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**Minutes**

**Sixth Meeting of IPA II Sectoral Monitoring Committee on**

**Competitiveness, Innovation and Agriculture and Rural Development**

**27.04.2022 (Wednesday), 10:30 hrs**

**Webex meeting**

The representative of the NIPAC Office, Secretariat for European Affairs (SEA) and the representative of the Delegation of the European Union (EUD)co-chaired the sixth online meeting of the IPA II Sectoral Monitoring Committee (SMC) for Competitiveness, Innovation and Agriculture and Rural Development.The meeting was attended by representatives of the EU Delegation (EUD), Embassies of EU Member States, NIPAC Office – SEA, Cabinet of the Deputy Prime Minister in charge of Economic Affairs, Coordination of Economic Sectors and Investments, Ministry of Agriculture, Forestry and Water Economy (MAFWE), Ministry of Economy (MoE) and other relevant national institutions. The Minutes of the previous, 5th Meeting of the SMC held on the 4th of November 2021 and the Draft Agenda for the 6th Meeting of the SMC were adopted unanimously by all participants, without any comments.

The representative of the NIPAC Office noted that many of the laws drafted as part of EU funded projects or independently by the Line Ministries are still in legislative procedure. This affects further the implementation of the EU funded projects. Therefore, the SMC discussion will focus on the anticipated timelines of adoption and entry into force of the laws and bylaws. She informed on the MAFWE’s commitment to the monthly review meetings with EUD and noted that these meetings are instrumental in the monitoring of the progress of the projects’ implementation both for EUD, as a contracting authority, and for the NIPAC Office. Such meetings could be similarly organized in the future with MoE on projects related to economic criteria. She underlined the importance of intra-governmental cooperation in the sector, particularly in relation to the Law on Cooperatives, which though drafted by MoE is highly relevant for agricultural cooperatives. The SMC discussion should also include the maintenance of IT systems established within this sector, as a follow up to last year’s discussions of the IT capacities in the Ministries.

The representative of EUDnoted that the two sectors are implemented mainly under the direct management, but the active participation of all stakeholders is crucial for the projects’ success. Hence, this SMC is organised though it is not an obligation under the IPA II rules. EUD is content that the EU Member States were invited to the SMC meeting in the spirit of their Team Europe approach of working together. One of the objectives of EU IPA support is to align the national legislation with the EU Acquis. He added that it is more important to speed up and enforce the implementation of the IPA assistance, in order to mitigate the consequences upon companies and agricultural producers of the Russia’s war in Ukraine, and to help them recover from the COVID-19 crisis. The necessary sectoral legislative framework should be put in place as it has a direct impact on the sustainability of the EU financial assistance and the progress of reforms. The reforms in the sectors of competitiveness and agriculture include the need to better facilitate the business, provide new opportunities, but to also align with the EU flagship initiatives such as the Green Deal, Economic Reform Programme, etc. The Capital Investment Policy is a cross-cutting issue for the sectors of competitiveness and PFM, which needs to be streamlined with a responsible institution as well as a single system for strategic planning and sound, transparent and inclusive prioritization.

He alsopresented the EUD’s internal assessment of the implementation of the conclusions, based on information provided by NIPAC. Namely out of 5 conclusions, 2 were with not expired implementation deadline with indication of partial implementation by the deadline, 2 were not implemented, and 1 conclusion of continuous nature was followed properly. A very important conclusion on adoption of the legal framework in the sector of agriculture from the previous two SMCs was not implemented and will be transferred into the present SMC conclusions. One conclusion for which the deadline is not over will be also transferred.

Heproceeded with an overview of implementation issues in the sector of agriculture and rural development as follows:

* The contracting deadline for IPA 2015 has already passed and no issues were encountered. Under IPA 2015, 16 contracts were signed worth EUR 13 million (98% contracting rate), out of which 11.6 million were paid. IPA 2019 allocated EUR 14 million with a final date for contracting of 5 March 2023; 7 contracts worth EUR 4.8 million were concluded, of which EUR 0.8 million were paid and 5 procurements worth EUR 8 million are in the pipeline. EUD stressed the importance of the Grant for Agricultural Cooperatives worth EUR 0.9 million, the established Working Group, joint preparation of guidelines by the EUD and MAFWE, the follow-up project on land consolidation expected to be signed in May and the Rendering Plant.

The representative of MAFWEprovided the following overview of the state of play regarding the legal framework and other implementation issues in the sector of agriculture and rural development:

* The Law on Agriculture and Rural Development and the Law on Paying Agency are in parliamentary procedure, for a second reading.
* The NPAA deadline for adoption of the Law on Common Market Organisation (CMO) has been postponed for June 2023. The Draft Law on CMO prepared under the project that ended in 2021 requires further adjustments. It will be finalized by the Working Group established within MAFWE.
* MAFWE understands that the Law on Cooperatives has been returned to MoE by the Secretariat of Legislation, and that there is no intention to submit it to the Parliament for adoption. She urged MoE to take action in order to speed up the procedure for its adoption.
* The Law on Sale of State Owned Agricultural Land has been withdrawn from governmental procedure. She urged MoE to take action to speed up the adoption procedure.
* The Law on Advisory Services should be drafted by the foreseen deadline. There is an ongoing project for this law funded by IPA 2019. The established Working Group has been working on the law together with the project team.
* As regards the promotion of Water User Associations for Management of Small-scale Irrigation Schemes, it was agreed that the opportunity and time will be given to start the process with the management of agricultural cooperatives.
* The new Law on Forestry and the related strategy are under preparation. The draft should be completed by June/July i.e. at the end of the related project which started in November 2021.
* MAFWE has established a Working Group (WG) for incorporation of the reorganization reform resulting from the functional review implemented by WB. The WG is operational and has already held several meetings in order to start drafting the new Rulebook on Organization of the Work of MAFWE. A new Act of Systematization of MAFWE is expected to be adopted by end June 2022, while the new Rulebook is expected to be adopted by end July 2022. Thus the recommendations of the project for functional review will be implemented.
* The point raised by EUD that key staff be motivated, empowered and fully dedicated to the implementing of IPA projects will be conveyed to the senior management of MAFWE.
* The national funds for continued maintenance of IT systems (Farm Register, FADN, LPIS and Monitoring Software for Cooperatives) have been already secured for several years in the national budget by MAFWE. Therefore these funds are provided on annual basis from the national budget, the maintenance is operational, and the maintenance experts are engaged under the national public procurement procedure according to the Law on Public Procurements.
* As regards the strengthening of the capacity of the relevant IT departments, she commented that the lack of IT capacity in the Ministries is an issue for the whole administration.
* The message concerning the lack of staff within the relevant departments of MAFWE will be conveyed to the Minister and senior management. Some of the staff is transferred to the Policy Analysis Unit. In terms of recruitment of staff in order to ensure sustainability and resources for implementation of reforms and IPA projects, 15 recruitments for temporary staff in MAFWE, and 15 in the Paying Agency have been advertised.
* Further alignment of Direct Payments in the IACS is part of the transfer of registers to the Paying Agency which depends on the changes of the Law on Agriculture and Rural Development, pending in Parliament. EUD has granted an extension of the project until November 2022.
* Decoupling of agricultural subsidies system – according to the information shared by the Paying Agency who were unable to attend the SMC, MAFWE, through the policies and together with the Paying Agency, are continuing with the decoupling of the payments schemes. Thus for the year of 2022 there is a measure for orchards with area payment as part of the decoupling scheme.
* Law on Direct Payments – a Working Group which is drafting the law has been established. It is planned by the WG that the draft will be prepared by June 2022 and shared with EUD when ready. This deadline is rather ambitious and should be revisited.

The representative of MoEadded that the Law on Cooperatives is not covered by an IPA project in MoE and indicated that she will inform additionally with further information from Legal and SME Departments of MoE on its adoption timeline.

The representative of the NIPAC Office stressed that this law should be adopted as soon as possible, because it affects the support of the EU to the agricultural cooperatives and their further functioning pursuant to the latest set of rules providing for such cooperatives.

The representative of MAFWEinformed that the Amendments to the Law on Agriculture and Rural Development are currently pending their second reading by the Parliamentary Committee on Agriculture. This is the last step before their adoption at a plenary session by the Parliament.

The representative of EUDraised the following points/issues regarding implementation of IPA II in the veterinary and phytosanitary sub-sector:

* The legal and policy reforms in the area of plant protection products are pending. The Country has to adopt the secondary legislation related to the Law on Phyto-pharmacy and to introduce a Policy based on principles of Integrated Pest Management and Sustainable Use of Pesticides. This is in line with the Green Agenda.
* The Rendering Plant which is another large project is pending World Bank (WB) pillar assessment (to be completed by the EU headquarters’ services) in order to sign the project. An issue which has surfaced is the change of location of the rendering plant from Lozovo to Rosoman. EUD would like to encourage WB and MAFWE to proceed with the preparatory work which is still at the initial stage. There are three sites under discussion. The next step is to prepare the preliminary concept for the design of the chosen site in order to obtain the necessary authorisations and to start immediately once the contract with WB has been signed.

The representative of the Food and Veterinary Agency confirmed that the main problem is the location of the Rendering Plant. What remains to be done is to try to work out the problem with the World Bank and to send the contract once a suitable location has been found.

The Team Leader of the Technical Assistance Project – Support for the Management of the EU Fundsinformed that the location of the Rendering Plant was one of the elements that were taken into account in devising the structure of the Rending Plant as a part of the feasibility study conducted a few years ago. The new location should not be far away from the previous one, as it could impact the organization of transport, location of containers, etc. If there is a dramatic change in the starting point, there should be a better understanding of how the system would be functioning in the future.

The representative of MAFWE briefed the SMC on the following:

* Eight secondary legislative acts based on the Law on Phyto-pharmacy were submitted to the Secretariat of Legislation for comments/suggestions, and subsequently their adoption. They should be finalized and published in the Official Gazette by end June 2022. The by-laws are related to the training for professional operators, advisors and distributors of plant protection products, including the programmes, licensing and the system as a whole.
* The activities under the twinning project Improvement of the Administrative and Operational Capacity of the Plant Protection Authorities which have started on 1 February 2022 are ongoing. They aim to strengthen the capacity of competent authorities, and to prepare a Roadmap which will include a proper system of training.
* The By-law for Control and Certification of Equipment for Application of Plant Protection Products will be similarly adopted.
* The draft texts of four by-laws on management of waste from plant protection products are being finalized. An information has been prepared for the Government on important aspects of such waste management. An expert who has been already involved in the drafting of the by-laws has been engaged through the twining project. Consequently they expect to cover the main aspects necessary for proper implementation of the legislation.
* The draft version of the National Action Plan for Integrated Pest Management has been already prepared with the support of Slovenian, Greek, Italian and Hungarian experts. The document is comprehensive, and there is an ongoing inter-institutional discussion involving MAFWE, Ministry of Environment Protection and Physical Planning (MoEPP) and other institutions. It is expected that it will be adopted by the Government by the end of 2022.
* An important part of the European Green Deal is the Farm to Fork Strategy which aims at 50% reduction in the use of pesticides until 2030. The Integrated Pest Management System, as one of the goals, will be achieved within the current twinning project. It will include installations and network connected to the agrometeorological stations within the territory of the whole country, as well as some agro-technological measures of protection and use of beneficial organisms based on the lessons learned and results of the pilot project funded by UNDP in the Prespa Region. The main goal is to reduce the use of plant protection products, fertilizers and other chemicals and to encourage use of other organic and technical measures, instead of plant protection products which will be used only in certain cases when economically justified.
* In the plant health area, as a part of the twinning project, they are starting with the gap analysis of the new Plant Health Law. This will be a big challenge in the forthcoming period, because the EU *Acquis*, which the law will be based upon, has been significantly changed and improved since 2020.

The representative of the Cabinet of the Deputy Prime Minister in charge of Economic Affairs, Coordination of Economic Sectors and Investments, expressed her appreciation for the information shared and provided feedback on the following issues:

* Resilience Fund reserves: Currently there are EUR 3 million available that will be used for a revolving credit line of the Development Bank of the Republic of North Macedonia (hereinafter: Development Bank) for businesses that can use them for payments, or for the operational costs they have, related to the energy crisis. This is a new credit line that is combined with other funds. In this regard, the obligation that they assumed in 2020 has been partially fulfilled, having in mind that at the end of the last year they asked for a prolongation of the period for repayment by the companies. Hence, the return of the money will occur later during this year, not at this point. They will duly inform once they have other information for other set of funds that can be shared.
* The dedication of national institutions has been commendable. MoE and other beneficiaries have been trying to cooperate and provide the necessary resources for ongoing activities under the projects related to MoE. They have jointly concluded with colleagues from MoE and other institutions that they would need a more agile approach by the colleagues from EUD with information which is necessary for proper implementation of the contracts within MoE.
* It is expected that the Financing Agreement with the Government, regulating funds for the project in FITD, will be concluded by end June 2022. Meanwhile, FITD have been preparing themselves for the huge exercise, by conducting preparatory activities related to engagement of staff and other necessary resources. This programme is related to energy efficiency and greening of the business. It should meet the needs resulting from the current crisis, and help the economy and businesses to accelerate.

The representative of EUD assessed that the time is right to star discussing and negotiating details of the technical assistance component with regards to the Project EU4 Green Growth. The cooperation with FITD will start in May, as agreed at a recent meeting with FITD Director. Thus, the preparatory activities can continue and the tendering procedure can be launched as soon as the Financing Agreement has been signed, in order to save time and make the funds available to companies faster.

The representative of MoE briefed on the project for strengthening of the internal market, funded through IPA 2018 programme and implemented through direct management from 15 December 2020 until 14 December 2023. The main project beneficiaries are the Ministry of Economy, the State Market Inspectorate and the Bureau of Metrology. There are five project components. The objective of three of them is to improve the alignment of the legal framework with the EU Acquis, in the areas of free movement of goods (Chapter 1), free movement of services (Chapter 3) and company law (Chapter 6). For two of the project components, IV and V, the objective is to improve the capacities of relevant national institutions (including the State Market Inspectorate and the Bureau of Metrology) to operate efficiently within the enhanced legal framework. There is a high level of commitment of the national institutions for the implementation of the project. The project has been affected at the very initial stage by the pandemic. However, as of the beginning of 2022, the technical assistance team has been more demanding, trying to catch up and execute most of the activities. Working groups have been formally established for three components, the work is ongoing and there is capacity for implementation of this project.

**Conclusions and Recommendations**

1. The EU Delegation draws the attention of the Parliament on the need of adoption of all necessary legal framework in the area of agriculture prepared with IPA support, such as:

a)    amendment of the law on Agriculture and Rural Development by mid-2022,

b)    law on Common Market Organisation by 30/06/2023.

1. The government will adopt the law on Cooperatives by mid-2022.
2. The Ministry of Agriculture will address the regulatory framework so as to improve the role of water users in managing small-scale irrigation schemes by end-June 2022.
3. Staff to be provided by the Ministry of Agriculture in order to ensure sustainability and resources for the implementation of the reforms and the IPA projects.
4. The Ministry of Agriculture to provide the EU Delegation with a draft of the Law on Direct Payments in advance by end-July 2022.
5. The Ministry of Agriculture reorganisation due to the functional review – act of systematisation will be prepared by end-June 2022, new rulebooks by end-July 2022.
6. The Government will approve by mid-2022 the related to the law on Plant Protection Products secondary legislation. (from the previous SMC)
7. The National Action Plan for Sustainable Use of Plant Protection Products will be adopted by end-December 2022.
8. The Ministry of Agriculture will inform on quarterly basis the EU Delegation on the state of play and measures taken for the rapid adoption of all IPA related legal acts in agriculture and phytosanitary.
9. The resilience budget support contract - The Ministry of Finance and the Development Bank of North Macedonia will provide the EU Delegation with an information letter about the plans for the use of the funds repaid by beneficiaries deriving from the EUR 30 million credit line by end-June 2022.
10. Linked to the project Technical Assistance for strengthening the internal market - The Law on consumer protection, Strategy on consumer protection, Law on technical requirements for general product safety of goods will be adopted by end 2022.
11. The 2 by-laws deriving from the Law on General product safety will be adopted by end-November 2022, and the 11 by-laws linked to the Law on Consumer Protection by end-March 2023.
12. Ministry of Economy to establish project progress review meetings with the EU Delegation with an indicative schedule on Wednesdays of each 4th week of the month.