients in the sector, for example, crop farming, at least in the first years of the IPARD, must begin with at least ½ ha of vegetables and finish with about 40, 50 ha, as well as in livestock breeding, where at the beginning of the investment one cow can be raised and at the end of the investment it will increase flock to 250 cows. By changing the rules in the fruit sector, the condition for competition will be not at the beginning, which was the case before, but at the end of the investment. Regarding *DG SANTE*, the desire of the RS is to have as much as possible more recipients so that in order to answer this issue, was directed to the DG AGRI.

**Mr. Aleksandar Bogunovic**, Chamber of Commerce and Industry of Serbia, explained that all the recommendations, proposals and suggestions made previously were the result of the information collected from the field. He expressed his belief that the checklist must be available to recipients. He also pointed out the length of time for the processing of the request and for obtaining information on the solution of the request, given the necessity of the previous provision of funds for the investment.

**Mrs Anna Nowak-Wood**, Programme Manager, DG AGRI, the European Commission, stated that it is necessary to understand that the requirement of fulfilment of environmental standards, it is a legal requirement based on the EU regulations and objectives of the IPARD II programme, whereby the DG AGRI will be strict about this issue. .

**Mr Aleksandar Bogunović**, Chamber of Commerce and Industry of Serbia, explained that the request did not apply to EU standards but to the subject of investment.

**Mr Zoran Janjatović** noted that there is possibility of submitting a proposal that will be considered, whereby the conditions defined by the Rulebook have to be respected.

**Mr Žarko Kobilarov**, Association of farmers "Club 100P plus" is an association of large producers in terms of the size of the property, which includes mainly all sectors, i.e. has members of crop, vegetable and fruit producers. He emphasized that there is a trend of transition of people from the crop to vegetable and fruit production, as more intensive production. Vegetable producers members are mostly the largest producers in Serbia. As an association, they have a requirement to equalize the fruit and vegetable sector in terms of specific criteria.

**Mr Zoran Janjatović** noted that in terms of specific criteria in the fruit sector the specific eligibility criteria is from 5 to 100 ha, and in the vegetable sector from 3 to 50 ha, and that additional data and analysis will be necessary that would support the stated requests of the representatives of the Association of Farmers "Club 100P plus". At the same time, he expressed his view that it is good that producers are thinking in the direction of intensifying production.

**Mrs Radmila Vučinić**, Association of Agricultural Producers "Vojvodina agrar", noted that members of the association are primarily representing the crop producers, but that a significant part of the membership is engaged in vegetable production. She posed the question how many submitted applications were related to fruit growing, and how many for vegetables, from a total of 53% submitted requests related to the fruit and vegetable sector. She noted that the fruit sector experienced real expansion in the last 20 year, which is not the case in



the vegetable sector. For this reason, she supported Mr Kobilarov's proposal to consider the upper and lower limits as the lower limit of 3 ha slows down small producers willing to expand

**Mr Miroslav Kiš**, Association of farmers, addressed the issue of the length of the time period for the processing of submitted applications by the DAP, since some producers have not even had feedback about the submitted applications after a year, and asked whether in the next time something concrete can be done to speed up the processing of applications by the DAP.

**Mr Žarko Radat**, Director of the IA, MAFWM, confirmed that there are applications that are waiting close to a year to be processed, but this situation is viewed with regard that many farmers would not have any chance to gain a subsidy in last year under the national scheme if they had not been given a chance to submit their applications based on pro-forma invoices. Despite the obligations of employees regarding the accreditation for IPARD, the DAP has provided payment of the entire budget foreseen for 2017, along with in time processing of about 115,000 requests for various kinds of subsidies from the national scheme. At the same time, the process of admission and training of new staff was ongoing, as well as the processing of almost all submitted requests. He invited the associations to refer to the DAP in order to obtain information on the status of their applications, with an idea when it will be completed, which would be particularly be relevant for the applications based on pro-forma invoices.

**Mr Zoran Janjatović** noted that proposals for amending the IPARD II programme were registered and invited stakeholders to submit proposals and suggestions in written form.

**Mrs Anna Nowak-Wood**, Programme Manager, DG AGRI, EC, on the topic of the modification of the Programme suggested that it would be good to specify the deadline for submission of proposals and suggestions for the modification of the Programme by members of the MC, having in mind the upcoming season of holidays in order to avoid the situation of hurry before the end of the year in terms of preparing the request to modify the Programme.

**Mr Zoran Janjatović** invited stakeholders to submit orally presented proposals and suggestions in writing with an explanation by the end of June in order to discuss the same and to finalize the procedure for the modification of the Programme. In the light of the above mentioned, he noted that related to the modification of the Programme major steps were taken in the wine and poultry sector, while in the sector of fruits and vegetables, it would be necessary to prepare sector analysis based on the available statistical data and information.

#### **Item 14 of the Agenda: Realized and planned activities of visibility and communication up to the end of 2018**

**Mrs Sanja Prodanović**, Head of the Group for Technical Assistance and Rural Development Programmes Promotion, MAFWM, announced that in the time between two MC sessions, IPARD webpages were activated on the website of the MAFWM, as well as the DAP website, i.e. IA, which included all relevant information related to IPARD recipients and applicants, as well as answers to frequently asked questions. Also in November 2017 an e-mail address was activated to which all recipients and potential recipients can send their questions in

writing, which was very important due to the over 600 e-mails received. On this occasion, regular meetings of MA and IA are held every Friday for an agreement on the answers to more complicated questions. In the meantime, M1 and M3 Measures Guides for recipients have been prepared with information on the necessary requirements to be fulfilled by the applicants, i.e. potential recipients in terms of general and specific eligibility criteria, as well as other relevant information. Also, both guides contain animal welfare checklists, food safety, plant protection, manure disposal check lists etc., as well as a legislative framework for the environment. A leaflet was also published, which was presented at the 85<sup>th</sup> International Agricultural Fair in Novi Sad as well as the publication "IPARD in 10 Steps". Preparation of informative workshops meant the two modules for advisors within SAS and AS Vojvodina, that is, four four-day modules, whereby advisors were introduced with all aspects of the rules. In 2018 a module was held with advisors in order to receive feedback in terms of the most common problems appearing in the field, both from the recipient point of view and from the point of view of advisers. She informed the attendees about a set of 29 completed business plans drafted by advisers in Central Serbia and 6 business plans filled by advisers in Vojvodina, which represents a total of 35 business plans. Regarding held promotional events, the MA partners, besides the SAS, were SCTM, Chamber of Commerce and Industry of Serbia, Provincial Secretariat for Agriculture, Water Management and Forestry, as well as regional development agencies. A large number of these events were held with agricultural producers. An information event was held with banks and development agencies, as well as with consulting companies. At the same time, one of the greatest events which was attended and prominent was held at the 85<sup>th</sup> International Agricultural Fair in Novi Sad on the day dedicated to the EU at the fair, where guests were Mrs Anna Nowak-Wood and Mr Mario Milouchev, Director of DG AGRI. Number of farmers, who attended the event regarding IPARD and that were organized by the SAS, is registering a growth tendency year after year (6.500 agricultural producers on 31 May, 2018). Similar activities were organized by the AS Vojvodina, which in the first five months of this year realized twice as much activities related to the promotion of IPARD compared to last year. As for the upcoming two calls it is planned another module for the advisors and 9 informative workshops within the IPA project in cooperation with the SAS, Chamber of Commerce and Industry of Serbia, SCTM, present members of the MC, associations, etc.

**Mr Zoran Janjatović** concluded on the basis of the previous presentation, that there were a lot of field activities, which resulted in very useful feedback. Then he invited members of the MC to propose the date of the next session of the MC, with a proposal to be in the last quarter of this year, expressing hope that there will be new information on the public calls made and some of the completed projects. He suggested that the term of the next meeting can be at the end of October or early November.

**Mrs Anna Nowak-Wood**, Programme Manager, DG AGRI, the EC called for one or two associations to prepare a presentation for the next session of the MC to present their association, which would be beneficial for all.

**Mr Zoran Janjatović** agreed with the proposal of Mrs Anna Nowak-Wood. He expressed opinion that this session of MC was efficient and productive, and at the same time expressed gratitude for posed questions and suggestions, which are necessary for further work of the MA. He noted that the Third Session of the IPARD MC was completed. At the end of the

meeting, he announced an upcoming field visit by the representatives of DG AGRI, the MA and the IA to potential beneficiaries of IPARD subsidies.

### III Summary

Conclusion	Monitoring Committee	Activities that follow
Adoption of the Agenda	Agenda adopted by consensus	
Adoption of the Minutes from the Second MC meeting	The Minutes adopted by consensus	
Information on the implementation of decisions taken at the Second MC meeting	Information	
Changes of appointed MC members / alternates and representation of new MC members	Information	Modification of the Decision
Second modification of the IPARD II Programme	Information	Modification of the Programme
Information on changing the List of Eligible Expenditure	Information	
IPARD II Programme - Current state of implementation: The First, Second and Third Public Call	Information	
The Fourth and Fifth Public Call for IPARD II measures	Information	Publishing of the Fourth and Fifth Public Call for IPARD II measures
Plan of Activity of Visibility and Communication	Information	Implementation of the PAVC

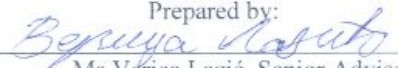
#### SIGNATURES:

CHAIRPERSON:

  
Mr Branimir Nedimović  
Minister of Agriculture, Forestry and Water Management

For the Secretariat of the IPARD Monitoring Committee

Prepared by:

  
Ms Verica Lazić, Senior Advisor

Approved:

  
Mr Zoran Janjatović, HoMA

