

**Background document for the ‘Workshop on early IPARD II calls’  
successes// challenges// lessons learnt**

**on 10 and 11 April 2019 in Bečići, Montenegro**

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## Status of IPARD II entrustment and calls

**Wednesday 10 April 2019\_9:40 – 11:20**

It is expected that each country will present (in 20 minutes):

- Some statistics, the response to the calls etc.
- the time-lines (planned vs realised)
- what caused delays
- bottlenecks and challenges encountered
- other specificities worth mentioning
- lessons learnt...

## Session on each of the bottlenecks and possible solutions...

**Wednesday 10 April 2019\_14:30 – 17:30**

This session will be done in 3 groups, with 1 moderator and 1 rapporteur per group. The rapporteur will present the outcome of the 'group work' the next morning.

The groups are formed in alphabetic order...

	Group 1	Group 2	Group 3
1	Mr Liam Breslin	Mr Marius Lazdinis	Mr Dick Van Dijk
2	Mr Aleksandar Anteski	Mr Grigor Gjerci	Mr Ilir Pajenga
3	Mr Laszlo Arendas	Mr Ekrem Gjokaj	Ms Danka Perovic
4	Mr Nikolce Babovski	Mr Zarko Kocevski	Ms Bojana Perovic
5	Mr Zhivko Brajkovski	Mr Darko Konjevic	Ms Biljana Petrovic
6	Ms Ana Cabarkapa	Ms Vesna Korovic	Mr Blagota Radulovic
7	Ms Melisa Cahani	Ms Frida Krifca	Mr Kiril Ristovski
8	Ms Anjeza Cecja	Mr Milos Kusovac	Mr Erand Saliaj
9	Mr Hamdija Civic	Ms Nadia Kyuchukova	Ms Jolanda Shtini
10	Ms Shqipe Dema	Ms Jasmina Miljkovic	Ms Teuta Topi
11	Ms Ilhan Demirkan	Ms Eranda Mulla	Ms Irina Vukcevic
12	Ms Aleksandra Dika	Mr Vangel Nanevski	Ms Milena Vukotic
13	Mr Mirgen Dobruna	Mr Dusan Neskovic	Mr Slobodan Zivanovic
14	Mr Razvan Ghitescu	Mr Hakan Efendi Özat	Ms Marina Zivanovic
15			Mr Bojan Zivkovic

## Initial discussion on IPARD III

**Thursday 11 April 2019\_14:00 – 17:00**

Under this header we will have two sessions to be done in 3 groups, with 1 moderator and 1 rapporteur per group. The discussion will be on the future ‘measures’ for IPARD III and on the possible introduction of ‘financial instruments’ under IPARD III.

As preparation for the discussion on the future measures, the Annex 4, section 5 of the Sectoral Agreement is copied below. Participants are encouraged to be prepared for addressing the following three questions:

1. Why not all IPARD measures are used? Do you intend to use the entire menu of measures, and if so – when?
2. If we see that certain measures are not, and will not be in a foreseeable future, used – shall we drop it from the menu of IPARD III measures? if so – which?
3. Would you see a need for adding new measures; if so – which?

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### **Measure 1\_ Investments in physical assets of agricultural holdings**

Recipients under this measure are farmers or groups of farmers, whether natural or legal persons and other agricultural legal entities (e.g. private agricultural enterprises, producer groups, etc.) responsible for carrying-out and financing investments in the agricultural holding (as defined by the national law of <the IPARD II country> and included in the national farm register).

No later than before final payment of the investment, the entire holding must comply with appropriate national minimum standards in force regarding environmental protection and animal welfare. If the national standards are similar to the Union standards, in duly justified cases, derogation from this rule may be approved by the Commission. This must be clearly written in the IPARD II Programme.

The investment when concluded must respect the relevant Union standards as regards environmental protection and animal welfare.

The investment must concern the production of agricultural products (products listed in Annex I to the Treaty on the Functioning of the European Union ('TFEU')).

Minimum conditions regarding farmer's occupational skills and competences must be defined in the programme.

Economic viability of the holding shall be demonstrated.

## **Measure 2\_Support for the setting up of producer groups**

Assistance shall be granted to facilitate the setting-up and administrative operation of producer groups, for the purposes of:

- (a) adapting the production and output of the members of producer groups to market requirements;
- (b) jointly placing goods on the market, including preparation for sale, centralisation of sale, and supply to bulk buyers;
- (c) adapting the production and output of producers to meet the relevant EU standards, compliance with the *acquis communautaire*;
- (d) establishing common rules on production information, with particular regard to harvesting and availability;
- (e) ensuring effective standardization in all marketing steps and delivery of products in the food-chain.

Assistance under this measure may only be granted to producer groups officially recognised by the relevant national authorities of <the IPARD II country> after 1 January 2014. Producer groups eligible under the conditions of Commission Regulation (EC) No 718/2007 may also apply for assistance under this measure, provided that they continue to meet the conditions for support under the IPARD programme 2014-2020.

Professional and/or inter-professional organisations representing one or more sectors do not qualify as producer groups.

Applicants shall comply with the following conditions:

- (a) producer groups should be set up for the first time and officially recognised by the competent national authority after 1 January 2014;
- (b) producer groups should be recognised by the competent authority on the basis of a business plan.

Assistance shall be granted as a flat-rate aid in annual instalments for the first five years following the date on which the producer group was recognised and shall be calculated on the basis of the group's annual marketed production. It shall be limited to a maximum of 10% of marketed production for the first year and shall be degressive for the following years. Assistance shall not exceed EUR 100 000 per year.

### **Measure 3\_Investments in physical assets concerning processing and marketing of agricultural and fishery products**

Recipients are enterprises (as defined by the national law of <the IPARD II country>) responsible for carrying-out the projects in their establishment(s). An enterprise can consist of one or more establishments.

The main focus should be on enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet in total not exceeding EUR 43 million which corresponds to the current definition of SME provided in Commission Recommendation 2003/361/EC<sup>1</sup>.

The economic viability of the enterprise must be demonstrated by the end of the realisation of the investment.

Not later than at the end of the project (before a final payment), the entire enterprise must comply with the main relevant national minimum standards in force regarding environmental protection, public health, animal welfare, and occupational safety. If the national standards based on Union standards are particularly demanding, and only in duly justified cases, derogation from this rule may be granted by the Commission. This must be clearly written in the IPARD II programme.

The relevant EU standards applicable to the investment will be attained at the end of the project.

Investments supported must concern the processing and/or marketing of products covered by Annex I to the TFEU, including fishery products, and/or the development of new products, processes and technologies linked to products covered by Annex I to the TFEU, including fishery products.

### **Measure 4\_Agri-environment-climate and organic farming measure**

The recipients can be farmers, group of farmers who, as a general rule, for minimum five years undertake commitment(s) within type of operation(s).

<the IPARD II country> should present in the IPARD II programme how the "pilot" dimension of the measure/type of operation(s) will be achieved.

<the IPARD II country> will have to ensure that the commitments are clear in terms of objectives and content, have potential to provide the environmental benefits, and are verifiable and controllable.

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<sup>1</sup> Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 36).

Eligible for this measure will be the recipients who will voluntarily undertake the type of operation(s), going beyond relevant mandatory standards (baseline). The recipients will have to respect the relevant mandatory standards on the entire holding. Description of the relevant mandatory standards will have to be presented in the IPARD II programme.

<the IPARD II country> should establish a minimum size of agricultural land that can be declared under any type of operation, a minimum size of a herd of endangered animal breeds.

Recipients will be compensated for additional costs and income forgone resulting from the commitment made within the selected type of operation(s).

For each type of operation, <the IPARD II country> will prepare a calculation that will constitute a basis to establish a payment level within this type of operation. Calculation must be made or approved by a certified body independent from the body which implements the measures.

### **Measure 5\_Implementation of local development strategies - LEADER approach**

The LEADER approach at programme level shall comprise at least the following elements:

- (a) area-based local development strategies intended for well-identified sub-regional rural territories;
- (b) local public-private partnerships (Local Action Groups);
- (c) bottom-up approach with a decision-making power for local action groups concerning the elaboration and implementation of local development strategies;
- (d) multi-sectoral design and implementation of the strategy based on the interaction between actors and projects of different sectors of the local economy;
- (e) networking of local partnerships;

The recipients are Local Action Groups (LAG) that satisfy the following conditions:

- (a) they must propose an integrated local development strategy based on the LEADER characteristics as defined under (a) to (e) above;
- (b) they must consist of a group representing partners from the various locally based socio-economic sectors in the territory concerned;
- (c) they must show an ability to define and implement a development strategy for the area;
- (d) they must have the ability to administer public funds.

Area covered by the strategy:

- (a) shall be coherent and offer sufficient critical mass in terms of human, financial and economic resources to support a viable development strategy;
- (b) the population of each area must be, as a general rule, greater than 10 000 inhabitants and not exceed 150 000 inhabitants, including settlements with a population of less than 25 000;
- (c) the same location must not belong to more than one LAG, meaning one partnership, one strategy, one territory;
- (d) beneficiary countries may opt to cover either their whole territory or part of it by adapting accordingly the criteria for selecting the local action groups and the areas they represent.

LEADER approach in IPA II beneficiaries will be supported through the following measures:

- (a) the Technical Assistance (TA) measure for capacity building of potential LAGs (TA activity "Acquisition of skills and animating the inhabitants of rural territories");
- (b) measure "Implementation of local development strategies – LEADER approach" – for selected LAGs with the following activities:
  - (i) "Acquisition of skills, animating the inhabitants of LAG territories" for capacity building and animation of selected LAGs,
  - (ii) "Running costs and small projects" for running the selected LAGs and implementation of small projects,
  - (iii) "Cooperation projects" for inter territorial or transnational projects.

### **Measure 6\_Investments in rural public infrastructure**

Recipients are administrative entities in rural areas with up to 10.000 inhabitants according to the official results of the latest available census of population and as justified in the programme.

The project must concern public infrastructure needed for the development of rural areas including community roads, local access to roads of particular importance for the local economic development, access to farm and forest land, energy supply, waste and water management, local access to information and communication technologies etc.

## **Measure 7\_Farm diversification and business development**

Recipients are:

- (a) farmers or members of the farm household diversifying on or off farm activities; farms and/or their household members may be eligible beneficiaries no matter whether these are located in urban or in a rural area;
- (b) natural persons in rural areas; natural persons, running an economic activity, who are beneficiaries under the measure should be living in a rural area, which could be proven, for example, by their registration. They can work, for example, as self-employed (e.g., in the case of crafts);
- (c) private legal entities in rural areas; private legal entities established or operating in rural areas shall include micro and small-sized enterprises, including craft enterprises, which have the potential for carrying out the project as well as any type of legal person established by rural population in rural areas. Legal entities established outside of rural areas, can be also eligible if supported investments/activities are located in rural areas.

The projects shall be compliant with the relevant national standards at the latest by the end of investment.

The applicant has to demonstrate that the investment will be economically viable at the end of the realisation of the project.

Assistance under this measure concerns only support for physical investments.

## **Measure 8\_Improvement of training**

Recipients of the assistance granted under this measure shall be professional and/or inter-professional organisations (training providers) capable and responsible for the delivery of training courses.

Participants in the training provided under this measure should be persons engaged in the agricultural, food, and forestry sectors and other economic actors operating in areas covered by the relevant IPA Rural Development programme. Participants shall not be required to pay for training courses.

<the IPARD II country> shall elaborate a training strategy for the implementation of the operations for improvement of the occupational skills and competence of the persons engaged in the agricultural, food, and forestry sectors and other economic actors operating in the fields covered by the IPA Rural Development programs. The training strategy should be approved by the IPARD monitoring committee.

Assistance shall not be granted to courses of instruction or training which form part of normal programmes or systems of education at secondary or higher levels.

Eligible are only expenditures for administrative operation activities of training, such as:

- (a) for the organisations providing training courses/information actions;
- (b) travel, accommodation and per diem expenses, where necessary, for the trainees.

### **Measure 9\_Technical assistance**

The recipient under this measure is the Managing Authority.

Eligible expenditure is based on real costs which are linked to the implementation of the co-financed operation and must relate to payments effected by the recipient, supported by receipted invoices or accounting documents of equivalent probative value.

The following actions are eligible provided they are covered by the indicative technical assistance action plan:

- (a) expenditures on meetings of the monitoring committee;
- (b) other expenditure necessary to discharge responsibilities of the monitoring committee;
- (c) expenditure on information and publicity campaigns, including costs of printing and distribution;
- (d) cost of translation and interpretation provided in response to requests by the Commission;
- (e) expenditure associated with visits and seminars;
- (f) expenditure associated with "acquisition of skills" to prepare potential LAGs for the implementation of the measure "Implementation of local development strategies – Leader approach";
- (g) expenditure associated with the preparation, or streamlining of implementation, of measures in the programme to ensure their effectiveness including those measures where application is foreseen at a later stage;
- (h) expenditure for evaluations of the programme;
- (i) expenditure associated with the establishment and operation of a national network supporting the coordination of activities preparing and implementing local rural development strategies.

Public administrations and organisations established in <the IPARD II country> and active in the field of rural development may benefit from the actions of the European Network for Rural Development as foreseen by Article 52(3)(g) of Regulation (EU) No 1305/2013. Relevant detailed provisions shall be agreed with <the IPARD II country>;

- (j) a level of salary support which takes into account remuneration levels on the labour market in order to retain staff and build/keep know-how in the administration. Introduction of this expenditure can only be done after prior approval of the Commission and may be limited in time.

### **Measure 10\_Advisory services**

This measure can cover:

- (a) group advisory; Group advisory services to farmers or micro- and small enterprises can cover economic, agricultural and environmental performance of the agricultural holdings, forest holdings or micro- and small enterprises;
- (b) advice on preparation of applications for IPARD programme and advice on project implementation, such as preparation of payment claims;
- (c) training of advisors; Training of advisors must be related to the areas in which advice is provided.

The authorities or bodies, which will provide advice, shall be the recipient of support.

The authorities or bodies, which will provide advice, shall have the appropriate resources in the form of regularly trained and qualified staff and advisory experience and reliability with respect to the fields they advise in. The staff of the advisory service has to be regularly trained.

The authorities or bodies providing advice could include: public advisory services, sector organisations (such as agricultural chambers), development agencies, NGOs, municipal councils, etc.).

Advice shall be provided free of charge to farmers, forest holders and SMEs in rural areas.

Fixed rates of payment should be given per group advisory meeting held/IPARD project application/IPARD payment claim.

The level of payments for project application/payment claim should be fixed in the IPARD programme depending on the measure, type of sectors/project sizes supported, as appropriate.

## **Measure 11\_Establishment and protection of forests**

This measure seeks to contribute to extension and improvement of forest resources, restoration of forests damaged by fire, and forest-fire prevention. In addition, it provides a possibility of enhancing the balance of production of commodities (food, feed, fuel, fibre, etc.) with non-commodity outputs, such as environmental protection and cultural and landscape amenities.

The supported projects must be in compliance with the National Forest Programmes/ Strategies or equivalent instruments and, if applicable, with the national afforestation programme or guidance document, climate change adaptation or mitigation plan, biodiversity or equivalent strategy. Each country may select the most appropriate actions to be financed, while providing appropriate justification. However, the single measure also allows beneficiaries to implement integrated projects with increased added value.

Public expenditure under this measure could be up to 100%; EU contribution - 85% of public expenditure. Maintenance costs are to be calculated based on the methodology proposed in the programme. Payments per hectare afforested or agroforestry systems established are to be determined in the programmes. IPA II beneficiaries shall ensure that calculations for aid granted on the basis of standard costs or additional costs are adequate and accurate and established in advance on the basis of a fair, equitable and verifiable calculation. To this end, a body that is functionally independent from the authorities responsible for programme implementation and possesses the appropriate expertise shall perform the calculations or provide a certificate confirming the adequacy and accuracy of the calculations.

While afforesting, priority should be given to afforestation that is done for protective purposes, such as soil and water protection, as well as to the private land owners. Only in cases when there is limited interest by private land owners in this activity, support should be provided to the managers of State land. Applicant for afforestation should prepare an afforestation plan.

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## Initial discussion on Financial Instruments

As preparation for the discussion on the possible introduction of financial instruments under IPARD III, participants are encouraged to prepare in advance for addressing below questions during the discussion.

1. What is the estimated annual total direct investment in agro-food sector (including lending to farmers) in your country?
2. What is the estimated share of agricultural (or primary food processing) lending of the total banks' portfolio?
3. Are there banks specialising in agricultural lending in your country?
4. Are banks in your country facing liquidity problems, i.e. they would benefit from additional supply of finance, or are lending problems rather related to the risk aversion, especially in sectors as agri-food?
5. What is the average (or a range) interest rate for agri-food loans? And how it compares to the average for general SME lending interest rates?
6. What is the average maturity of agri-food loans?
7. Is the lack of collateral and overall limited access to funds by agri-food operators an issue in your country? If so, what are the main reasons?
8. Do you have existing credit lines with subsidised interest rates, which may also be used by agri-food operators? If so, what is the interest rate? If no, are such credit lines forthcoming?
9. Would there be a need for another (or new if it does not exist) credit line with a lower interest rate and/or reduced collateral requirements specifically tailored to the agri-food sector?
10. Do you have existing credit guarantee facilities, which could be used by potential IPARD beneficiaries? If these facilities exist – do they take into consideration a lower risk of potential IPARD beneficiaries, due to the extensive checks done by the IPARD Agencies and a grant component of the investment?
11. In the absence of guarantee facilities, would you see it useful that a specific guarantee fund would be set up for IPARD beneficiaries? Would you prefer such a fund to be national or regional for all pre-accession countries?

**In conclusion, – in your opinion – would there be a need and scope for introducing such instrument?**