



Republic of Serbia
**MINISTRY OF AGRICULTURE,
FORESTRY AND WATER MANAGEMENT**
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Belgrade

EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT
- Mr Jerzy Bogdan PLEWA, Director General -

European Commission
Rue de la Loi 130 08/188, 1049 Brussel

Subject: Submission of the Minutes of the second meeting of the IPARD II Monitoring Committee for Programme for Agriculture and Rural Development of the Republic of Serbia under the Instrument for Pre-accession Assistance (IPA II)

Dear Mr Plewa,

In the capacity of the Minister of Agriculture, Forestry and Water Management and Chairperson of the IPARD II Monitoring Committee, I herewith submit the Final version of the Minutes of the second meeting of the IPARD II Monitoring Committee with supporting annexes for Programme for Agriculture and Rural Development of the Republic of Serbia under the Instrument for Pre-accession Assistance (IPA II) for the years 2014-2020.


**Minister of Agriculture,
Forestry and Water Management**
Branislav Nedimović
Branislav Nedimović

Enclosed:

- The Minutes of the second meeting of the IPARD II Monitoring Committee with supporting annexes for Programme for Agriculture and Rural Development of the Republic of Serbia under the Instrument for Pre-accession Assistance (IPA II) for the years 2014-2020
- Agenda
- Copy of the List of the participants

Submit copy to: Mr Liam Breslin, Head of Unit, DG AGRI, Pre – Accession Assistance to Agriculture and Rural Development

MINUTES IPARD II MONITORING COMMITTEE

Minutes No. 2

Minutes of the second meeting of the IPARD II Monitoring Committee

3rd October 2017, 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 Trade, Tourism and Telecommunications;
5. Ministry of Education, Science and Technological Development;
6. Ministry of Labour, Employment, Veteran and Social Affairs;
7. Ministry of Culture and Information;
8. Statistical Office of the Republic of Serbia;
9. Development Agency of Serbia;
10. Chamber of Commerce and Industry of Serbia;
11. Standing conference of towns and municipalities;
12. Serbian Cooperative Union;
13. National Association of Fruit and Vegetable "The Fruits of Serbia";
14. National Society for fruit production "Our fruit Serbia";
15. Associations of farmers;
16. Associations of agricultural producers "Vojvodina agrar";
17. Rural Development Network of Serbia;
18. Serbian Milk Producers Association;
19. National associations of milk processors "SEDA";
20. National association "Rural tourism in Serbia";

21. Association of citizens "National LEADER Network";
22. National Association for the development of organic production
"SERBIA ORGANICA"
23. IPARD Agency, MAFWM (hereinafter: IA);
24. Ministry of Finance (hereinafter: MF);
25. Ministry of European Integration;
26. Audit Authority Office of EU Funds (hereinafter: AA);
27. European Commission (hereinafter: EC);
28. European Union Delegation to the Republic of Serbia (EUD);
29. Faculty of Agriculture, University of Novi Sad;
30. Institute for the Application of Science in Agriculture;
31. Team for Social Inclusion and Poverty Reduction.

The session was not attended by members of the IPARD II Monitoring Committee, representatives from:

1. Ministry of Public Administration and Local Self-Government;
2. Ministry of Youth and Sports;
3. Provincial Secretariat for Agriculture, Water Management and Forestry;
4. Association of farmers "Club 100P plus";
5. Faculty of Agronomy Čačak, University of Kragujevac;
6. Faculty of Agriculture, University of Belgrade.

Result: 25 members/ alternates of 29 as total with voting right have been present. Quorum has been reached and decisions could be taken.

Appendix 1 to the Minutes: List of participants;

Appendix 2 to the Minutes: Agenda.

II Outcome of the IPARD MC meeting

Item 1 of the Agenda

The second meeting of the MC was opened by the Deputy Chairperson, Assistant Minister of Agriculture, Forestry and Water Management, Mr Zoran Janjatović.

Mr Zoran Janjatović, Deputy Chairperson, welcomed the MC members, representatives of the EC and the EUD, representatives of the NIPAC office, representatives of the Management Structure of the MF, the AA and the Operating Structure, as well as guests from other sectors of the MAFWM. In his introductory speech, Mr Janjatović emphasized the role and importance of the work of the MC, given that the members are representatives of the final recipients of the IPARD programme and significantly influence the programming process, and he also stated that the accreditation process for the IPARD program, which was started a few years ago, is coming to an end. On that occasion, he invited the MC members to participate actively in the discussion.

Mr Željko Radošević, State Secretary of the MAFWM, Deputy Minister, welcomed the gathering in front of the MAFWM and on behalf of the Minister in charge and expressed his satisfaction that significant steps were taken in the process of preparation for the implementation of the IPARD programme in the previous period. He emphasized that the process of European integration of Serbia created the possibility of using EU pre-accession funds for rural development. For the rural development programme 2014-2020, which is officially adopted by the EC, funds were allocated in the amount of 175 million euros. However, the very use of funds will be possible only after the entrustment of budget implementation tasks, i.e. accreditation. Accordingly, at the end of 2016, the Government of the Republic of Serbia established an IPARD Working Group with the task of implementing the necessary activities for successful finalization of the process of entrustment of budget implementation tasks.

Mr Radošević emphasized the important role of the MC. Namely the MC together with the MA will monitor the effectiveness, efficiency and quality of the implementation of the IPARD 2014-2020 programme, as well as the progress in achieving the defined goals. He stated that in the previous period, successful cooperation and coordination regarding the most important issues in the field of rural development policy was achieved at the level of MC members i.e. representatives of associations of producers and processors, as well as representatives of institutions. The EU rural development policy is a tool for issues, that agricultural producers face with in Serbia, especially those in areas with difficult working conditions in agriculture. Successful implementation of the IPARD II programme in the forthcoming period can bring about 400 million euros of new investments to Serbian villages. At the end of the presentation he thanked the EC Delegation for assisting in the implementation of activities in the previous period, as well as to all the participants for their co-operation and support to the MAFWM in creating a competitive, efficient and sustainable agricultural sector.

Item 2 of the Agenda

Ms Jelena Stojović, the NAO, State Secretary at the Ministry of Finance, having welcomed all attendees of the gathering, stated that the preparatory activities for entrustment of budget implementation tasks for the IPARD programme are in the final stage; most of the activities foreseen by the Action Plan of the Working Group formed at the level of the Government of the Republic of Serbia, have been implemented. She underlined that significant progress has been achieved in various areas. In addition to the new building of the IA, legal, procedural and institutional framework has been improved, as well as human capacities within the IPARD structure not only in terms of the number of employees but also in terms of their capacities. She emphasized the completed external audit mission, and the on-going implementation of corrective measures in line with their recommendations. Given that a lot of time, energy and financial resources have been invested, to take as an example the adaptation of the new IA building, she highlighted the importance of the EC to recognize the effort and, in that sense to approve the beginning of implementation of the IPARD programme. Ms Stojović thanked the EC and the EUD for the assistance provided in the previous period.

Item 3 of the Agenda

Mr Liam Breslin, Head of the Pre-Accession Assistance Unit of the Directorate General for Agriculture and Rural Development, EC, having greeted the gathering, expressed optimism indicating that much has been done in the context of entrustment of budget implementation tasks and hoping that the approval will soon follow. He emphasized that the whole process requires patience and a lot of effort, but that the implementation of the IPARD programme will make a significant difference. During the presentation, citing the example of Ireland, he pointed to positive effects in terms of improving competitiveness and modernization of the agricultural and agro-industrial sector, while expressing hope that the implementation of the IPARD programme in Serbia will lead to similar results, bearing in mind that agriculture is an important part of the national economy of the Republic of Serbia. He noted that two countries are implementing IPARD, namely: Turkey and Macedonia. He pointed out that Montenegro is ready to implement the IPARD programme, while Serbia and Albania are in the final stage of the accreditation process. He expressed expectation that the next meetings would be about the implementation of the first calls and their results.

Furthermore, he reminded everyone that in the previous months video conferences were held where it was discussed about the most important steps, and almost all of them were completed with great efforts. A major step was to put in function and move into the new building of the IA. However, he emphasized that it is true that there are still a few steps left to be taken, such as the reference price database, employment of qualified staff, but he also expressed hope that these activities would be soon completed. He also expressed an expectation that the DG AGRI audit mission in November will finalise the entrustment process. Consequently, the Financing

Agreement could be signed and the entrustment of the budget implementation tasks could be granted, after the audit- assuming all went well. If Serbia wishes to launch the first calls in December or January, prior to the official signing of the Financing Agreement it could be done, but on the country's own risk. Mr Liam Breslin said that he was aware that the first calls would apply to measures M1 and M3, and that the emphasis would be on mechanization. Also, it is equally important to use the EU funds for 2015 otherwise a significant loss of funds may occur.

At the end of the speech he expressed hope that the accreditation process will be completed after the DG AGRI audit in November, if all of the outstanding requirements are met. He emphasized that Serbia will benefit much more than IPARD itself, in terms of establishing a system, audit, control, etc. He also emphasized that the funds must be used transparently, given that major consequences may occur otherwise.

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

Mr Zoran Janjatović thanked for the expressed optimism of the participants in their introductory presentations and further asked all the present members of the MC to introduce themselves. After the presentation of the MC members, it was determined that a quorum was reached, considering that there were 25 members/ deputy members present with a voting right, which provided the possibility of making decisions.

Item 4 of the Agenda: Adoption of the Agenda

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

Decision No. 1

Agenda has been adopted by consensus.

Item 5 of the Agenda: Adoption of the Minutes from the previous meeting of the IPARD II Monitoring Committee

After 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 first session of the MC were adopted by consensus.

Item 6 of the Agenda: Information on the implementation of the decisions adopted at the previous session of the IPARD II Monitoring Committee

Mr Zoran Janjatović informed the attendees about the implementation of decisions made at the previous session of the MC in the continuation of the session.

1. The Rules of Procedure of the MC IPARD II Program were adopted

The Rules of Procedure were adopted at the First meeting of the IPARD MC, and the work of the Committee was conducted in accordance with the Rules of Procedure. From the moment of establishment of the MC, one session was held, on the 11th of February, 2016, and the written procedure regarding the adoption of the Decision on the Approval of amendments to the IPARD II Programme 2014-2020 was also applied once.

2. Plan of visibility and communication activities of the IPARD II programme

Extension service is continuously working to promote the IPARD II programme on the field, i.e. to inform potential recipients of IPARD funds as a part of regular annual activities. Intensive training in the last quarter of 2017 is planned as well, especially related to the topic of the rulebooks for measures M1 and M3 of the IPARD programme, with more intensive informing of potential recipients both in terms of the rulebooks and in terms of modification of the IPARD II programme as well.

3. Evaluation Plan for the IPARD II Programme 2014-2020

Due to the fact that the entrustment for budget implementation tasks for the Measure Technical Assistance has not been granted yet, implementation of the Evaluation Plan is postponed. Mr Zoran Janjatović expressed hope that the Group for monitoring, evaluation and reporting of the MA would be in a position to present initial results of the implementation of the IPARD II programme at the next MC meeting.

4. Technical Assistance Action Plan for 2016

It has been decided to accredit measures M1 and M3 in the first stage, while accreditation of the measures Technical Assistance (M9) and Diversification of agricultural holdings and business development (M7) is postponed. Mr Janjatović expressed hope that measure M9 will be the first subsequent measure to be accredited along with M7 in the second stage.

5. The Decision on the approval of amendments to the IPARD II programme 2014-2020

The Decision on the approval of amendments to the IPARD II programme 2014-2020 has been made through a written procedure following the process of harmonization of the modifications of the programme in the last quarter of the previous year. The Amendments to the IPARD II programme were officially approved by the European Commission on the 5th of July, 2017, and

subsequently by the Government of the Republic of Serbia as well. Following the approval of the amendments to the IPARD II programme, the rulebooks for the measures M1 and M3 have been adopted.

Item 7 of the Agenda: Information on changes of the members

Ms Sanja Prodanović, Head of the Group for Technical Assistance and Rural Development Programmes promotion within the MAFWM, provided information on the changes of 11 members / alternates of the MC, due to personal or institutional reasons, as follows: Ministry of Agriculture, Forestry and Water Management; Ministry of Culture and Media; Ministry of Youth and Sports; Ministry of the European Integrations; Governmental Audit Office of EU Funds; Provincial Secretariat for Agriculture, Forestry and Water Management; Statistical Office of the Republic of Serbia; Chamber of Commerce and Industry of Serbia; Development Agency of Serbia; National Society for fruit production "Our fruit Serbia"; Association of Agricultural Producers "Vojvodina agrar".

Ms Prodanović stated that after the second session of the Monitoring Committee, the Decision on the establishment of the IPARD II MC would be amended.

Item 8 of the Agenda: Information on the adoption of the first IPARD II programme modification

Mr Slobodan Živanović, Head of the Group for Programming within the MAFWM, stated that the IPARD programme 2014-2020 was adopted in January, 2015, by the EC and that the first modification of the IPARD programme was adopted by the EC on the 5th of July, 2017. The first reason for the modification of the Programme were proposals from the potential recipients, the second reason refers to the preparation of rulebooks for measures M1 and M3, i.e. during the preparation of by-laws, need for the modification of the IPARD programme was recognized. Mr Živanović stated that the process was carried out through continuous communication with the DG AGRI and the IA, and in accordance with the MA procedures. In addition to the implementation of the MA procedures a Working Group for drafting the rulebooks and modification of the IPARD programme was established. A final draft, that was agreed through cooperation with colleagues from the IA and communicated with the DG AGRI as well, was adopted and submitted to all members of the MC for their approval.

The first modification of the IPARD programme was approved by the MC on the 31st of January 2017, and after the Decision on the approval of amendments to the IPARD II programme 2014-2020 was made by the Chairman of the MC, the first modification was approved by the EC on the 5th of July, 2017.

There are two separate categories in the structure of the adopted changes: the first category of the changes refers to the harmonization of the IPARD programme with the later adopted Sectoral

Agreement, as well as a more detailed explanation of the introductory part of the Programme, while the second part of the changes refers to the changes within measures.

Mr Zoran Janjavović thanked for the information on the adoption of the first modification of the IPARD programme and announced the next presentation by Ms Anna Nowak-Wood, Programme Manager, DG AGRI, EC.

Item 9 of the Agenda: Presentation of IPARD legal framework and entrustment process

Ms Anna Nowak-Wood, Programme Manager within the DG AGRI, EC, prior to the presentation highlighted the importance of having two MC meetings per year in the future, a spring and an autumn session. She also emphasized that a significant number of the MC members come from the public administration, which is good on the one hand, but on the other hand the IPARD programme is intended for farmers, food producers and rural population, therefore it would be appropriate to include more representatives of potential recipients within the MC.

In her further statement, Ms Anna Nowak-Wood emphasized that it was necessary to comprehend the IPARD legal base and the process of entrustment of the budget implementation tasks; why it took so long, what were the steps, and what would be the final results. There are three levels of the legal base, the first level is: the IPA II Regulation, Common Implementing Regulation and the IPA II Implementing Regulation. They represent the legal basis primarily for the Commission. These aforementioned regulations provide legal power to prepare programmes, actions and to implement assistance in the countries. All the aforementioned documents were adopted in 2014. The next level consists of national strategies and multi-country strategies that are being prepared in cooperation between the EC and the individual beneficiary countries, while the lower level refers to the programmes, for example the IPARD programme, in parallel there are different kinds of agreements as well.

The legal framework is necessary in order to commence the activities, but also to ensure compliance with the principles of good public administration and economic governance. The IPA Regulations govern all the IPA activities under different policy areas. As regards IPARD programme there are two priorities: the first priority is to ensure the security and safety of food supply but at the same time to maintain diversified farming system in rural areas, and the second priority is to increase market competitiveness and fast progress towards reaching the EU standards.

Ms Anna Nowak-Wood emphasized that the IPA regulations provide description of the IPARD operating structure and that the IPARD programme is prepared by competent national authorities, indirect management and specific provisions related to the IPARD programme. Serbia signed agreements with the EC: the first one was the Framework Agreement, which was signed in December, 2014 and covers all IPA policies, including the IPARD programme, then the second one was the Sectoral Agreement, signed in December, 2015, which refers exclusively

to the IPARD programme. Last but not least, the Financing Agreement, which has not been signed yet. The Financing Agreement stipulates financial allocation and is to be signed only after the entrustment has been granted, hopefully at the beginning of the next year.

Ms Anna Nowak-Wood noted that national authorities responsible for establishing the management and control system should have a well-defined administrative organization and system of internal verifications with full internal rules of procedure, clear institutional and personal responsibilities, i.e. procedures, responsibilities and organizations in the following areas: control environment, risk management, control activities, information and communication, and monitoring of internal control framework. How does this process look like in Serbia? The first request for the entrustment of budget implementation tasks was sent to the EC in December, 2015 and the entrustment package included four measures. The first findings of the DG AGRI auditors in May, 2016 were not satisfactory, namely, 4 blocking factors were determined, therefore the entrustment of budget implementation tasks could not be granted. Thereafter, intensive communication between the EC and the national authorities took place, and as a result, Serbia prepared an Action Plan for the finalization of the IPARD entrustment process. In the forthcoming accreditation package there will be two measures: M1 - Investments in physical assets of agricultural holdings and M3 - Investments in physical assets concerning processing and marketing of agricultural and fishery products.

In the meantime, an external audit has been conducted, which is completely independent from the EC and the competent national authority, with the task to verify the functioning of the entire system. Ms Anna Nowak-Wood pointed out that the Final Report of the external audit was expected soon, and if the findings were positive, entrustment package should be sent to the EC in October, 2017. After that, the audit mission of the DG AGRI is expected in November, 2017. She highlighted that this mission is of crucial importance and that the next step could be the entrustment of budget implementation tasks and signing of the Financing Agreement. On the basis of that, Serbia could be provided with an approval to launch the call and start implementation of the IPARD programme.

Item 10 of the Agenda: Discussions

Mr Zoran Janjatović thanked for the previous presentation and invited the MC members to participate in the discussion.

Ms Ivana Stefanović-Ristin, Association of citizens "National LEADER Network" asked for more detailed elaboration on what needs to be done in order to finalize the accreditation package to be submitted in 2017.

Mr Zoran Janjatović stated that the Ministry of Finance and the Operating Structure will present in more details what needs to be done for the completion of the accreditation package, in the next part of the session. He also announced the presentation on state of play and External Audit findings of the Management and Operating Structure.

Item 11 of the Agenda: IPARD programme- State of play and External Audit findings

Mr Dušan Brajković, Assistant Minister, Sector for Managing EU Funds, Ministry of Finance, pointed out that preparation for the accreditation of IPARD started in 2010 for the previous financial period. The competent authorities launched this process again in 2015 again, but for a new financial perspective. The national legal framework for IPA was finalized in December, 2015 by signing the Framework Agreement between the EC and the RS, the Government adopted the Regulation on IPARD Programme, the Decision on the Appointment of Persons and Bodies responsible for the Implementation of the IPARD programme, the Government also adopted the Regulation on the Appointment of the Audit Authority and adopted the Sectoral Agreement in December, 2015 as well. He further pointed out that the previous external audit was carried out at the end of 2015 and the NAO submitted a request for the entrustment of budget implementation tasks in December 2015, after which the DG AGRI audit mission followed. The DG AGRI Audit Mission Report contained a significant number of findings and recommendations. In November 2016, IPARD bodies decided to exclude measures M7 and M9 from the request for the entrustment and focused on measures M1 and M3. In December 2016, an IPARD Working Group was established with all relevant bodies involved. A comprehensive national plan for addressing all the audit findings was prepared in cooperation with the DG AGRI, in February, 2017. In July, 2017 all planned preparatory activities were completed which created the conditions for a new external audit to be performed. The focus was on the Rulebooks for measures M1 and M3, the internal audit capacities, the memorandums with technical bodies and the establishment of the IT system in the IA. There were 180 audit findings, in total, for the entrustment of budget implementation tasks. After the external audit there were 38 findings in the draft report, but these were not new findings; these 38 findings were outstanding issues from previous audit report. There were 10 major findings within the Management Structure, which referred to retention policy in IPARD bodies, signing of the Memorandum of Understanding between the NAO, MA and IA as well as findings related to the IT security policy. There were 6 intermediate findings referring to the capacity of the internal audit of the Ministry and the operational procedures of the Management Structure.

While the external audit was being performed activities were carried out to address the aforementioned findings. Some of the findings have already been closed, e.g. the trilateral Memorandum was signed on the 21st of September, 2017. Trainings for improvement of the internal audit capacity of the Ministry were prepared; a Working Group was established with the aim to prepare an Action Plan for addressing findings related to the IT security. Findings related to operational procedures were addressed. It is expected that the consolidated entrustment package of IPARD Management and Operating Structure will be prepared by the middle of October, more precisely by the 16th of October, when it shall be submitted to the DG AGRI. The DG AGRI audit mission is expected in November, 2017. Mr Brajković expressed his expectation that the DG AGRI would come to a positive decision on that occasion, which would be finalized by signing the Financing Agreement, most likely at the beginning of 2018.

Mr Slobodan Karanović, Assistant Director of the Governmental Audit Office of EU Funds, stated that the Audit Authority (hereinafter: AA) is outside the system, i.e. the structure, in line with obligations from the Framework Agreement (hereinafter: FA) and the IPA Regulations. The Governmental Audit Office was established by the Regulation of the Government of the RS in 2011; at that time 11 people were employed, of which only 3 were auditors. The AA became a blocking structure in 2015 after which the process of reorganization of the AA followed. Currently, the AA is fully in compliance with the FA for IPA II. Today, the AA has 25 systematized working posts and 26 employees (1 temporarily contracted employee), of which there are 23 auditors i.e. 8 certified auditors. Five auditors are employed in the Audit Group for IPARD. All auditors passed two TAIEX training programmes for auditing, as well as the for internal audit certification. He pointed out that on the 1st January, 2018 the AA will become the Audit Agency of EU Funds. Adoption of the law will resolve issues that were blocking in 2015, and these were the issues related to the retention policy and independence of the auditors acting. Furthermore, the Audit Agency will have the authority to carry out audits of individual agricultural holdings under the IPARD audit.

Mr Zoran Janjatović presented the state of play regarding external audit findings within the MA. He stated that there were 4 blocking audit findings, whereof findings regarding adoption of amendments to the Law on Agriculture and Rural Development and the Law on Subsidies in Agriculture and Rural Development were addressed. Within the scope of the external audit carried out recently, one of the findings was the preparation and adoption of rulebooks for measures M1 and M3. As a result of activities of the Working Group, they were finalized and published in the OG RS on the 20th of September. Regarding the finding related to the establishment of the IT system in compliance with the ISO standard, he pointed out that the procedure was prepared and harmonized with the MF procedure. Furthermore, capacity building within the Internal Audit Group was ranked as an intermediate finding, in terms of trainings of the two auditors as well as in terms of filling one vacant position foreseen by the Act on Systematization of the MAFWM within the Internal Audit Group. It is expected that this vacant position will be filled by the end of this year, with an individual properly trained in line with the requirements for IPARD audit. The Internal Audit Training Plan was updated in cooperation with the IA. Mr Janjatović stated that findings of the DG AGRI auditors were successfully addressed and hopefully it would be confirmed at the next DG AGRI audit mission.

Mr Žarko Radat, Director of the IA, within the MAFWM, noted that there were 104 findings in total, out of which four findings were blocking. Some of them were overlapping with the findings in the MA, such as amendments of the law and adoption of the rulebooks. Quite a number of findings were addressed by adoption of the law and rulebooks both for Measure M1 and Measure M3. Furthermore, during the external audit mission from the 14th of August to the 15th of September, all of the blocking findings, as well as other findings of minor risk, were addressed. Regarding the blocking and major risk findings, the legislative framework was adjusted in December 2016; a trilateral Memorandum was signed, as well as Memorandums of

Understanding with technical bodies, and staff capacities for the implementation of the IPARD II programme were strengthened (84 new employees in the IA). The training system based on mentorship, that is being implemented for newly employed staff, with significant support of the Human Resources Management Service in terms of adjusting the training and training programme to the needs of the IA, was praised. One of the findings referred to the reference price database, as one of the key points for approving IPARD projects. In recent months, significant progress has been made regarding this issue in terms of establishing a methodology for calculating objective reference price, while providing control access to the reference price database. Modification of the Act on Systematization ensured 10 new working posts in IA with the aim of establishing a department that would be exclusively entitled to deal with reference prices. Also, the finding regarding relocation of the IA into an adequate building in terms of compliance with the ISO standard was addressed. Currently, activities on addressing all the remaining findings are being carried out.

Mr Zoran Janjatović thanked for the previous presentations and invited the MC members to participate in the discussion.

Item 12 of the Agenda: Discussion

Ms Ivana Stefanović-Ristin, Association of citizens "National LEADER Network", raised a question regarding the accreditation of the Technical Assistance measure, bearing in mind its significance in the implementation of the IPARD programme, as well as what the necessary steps were from the moment of signing the Financing Agreement to the launching of the first call for recipients.

Mr Zoran Janjatović thanked for the question and emphasized the importance of funding, i.e. supporting the Rural Development Network through Measure M9, as well as all the structures involved in programming of the LEADER Measure. The aim is to adopt a rulebook for the implementation of the LEADER Measure this year, as well as to carry out an information campaign regarding implementation of the LEADER Measure on the territory of the Republic of Serbia. The budget for the preparation of the Rural Development Strategy is provided. We hope to launch the process for accreditation of measures M7 and M9 at the beginning of the next year and that the whole process will be quicker than for the Measures M1 and M3.

In relation to the second issue, he noted that public calls can be launched even before signing the Financial Agreement and before the entrustment, the public call will last for a certain period of time, applications can be submitted and of course, we will wait confirmation from the DG AGRI so that the IA can proceed to the next step - the processing of submitted applications and control of the same.

Mr Dušan Brajković confirmed the possibility of publishing the call even before signing the Financing Agreement, but noted that making such a decision depends on the opinion of the DG

AGRI auditors, and although at that time we will not have the Final Report, we will have indications whether it will be a positive or a negative one.

Mr Liam Breslin, Head of the Pre-Accession Assistance Unit of the DG AGRI, EC, referred to the presentations of the MA and the IA and noted that almost everything has been done. Furthermore, bearing in mind a short period of time until the first calls, training of new employees regarding the first public calls is of great importance. He also pointed out that in relation to the Measure M3 in particular, certain activities still need to be done regarding the reference price database system for investments in processing and marketing. He stressed that this issue was important to be completed before the DG AGRI audit and that he had concerns on this issue.

Mr Slobodan Karanović, Assistant Director of the Governmental Audit Office of EU Funds, noted, based on the previous observations of Mr Liam Breslin, that the findings of the auditors presented by the MA and the IA were no longer blocking, although there were some findings ranked as major risk findings. He also noted that, while performing audit of projects and applications, the focus of the audit would be on evaluating the viability of the projects. At the same time, he stressed that all IPARD structures and all entities would be the subject of the audit.

Mr Žarko Radat, Director of the IA, within the MAFWM, explained that there was no reference price database at the time of the last external audit, even the procedure was not sufficiently adequate, the sources could not show that these prices were truly referential. Now the methodology is developed. There were no drastic findings regarding the methodology of determining reference prices at the last conducted audit, except in terms of system security, which was upgraded in the meantime and now it was functional. He stressed that it is impossible to list all prices and all machinery, all types of works and all types of facilities. It is important that the methodology ensures a reliable method for determining the reference price. Assistance of experts from Croatia and Macedonia, as well as recommendations from the EC were of significant importance during the preparation of relevant procedures and the reference price database. System of estimation of reference prices is established like in the other countries where it is functional and accredited.

Mr Aleksandar Bogunović, Deputy Director of the Agriculture Sector, Chamber of Commerce and Industry of Serbia (hereinafter: CCIS), asked when the Guidebooks for the recipients could be expected. On that occasion, he emphasized the importance of promotion and information activities, in that way potential recipients would have detailed information and realistic business plans. In this regard the possibility of postponing the first calls should be considered.

Furthermore, Mr Bogunović pointed out that the cooperation between the CCIS and the MA regarding preparation of a Promotion Plan for legal entities was agreed, while on the other hand the Extension service performed IPARD promotional activities on three occasions so far. His opinion is that it is important that the CCIS, which has good cooperation with the associations of

agricultural producers, is involved in the process of drafting the Guidebooks for potential recipients. The CCIS is open for cooperation in determining the reference price, since the manufacturers and equipment dealers are its members. He also proposed the possibility of forming a working group on cooperation between the CCIS and IPARD Operating Structure.

Mr Zoran Janjatović noted that the preparation of Guidebooks for potential recipients in cooperation with the IA is on-going, based on the previously prepared rulebooks. Guidebooks will not be published until the rulebooks are finalized on the basis of the upcoming EC audit mission in November, although essential, key issues will not change. Also, for the preparation of Guidebooks support is provided under the IPA 2013 project. Soon, it is planned to implement concrete trainings for filling out the application forms and drafting business plans in cooperation with the Extension service, where the target group will be individual agricultural producers of smaller size, for drafting business plans for investments up to 50,000 euros for Measure M1, while on the other hand, regarding Measure M3 he expressed expectation that support of the CCIS would primarily be through the network of regional offices, as well as Standing conference of towns and municipalities (hereinafter: SCTM).

Mr Aleksandar Bogunović noted the importance of cooperation in the process of preparation of Guidebooks prior to drafting the final version, bearing in mind the questions from the field, in order to include responses to the questions into the final version of the Guidebooks.

Mr Zoran Janjatović confirmed that the draft of the Guidebooks would be available for comments and suggestions.

Ms Anna Nowak-Wood, Programme Manager, DG AGRI, EC: referred to Measure Technical Assistance, because at this point it is a key measure for the MA. Her opinion is that this measure should be accredited as soon as possible, immediately after the accreditation of measures M1 and M3, since it allows financing of the MC, evaluation and promotional activities, and preparation for the LEADER measure. Technical Assistance is crucial not so much from the point of budget spending as for preparation for the implementation of future measures.

Mr Zoran Janjatović noted that he shares opinion of Ms Anna Nowak-Wood and that the request for accreditation of this measure would be submitted soon.

Mr Božo Joković, National Society for Fruit Production "Our fruit Serbia", pointed out to the problem of increasing number of representatives of private consulting companies regarding the dissemination of information on IPARD, and that it could cause consequences for agricultural producers, i.e. potential recipients of IPARD funds.

Mr Zoran Janjatović thanked for the suggestions and emphasized that all stakeholders dealing with support to agricultural producers would be invited, as well as regional and private consulting companies in cooperation with the Extension service in order to provide key information regarding the IPARD programme.

Ms Anna Nowak-Wood, Programme Manager, DG AGRI, EC, reminded that representatives of potential recipients were present at the gathering and that they could share relevant information with their members. Eligibility criteria are included in the Programme which is public as well as the List of Eligible Expenditures, i.e. most of the information is public. In order to obtain additional information agricultural producers can contact the MA, through organization of different workshops, TAIEX trainings, and expressed willingness for further cooperation and support.

Subsequently, a question was raised regarding the time frame per each stage, i.e. how much time was needed from the moment of launching the first call to the moment of payment, since allocated funds for 2015 would have to be spent by the end of 2018.

Mr Zoran Janjatović stated that after the Plan for first call was presented; time frame would be explained in more details.

Item 13 of the Agenda: The First Call for IPARD II measures

Mr Zoran Janjatović presented the Plan for the First Call for IPARD II measures. The limitation fact for the first calls is the budget for 2015 of 15 million euros, which should be realized in 2018 through payments to final recipients, in order to avoid the risk of de-commitment. The plan includes investments that can be realized in the short term, i.e. for the Measure M1, the focus will be on equipment and machinery in all sectors, including tractors, while within the Measure M3, the focus will be on investments only in equipment in all sectors. Furthermore, 20% of the annual budget for Measure M1, meaning 1.5 million out of 7.5 million euros, will be allocated to tractors in the first call. There is also a possibility to use allocations from 2016 and 2017, but then there is a risk that there will be no continuity in investments in tractors. In that regard your suggestions and information from the field are more than welcome. Also, given that the total allocated amount of funds for Measures M7 and M9 is 1,300,000 euros, **Mr Zoran Janjatović** suggested that the aforementioned funds should be used for the Measure M3. Therefore, of the total amount of funds for 2015, around 50% will be allocated to the Measure M1 and around 50% to the Measure M3.

Likewise, **Mr Janjatović** noted in further presentation that drafting of the calls is expected to be finalized by the end of November, while their launching will depend primarily on the audit findings of the DG AGRI planned for November, i.e. on their report or indications. The announcement of the first call in this case could be expected for the end of December or early January next year.

He also pointed out that indicative plan for the Second Call, which could be announced in May, June or July, was prepared for investments in the construction and equipping of the facilities. Therefore, it is foreseen to include construction of facilities and procurement of new equipment and agricultural machinery within Measure M1, in the second call, while construction of facilities and procurement of equipment in the milk, meat, fruits and vegetables sector is foreseen

for M3 Measure. Mr Janjatović stressed that it is necessary for potential recipients to be informed that if they apply for a particular investment in the first call, they cannot apply for the second call until completion of the first investment.

Item 14 of the Agenda - Realized and planned activities of visibility and communication up to the end of 2017

Ms Sanja Prodanović, Head of the Group for Technical Assistance and Rural Development Programmes promotion within the MAFWM, in the continuation of the meeting, presented the realized and planned visibility and communication activities up to the end of 2017. She emphasized that the Visibility and Communication Plan should ensure the transparency of IPARD support and she also tackled the target groups and promotion partners. She pointed out that following the DG AGRI audit and suspension of the accreditation of the Technical Assistance Measure, there was a decision made to reduce the planned activities from the Visibility and Communication Plan and to reduce the intensity of promotional activities in order to avoid unrealistic expectations of potential recipients and the public. With regard to the realized activities in the period from 2016 until now, three workshops were held within the framework of the Platform for Rural and Regional Policy through support to rural and regional development in the RS. Furthermore, two modules were carried out with the Extension Service (hereinafter: ES) activities, related to rural development policy in the EU and Serbia and preparation for the implementation of rural development programmes, while the second module was related to preparation of the business plans and filling out of the application forms. She reported in the continuation of the presentation, that a total of 299 events were held in 2016, with participant number count of 7,439. There was a decrease in the number of the activities performed in 2017 as it was expected, given that it is an on-going year. The planned activities are primarily related to the entrustment of budget implementation tasks and the realization of the calls. Preparation of the Guidebooks for potential recipients began, in cooperation with the IA which will, inter alia, include section related to frequently asked questions, compliance with standards, as well as section relating to the documentation. The procedure for conducting the public procurement for the development of the IPARD website on the MAFWM webpage has been initiated. In addition, the ES Annual Programme also provides a module for training of advisors on the topic of filling out the application forms, developing business plans, gathering application documentation, Rulebook elements, meeting the standards by the recipients of IPARD support. Information campaign is planned just before the First Call is announced, in cooperation with ES, the CCIS, the SCTM, Rural Development Network and other stakeholders. Activities related to the forthcoming accreditation of Technical Assistance measure based on the IPA 2013 project are also planned, which primarily refers to promotional activities and strengthening of the professional capacities of the ES.

Item 15 of the Agenda – Discussion

Mr Aleksandar Bogunović, the CCIS, raised a question about the situation related to making distinction between investments for procurement of equipment and construction. In other words, there is a concern whether it could be a potential problem if the potential recipients decided to acquire equipment through the IPARD fund, while the facility would not fully meet the standards of quality and protection at work, and obtaining support for this type of the investment through the IPARD fund was not feasible at the same time because it was planned for the second stage of the investment. How is this issue going to be resolved from the point of view of approving the application for equipment, i.e. whether this could be a problem? The next question was related to whether there would be possibilities for extending the financing period due to the short period for project implementation in terms of securing the “n + 5” rule instead of the “n + 3” rule of financing investments from the IPARD fund.

In his reply to the aforementioned question, **Mr Zoran Janjatović** stated that the first call was intended for recipients who already had a processing facility and their goal was to purchase equipment, while the recipients interested in the construction or adaptation could apply for the next call where those investments were envisaged. Mr Janjatović also noted that € 15 million were available from 2015, however, at that moment, the Financing Agreement was not signed. The possibility of extending the deadlines in terms of “n + 5” rule would be considered at a later stage, if there was a need to extend funding. Opportunities and modalities for achieving of these options will be sought in communication with the EC.

Ms Anna Nowak-Wood, Programme Manager, DG AGRI, EC, noted that “n + 4” and “n + 5” funding rules were provided within the legal basis for IPARD: the FA and the SA, where extension of funding could be provided only in justified cases. Referring to the presentation of the MA, she stated that, it would be necessary to communicate a modification of the programme to the EC in relation to the payments of funds from 2015 in terms of transferring funds provided for the M7 and M9 Measures to the Measures M1 and M3. All this is under assumption that this request would be accepted by the EC. She also emphasized the risk of utilizing all available funds for tractors at the beginning of the IPARD programme implementation, since dissatisfaction of potential recipients could be caused by the lack of funding for tractors in the coming IPARD II period. Given that a large number of applications for tractors are expected, it is necessary to apply the ranking criteria. Speaking of the First Call, she noted that based on the experience of other countries, there were about 40% of approved applications and paid requests under the First Call, while a significant number of applications were rejected. One of the reasons was that the recipients were not familiar with the application procedure. The key role of the ES is highlighted here, according to the experience of other countries, as cooperation of agricultural producers with ES enabled practical preparation of high quality applications. She also noted that there was a very short period for potential recipients to get acquainted with the requirements and prepare the relevant documentation accompanying the application, i.e. they would not have

enough time to get acquainted with the details of all the necessary criteria that should be met for obtaining the IPARD support. It is necessary to provide certain support for potential recipients to prepare the applications. It is important to finalize the Guidebooks for potential recipients; they should have already been ready by now. Likewise, several other sources should be used for informing the potential recipients, not only the webpage of the MA. The EC standpoint is that calls can be launched only after the entrustment of budget implementation tasks and after signing the Financing Agreement and if calls were open before that, it would be on Serbia's own risk. The IPARD webpage should be developed as soon as possible. The only resources that can be used before the entrustment of budget implementation tasks are funds from the Technical Assistance Measure, whereby the PRAG procedure should be fully respected for any procurement, in order to reimburse these funds later (after the entrustment).

Mr Zoran Janjatović expressed thanks to Ms Anna Nowak-Wood for the clarifications and added that we would put an effort into combining the budget for 2016 and 2017 in the Financing Agreement in terms of announcements for the Second Call for Measures M1 and M3.

Ms Anna Nowak-Wood noted in her response that the IPARD Programme modification would be necessary in that case before the end of 2018, but this issue should also be duly considered since there was still time for implementation of the 2016 and 2017 budgets.

Mr Zoran Janjatović acknowledged Ms Anna Nowak-Wood for the clarification with the remark that this issue was of great importance for the MAFWM for planning of the national budget for the next year, bearing in mind the need to provide funds for co-financing.

Mr Vladimir Ivanović, Rural Tourism of Serbia, pointed out that tourism was a major contributor to economic activities in rural areas and he raised a question related to the plan for opening the calls for investments in rural tourism.

Mr Zoran Janjatović replied that M7 Measure – Diversification, was primarily aimed at rural tourism and that it was originally envisaged for the first entrustment package, which is now, postponed with the note that M9 Measure will be definitely included in the second entrustment package, while gap analysis for M7 Measure needs to be carried out in the meanwhile so as to identify the obstacles and determine if it could be proceeded into accreditation.

On the other hand, improved Rulebook on rural tourism will be developed through national scheme for the next year. He noted that support of the national tourism organization for the revision of national Rulebooks would be needed, and it had to be seen if there would be opportunities to renew the accreditation requirements for Measures M7 and M9 at the same time. This is the plan for the next year, while the period and scope of realization will be examined by the end of this year.

Ms Jasna Simović, Sector for Tourism, Ministry of Trade, Tourism and Telecommunications, raised the question of whether education of rural households in rural areas was planned, i.e.

trainings in terms of getting acquainted with the application requirements for the use of IPARD funds, given the specificities of these activities.

In his reply, **Mr Zoran Janjatović** noted that one of the modules in the ES Annual Programme was related to diversification of agricultural and non-agricultural activities in rural areas. Series of trainings (winter schools) covering rural tourism will be held through the ES.

Mr Slađan Stanković, Institute for Science Application in Agriculture (hereinafter: ISAA), pointed out that there were two two-day trainings on diversification and rural tourism for advisers organized during September by ISAA, in cooperation with the ES of the MAFWM.

Mr Aleksandar Bogunović, the CCIS, raised the question regarding the drafting of national Rulebooks in terms of their alignment with IPARD, in view of demarcation of investments and recipients, i.e. whether national Rulebooks were to be aligned in this respect.

Mr Zoran Janjatović replied that clear demarcation of recipients would be defined, for example, recipients with 2-50 ha would be able to compete for tractors within the IPARD programme, with clear delineation between recipients, so as to avoid double financing. The demarcation will be clearly defined in the NPRD, to be adopted hopefully by the end of the year.

Mr Miroslav Kiš, Farmers Association, pointed out that given the planned funds for tractors from the IPARD programme and bearing in mind the amount of € 1.5 million from the First Call, only about 100 tractors would be provided, which is a small number with a view to the needs of potential recipients for this type of investments on the agricultural holding (hereinafter: AH), as huge number of those farmers were registered in the Register of Agricultural Holdings and met all the criteria of the IPARD programme for this investment.

Mr Zoran Janjatović responded to the question by indicating that additional € 6 million would be provided for tractors with the planned merging of budgets for 2016 and 2017, and if the amounts of € 1.5 and € 6 million were to be merged in one call, there would be no other options for financing other investments, except for the purchase of tractors. An Opportunity for co-financing for investments into tractors will be provided in 6 months after the First Call. Advantage is given to the AH compared to legal entities and entrepreneurs based on the ranking criteria, where a priority is given to young agricultural producers, up to 40 years of age, and/or agricultural holdings in development.

Ms Anna Nowak-Wood noted that it depends on how funds would be spent, and that there will be funds available from the previous three years – 2015, 2016 and current 2017, as well as funds from 2018, available in 2018.

As **Mr Zoran Janjatović**, in his capacity as a Deputy Chairman, noted that were no further questions, he continued by raising the last item of the Agenda relating to scheduling of the next MC meeting.

Item 16 of the Agenda – Suggestions of the Agenda items and the date of the next meeting

Mr Zoran Janjatović suggested the next MC meeting to be held when results of the first call were available; in general the proposal was that it could be at the end of the first quarter of 2018.

Mr Aleksandar Bogunović, the CCIS, raised the question of whether we would have the proposal for the programme modification in April as it was discussed at today's meeting, to which **Mr Zoran Janjatović** replied that the proposal for the programme modification could be expected even earlier.

Ms Anna Nowak-Wood called for flexibility on scheduling the next MC meeting with the note that the MA should schedule date of the next meeting after the First Call was launched.

Mr Zoran Janjatović noted that today's meeting was held in working and constructive atmosphere, and that it was accompanied by numerous proposals and suggestions. He expressed expectation that members of the MC would continue to be active in communication, with gratitude for their participation in today's gathering and the desire for successful work in the coming period. In this way, the second meeting of the Monitoring Committee for implementation of the IPARD II programme was concluded.

III Summary

Conclusion	Monitoring Committee	Following activities
Changes of the appointed MC members/ alternates	Information	Change of the Decision
Adoption of the Agenda	Agenda adopted by consensus	
Adoption of the Minutes of the first MC meeting	Minutes adopted by consensus	
First modification of the IPARD II Programme	Information	
IPARD II Programme – State of play and EA findings	Information	Sending of the Entrustment Package to the NAO and the EC
First Call for IPARD II measures	Information	Announcement of the First Call for IPARD II measures
Plan of Visibility and Communication Activities	Information	Implementation of the PVCA

SIGNATURES:

CHAIRPERSON



 Mr Branislav Nedimović
 Minister of Agriculture, Forestry and Water Management

**FOR THE SECRETARIAT OF
THE MONITORING COMMITTEE**

Prepared by:


 Ms Tijana Mrinković, IPARD MC Secretary

Approved by:


 Mr Zoran Janjatović, Acting Assistant Minister
 Head of Managing Authority

