

**This action is funded by the European Union**

Annex VI

to the Commission Implementing Decision on the Annual action plan in favour of the Republic of North Macedonia for 2024

Action Document for EU for Economic Cohesion

**Annual Action plan**

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and annual and multiannual action plans and measures in the sense of Article 9 of IPA III Regulation and Article 23(2) of NDICI - Global Europe Regulation.

# SYNOPSIS

# Action Summary Table

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Title** | EU for Economic Cohesion  Annual Action plan in favour of North Macedonia for 2024 | | | | |
| **OPSYS** | [/OPSYS business reference][[1]](#footnote-2): <reference> | | | | |
| **ABAC** | ABAC Commitment level 1 number: <reference> | | | | |
| **Basic Act** | Financed under the Instrument for Pre-accession Assistance (IPA III) | | | | |
| **Economic and Investment Plan (EIP)** | Yes[[2]](#footnote-3) | | | | |
| **EIP Flagship**  Priorities: | Yes  Economic development  Agriculture, food security and rural development | | | | |
| **Team Europe** | No | | | | |
| **Beneficiar(y)/(ies) of the action** | The action shall be carried out in the Republic of North Macedonia | | | | |
| **Programming document** | IPA III Programming Framework | | | | |
| **PRIORITY AREAS AND SECTOR INFORMATION** | | | | | |
| **Window and thematic priority[[3]](#footnote-4)** | **Window 4: Competitiveness and Inclusive Growth**  Thematic Priority 2: Private sector development, trade, research and innovation (50%)  Thematic Priority 3: Agriculture and Rural Development (44%)  Thematic Priority 4: Fisheries (6 %) | | | | |
| **Sustainable Development Goals (SDGs)** | Main SDG (1 only): SDG 9 : Industry, innovation and infrastructure  Other significant SDGs (up to 9) and, where appropriate, targets:  SDG 12: Responsible consumption and production  SDG 8 : Decent work and economic growth | | | | |
| **DAC code(s)**[[4]](#footnote-5) | 25010   Business policy and administration (48%)  31110 Agricultural policy and administrative management (19.6%)  31192 Plant and post-harvest protection and pest control (13%)  31195  Livestock/veterinary services (13%)  31310  Fishing policy and administrative management (6,4%) | | | | |
| **Main Delivery Channel** [**@**](http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/annex2.htm) | 12000 - Recipient Government | | | | |
| **Targets** | Climate  Gender  Biodiversity | | | | |
| **Markers[[5]](#footnote-6)**  **(from DAC form)** | **General policy objective** [@](http://www.oecd.org/dac/stats/addenda-converged-statistical-reporting-directives.htm) | **Not targeted** | **Significant objective** | | **Principal objective** |
| Participation development/good governance |  |  | |  |
| Aid to environment [@](https://one.oecd.org/document/DCD/DAC/STAT(2018)9/ADD2/FINAL/en/pdf) |  |  | |  |
| Gender equality and women’s and girl’s empowerment |  |  | |  |
| Reproductive, maternal, new-born and child health |  |  | |  |
| Disaster Risk Reduction [@](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwib--aLwMPvAhUEmVwKHRuhChgQFjACegQIAhAD&url=https%3A%2F%2Feuropa.eu%2Fcapacity4dev%2Ffile%2F108781%2Fdownload%3Ftoken%3DyYLReeC6&usg=AOvVaw1Zs4QC6PHxpt_vhNwV13eZ) |  |  | |  |
| |  | | --- | | Inclusion of persons with  Disabilities | |  |  | |  |
| Nutrition[[6]](#footnote-7) [@](https://scalingupnutrition.org/wp-content/uploads/2020/12/OECD_PolicyMarkerNutrition.pdf) |  |  | |  |
| **RIO Convention markers** [@](https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf) | **Not targeted** | **Significant objective** | | **Principal objective** |
| Biological diversity [@](https://one.oecd.org/document/DCD/DAC/STAT(2018)9/ADD2/FINAL/en/pdf) |  |  | |  |
| Combat desertification [@](https://one.oecd.org/document/DCD/DAC/STAT(2018)9/ADD2/FINAL/en/pdf) |  |  | |  |
| Climate change mitigation [@](https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf) |  |  | |  |
| Climate change adaptation [@](https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf) |  |  | |  |
| **Internal markers[[7]](#footnote-8) and Tags** | **Policy objectives** | **Not targeted** | **Significant objective** | | **Principal objective** |
| EIP |  |  | |  |
| EIP Flagship | YES  ☒ | | NO  ☐ | |
| Tags[[8]](#footnote-9): | YES | | NO | |
| Transport |  | |  | |
| Energy |  | |  | |
| Environment and climate resilience |  | |  | |
| Digital |  | |  | |
| Economic development (incl. private sector, trade and macroeconomic support) |  | |  | |
| Human Development (incl. human capital and youth) |  | |  | |
| Health resilience |  | |  | |
| Migration and mobility |  | |  | |
| Agriculture, food security and rural development |  | |  | |
| Rule of law, governance and Public Administration reform |  | |  | |
| Other |  | |  | |
| Digitalisation[[9]](#footnote-10) [@](http://www.cc.cec/wikis/display/crisknowledgebase/DAC+-+Chapter+3#DAC-Chapter3-3.6.5.1Digitalisation) |  |  | |  |
| Tags[[10]](#footnote-11)  digital connectivity  digital governance  digital entrepreneurship  digital skills/literacy  digital services | YES | | NO | |
| Connectivity [@](https://eeas.europa.eu/sites/default/files/eu-asian_connectivity_factsheet_september_2019.pdf_final.pdf) |  |  | |  |
| Tags  digital connectivity  energy  transport  health  education and research | YES | | NO | |
| Migration[[11]](#footnote-12) [@](https://myintracomm.ec.europa.eu/DG/INTPA/devco-management/programming/Pages/index.aspx#thematic-guidance) |  |  | |  |
| Reduction of Inequalities [@](https://webgate.ec.europa.eu/fpfis/wikis/display/PCM/Guidelines+for+mainstreaming+the+reduction+of+inequality+in+interventions) |  |  | |  |
| COVID-19 |  |  | |  |
| **BUDGET INFORMATION** | | | | | |
| **Amounts concerned** | Budget line: 15.020201  Total estimated cost: EUR 16,170,000  Total amount of EU budget contribution EUR: 15,600,000 | | | | |
| **MANAGEMENT AND IMPLEMENTATION** | | | | | |
| **Implementation modalities (management mode and delivery methods)** | **Direct management** through:  - Twinning grants  - Procurement | | | | |
| **Final Date for conclusion of Financing Agreement** | At the latest by 31 December 2025 | | | | |
| **Final date for concluding contribution / delegation agreements, procurement and grant contracts** | 3 years following the date of conclusion of the financing agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation | | | | |
| **Indicative operational implementation period** | 72 months[[12]](#footnote-13) following the conclusion of the Financing Agreement | | | | |
| **Final date for implementing the Financing Agreement** | 12 years following the conclusion of the financing agreement | | | | |

# Summary of the Action

The Action aims at accelerating the business environment reform and transformation, building upon the synergies between the innovation, agriculture and private sector developments. It will improve the legal, administrative and operational framework for private sector with special focus on enhancing the right of establishment and freedom to provide services, market surveillance and consumer protection, and improving the effectiveness of the intellectual property policy. In these areas, the legal harmonisation will be paired with strong capacity building measures, enhanced digitalisation, and active reach-out to raise the awareness of the private sector, authorities and the general public on their rights and obligations, linked to the new regulative framework.

The Action will also create a new momentum for the innovation policy of North Macedonia by implementing targeted measures to support technological and practice-based innovation in private sector and agriculture. The selected support measures will have an impact on green and digital transition, and gender equality. The action will also support future EU investments by conducting a feasibility study for establishment of innovation infrastructure in line with the S3 policy mix (e.g., canters of excellence and technology transfer offices) and promote the Union Programmes targeting business innovations.

In the area of agriculture, the action will enhance the alignment of the national regulations with the EU acquis on organic production, geographical indication, veterinary system, environmentally friendly food production, animal health and official controls, plant health and plant protection products, aquaculture and fisheries. It will equally strengthen the capacities for effective and efficient management of these areas in line with the upgraded regulative framework. A significant part of the action envisages digitalisation of the controls system, animal health and food safety monitoring, fishery traceability and catch certification records.

As a result, the Action is expected to unleash economic potential of North Macedonia and promoted economic cohesion, through synergy between the economic, agriculture and innovation policies in line with the EU objectives on climate change and the protection of biodiversity.

# Beneficiary of the Action

The action shall be carried out in the Republic of North Macedonia.

# RATIONALE

# Context

The economy of North Macedonia is characterised by its small size, high unemployment, relatively low wages which reflect the competitiveness level, and the need to export to support its growth. The country needs high value-added foreign direct investments (FDI) to improve its performance. Overall, the economy is not competitive enough and cannot yet cope with the pressure and market forces in the EU. In 2021, the GDP per capita (in PPS) was 42% of the EU27 average[[13]](#footnote-14).

**Area of support #1: Private sector development, trade, research and innovation**

# *Services*

Under **Chapter 3: Right of establishment and freedom to provide services**, it is noted that it is necessary to continue aligning national legislation with the EU *acquis*, and to further development the Point of Single Contact, increase the scope of information and online access to services available with the Point of Single Contact. The obligation to transpose the Service Directive into national legislation is envisaged in the **National Program for Adoption of EU Legislation.** The goal is to modernize the regulatory framework in the service sector, to prepare this sector of the economy to be able to function as part of the EU internal market after accession. The Action follows the **Economic Reform Programme (ERP) 2023-2025** and in this direction the harmonization of the national legislative framework with the Services Directive it is foreseen within Measure 17 Strengthening the market rules in the Republic of North Macedonia. The measure will enhance the harmonisation with the EU *acquis* in the area of the free movement of goods and services.

In the period 2011 - 2021, the share of services in the Gross Domestic Product ranges from 53% to 56%. This indicates that the potential of the service sector has not yet been sufficiently utilized. Modernization of the regulatory framework will contribute to the facilitation of trade in services, which will further encourage the development of this sector of the economy. Regarding the participation of small and medium-sized enterprises in individual service sectors that are covered by the Services Directive, the largest participation is in distribution services, in other services (which include professional services) and in construction services.

# *Market surveillance*

**State Market Inspectorate (SMI)** is one of the largest and most significant inspection authorities in the Republic of North Macedonia. It has over 250 employees, out of which around 170 are inspectors. Furthermore, SMI supervises the implementation of around 30 laws and numerous bylaws (sub legal acts). It is among the most significant ones, because it supervises the business operations of tens of thousands of economic operators. Market surveillance authorities is responsible for carrying out market surveillance and covers a full range of actions, including the monitoring and control of the market and where necessary, the implementation of corrective measures and penalties. The inspectorate has 278 employees, but an insufficient number of licenced inspectors (171) and many staff are close to retirement. During 2021, SMI devoted a significant part of its activities and inspectors to monitoring the implementation of health-protection measures in the context of the COVID-19 pandemic. As indicated in the EC Progress report for 2022[[14]](#footnote-15), 473 inspections were performed during 2022 under the general product safety law (up from 428 in 2020) and 131 under the construction products law (up from 20 in 2020). This led to 16 harmful products being taken off the market.

Ministry of Economy is currently developing a new **Law on Market Surveillance of products**. The new Law will result in partial transposition of the Regulation 2019/1020 and Regulation EU 2019/515, transposing rules and principles which are going to be applied by North Macedonia authorities and economic operators before accession to EU. The process of transposition require support for development and implementation of the corresponding legislation, in particular to prevent unsafe or non-compliant products from entering the Macedonian market. The new **Law on Consumer protection** and **Law on technical regulation and conformity assessment** are adopted at the end of December 2022. The transposition of the regulation Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC is left to be done.

# *Intellectual property rights (IPR)*

Although North Macedonia continuously harmonizes its IPR laws and regulations with EU standards, still needs to demonstrate adequate enforcement of those laws. The EC 2020 report[[15]](#footnote-16) on North Macedonia noted some progress in raising awareness in the fight against counterfeiting, smuggling, and the importation of counterfeit goods, as well as an increase in seized goods. The EU raised concerns that an information platform for law enforcement institutions to exchange data on IPR had still not been established despite continuing recommendations. This is an obstacle to the creation of a credible enforcement record and to gathering reliable statistics on the institutional handling of IPR infringements. It is also noted the need for further improvement of the legal framework on IPR, notably the collective rights management system, by aligning with the Collective Rights Management Directive, and industrial property rights, by aligning with the Enforcement Directive and the Trade Secrets Directive. The business community frequently complains the State Office for Industrial Property does not register patents or take enforcement action in a timely manner[[16]](#footnote-17).

The complete screening of national legislation in the field of IP has been conducted considering requirements under EU acquis. The draft laws for each of the industrial property rights need to be prepared, namely **Patent Law, Trademark Law, Law on Industrial Designs and The Law on Geographical Indications and Appellations of Origin** as well as for the protection of **Topography of Integrated Circuits** (semiconductor products). Draft **Law on Trade Secrets** has been prepared and sent to the MoE to further Governmental procedure.

The Draft **National Strategy on Intellectual Property 2022-2026** has been prepared setting strategic goals and tasks with the following set of measures:

* + Measures for strengthening the legal framework of IP law
  + Measures for strengthening the effective and efficient enforcement of IPRs
  + Measures for developing the capacity of individual holders and the business community for protection and enforcement of IPRs
  + Measures for strengthening the public awareness and the benefits from IP.

The process of formulating and enacting IP Strategy is in line with the efforts being made by the Government to stimulate research and development, cultural creativity, an appreciation of local resources and local creativity and, in this context, the establishment of a legal and institutional framework increasingly designed to stimulate and consolidate the strengthening of IP in MK. The rules and principles on the right to creativity and to the protection of IP are enshrined in the Constitution and have been consequently embodied in a range of legal instruments establishing the legal regime governing the grant and protection of IP, together with accession to the principal regional and international legal instruments on IP. The Strategy was proposed by the Ministry of Economy (ME) and the coordinator was the State Office of Industrial Property (SOIP).

# *Smart specialisation strategy*

There are a set of strategic documents that stimulate creation of favourable business climate and development of the endogenous industry. Key strategic documents are Industrial Policy with focus on manufacturing industry 2018-2027, SME strategy 2018-2023, Plan for economic growth, Plan for accelerated growth, as well newly developed Smart specialization strategy that should replace the expired Innovation strategy and the Competitiveness strategy.

The Global Innovation Index 2022 ranks the Republic of North Macedonia on the 36th place of 39 European economies in 2022, and on the 66th place among a total of 132 economies from the world, which are part of the Global Innovation Index. The country has the best results in the area of Market sophistication, while it achieved the weakest results in the field of Creative outputs. The scores for the indicators "University-industry R&D collaboration" and "Policies for doing business" are particularly low and are identified as the weakest points in the country, placing the country on the 106th and 112th place out of a total of 132 countries. The latest European Innovation Table (2022) ranks the country as an "Emerging Innovator" with a performance of 45.6%, which is still below the average of 50.0% for Emerging Innovators countries. The report notes as the country's weaknesses indicators relating to design protection applications, R&D expenditure in the business sector, government support for business R&D and lifelong learning. Compared to 2021, progress has been made in the development of environment-related technologies, foreign doctorate students and knowledge-intensive services exports.

The Republic of North Macedonia with previous Innovation strategy was created the Fund for innovation and technology development (FITD), that became very strong and important institution in supporting the business sector innovation processes. The Fund invests in small and medium sized enterprises (SMEs) to improve the innovative capabilities of companies and to support the adoption of new technologies that boost private sector competitiveness. They have developed a set of measures with support of World bank as well as other EU programs and projects. There is a continuous need to support and growth of the innovation eco system.

In previous period, with support of World Bank and strong support of the budget, the Fund for innovation developed a set of instruments, that have significant impact on the innovation eco system (support to start up and spin off, technology extension, commercialization of innovation, improvement of innovation, technology development, business accelerator, technology development for accelerated economic growth etc.). More than 700 stakeholders benefited from the support and distribution of nearly 40 mil EUR in the period 2016-2022 through the FITD.

Productivity could be further improved by more investment in research and innovation. At 0.4% of GDP, the economy’s expenditure on research and innovation has not increased over recent years and remains significantly below the EU average. The country is an emerging innovator, according to the EU innovation scoreboard. An increased budget (but also non-financial incentives and measures for collaboration between researchers and businesses) in this area would support the country’s economic recovery, also given the relevance of innovation to the Economic and Investment Plan for the Western Balkans. Even though government funding for innovation increased, private firms are reserved about adopting new technologies.

Adoption of the SMART specialization strategy should consolidate the country’s economic policy priorities and support the further development of sector-level strategies in the relevant fields such as education and skills, industry, research and innovation, as well as attracting FDI. S3 will be placed a path to build a modern economic development approach, based on knowledge, innovation, and establishing strong linkages between business and academia. The following sectors are at the core of the smart specialization:

* Electro-Mechanical Industry - Industry 4.0 (EMI-I4.0)
* Information and Communication Technologies (ICT)
* Smart agriculture and food with higher value-added
* Smart/Sustainable Buildings and Materials

In addition, digitalization and green transition have been identified as horizontal priorities in all of the above identified priority domains.

The Republic of North Macedonia is committed to enable further growth of innovation and stimulate strategic research and innovation partnerships as a key driver for economic growth. The challenge can be providing sufficient funding for strengthening the institutional capacities, developing strategic research and innovation partnerships and implementation of the priority projects and policy mix.

# Relevant national strategies in the area of support #1

The Action will contribute to the implementation of the following **relevant national strategic documents**:

* **Strategy for Consumer Protection 2022-2025** with the Action Plan.
* **Draft National Strategy for Operation of State Market Inspectorate 2022-2026** under development.
* **National ICT Strategy 2021-2025** with six pillars: 1. Connectivity and government infrastructure; 2. Centralisation and rationalisation of ICT and e-government services; 3. Improving the digital skills of citizens, workforce and experts; 4. Research, development and innovation; 5. Data protection; and 6. Digital services (inspired by environmental protection).
* **Industrial Strategy with focus on manufacturing industry 2018-2027** with Action Plan.
* **National Strategy for Small and Medium Enterprises 2018-2023** to be competitive and an engine of inclusive economic growth in North Macedonia and the creation of more productive and decent employment. Special attention is devoted to supporting women's entrepreneurship.
* **Strategy of Women Entrepreneurship Development with AP 2019-2023** aims to empower women by creating a favourable business climate and providing support for the development of their entrepreneurial potential, which will contribute to the development of existing and opening new enterprises, creating new jobs and thus strengthening the overall economy.
* **The Draft National Strategy on Intellectual Property 2022-2026**
* **Smart Specialisation Strategy (S3),** to be developed and adopted. North Macedonia is committed to creating a favourable business climate conducive to growth based on knowledge and innovation. Currently, there is an advanced process of S3 development, in close collaboration and continuous consultancy with JRC, following a standard EU methodology and being ex-post approved by JRC in its final EDP phase. Building on the EDP outcomes, the S3 will complement the forthcoming National Development Strategy, replace the outdated Innovation Strategy and Competitiveness Strategy, and build on the priorities of the Industrial Strategy, the Education Strategy and the Economic Reform Programme.
* **Education Strategy 2018-2025 and Action Plan** with the relevant priority: strengthening the research infrastructure (centres of excellence, accelerators, technology transfer centres) in selected universities to achieve a level of scientific research that is in line with modern needs for technology development.
* **Research Infrastructure Roadmap of North Macedonia** recommending establishment of a link between the research potential identified in the RI Roadmap and future activities in designing the Smart Specialization Strategy.

# Area of support #2: Agriculture and Rural Development

North Macedonia has demonstrated a significant progress in the field of agriculture and rural development. The importance of this sector in socio-economic aspect as well as for the accession process pushed the country to develop the necessary strategic and legal framework and establish good institutional capacity, mainly with the support of the EU. The **strategic framework for Agriculture and Rural Development** covers and defines several strategic priorities, among others the followings:

* To improve market organization (e.g., cooperatives and farmers’ associations), vertical integration and quality improvements.
* To promote territorially balanced and sustainable development in rural areas,
* To enhance farm viability and competitiveness of all types of agriculture and primary food-processing,
* To develop human and physical capital (irrigation and mechanisation),
* To reduce the fragmentation of the farms and to increase the size of the small land holdings,
* To improve plant health,
* To increase the international competitiveness of North Macedonia’s agricultural production and agri-food industry.

The Action considers the priorities established in the **National Programme for the Adoption of the Acquis (NPAA)**, about the promotion of organic agriculture and the development of organic agricultural production, capacity building activities, and the harmonisation of the laws and regulations of organic production. The priority is to prepare a new Organic Production Law in the medium term, among other priorities. Regarding the quality policy, the focus is to strengthen the brand of agricultural products with protected designation of origin, geographical designation and guaranteed traditional speciality. In terms of food, veterinary and phytosanitary safety, the Action is consistent with the priorities of the NPAA regarding the harmonisation of national legislation with the EU acquis and the need to increase the capacities of the FVA. The priorities focus on amending existing acts or adopting new ones in line with European requirements in terms of fisheries. Finally, in terms of energy, the NPAA highlights as its main strategic objectives a greater use of renewable energy sources, which is relevant for the security of clean energy, the creation of conditions for sustainable energy development and compliance with the obligations derived from the Treaty establishing the Energy Community.

# *Quality of food and the supply chains*

The agricultural sector's contribution to North Macedonia's gross value added decreased from 10.2% to 8.1% between 2014 and 2019, as other industries experienced more robust growth. However, combined with the processing industry, including beverages and tobacco, the sector still accounts for 12% of the country's Gross Domestic Product and some 22% of total employment, making it the third largest contributor after industry and services. During the same period, the Macedonian agricultural production and food industry recorded a continuous, gradual increase in competitiveness in foreign markets, with an increase in the value of exports of agri-food products by 28%. In 2020, 637 businesses were registered as food operators or processors of agricultural products, plant and animal-origin food, and food distributors. Small and medium-sized enterprises (SMEs) make up most of these companies. The most significant segments of food processors are those that produce fruits and vegetables (29.8%), meat (17.7%), dairy products (12.9%), and wine (11.9%). Of the total number of approved food operators from animal origin, 25 establishments are approved for export to the EU, including six slaughterhouses for sheep and cattle, three meat processing facilities, six egg calibrating and packaging facilities, two fish product facilities, and one snail processing facility. Still, the sector’s development is hampered by many challenges, including, but not limited to, agricultural land fragmentation, limited access to productive assets (such as infrastructure, land, water, energy, knowledge, and financial services), weak value chains, and high vulnerability to climate change.

The *organic farming* sector is growing in North Macedonia. However, the number of certified organic or transitioning agriculture holdings is still relatively small, with only 847 registered in 2019 compared to the total number of agricultural holdings in the country. Despite increasing interest from farmers, the number of certified organic agriculture holdings, including processors and traders, has only doubled since 2014. Organic production in North Macedonia is primarily exported, as the domestic market is still developing and has limited demand. However, there is a growing international demand for organic products, including essential oils, herbs, spices, fruits, vegetables and honey. The supply of processed organic products is minimal, and there is limited collaboration between organic farmers and processors. The largest share in organic crop production goes to forage (25,52%), followed by grains (16,81%), fruit (12,67%), fresh vegetables (7,31%) and grapes (2,69%). Increased share in the total organic production in the last years is observed for aromatic/medical herbs (8,71%). In livestock production, the leading sector is sheep breeding (52% of certified organic livestock producers). The share of organic goat and cattle breeding is 23-25% each. A lack or expensive organic feed impedes organic livestock production. The sheep breeding practices are mainly nomadic on “clean” mountainous pastures; this sector is much “easier” to be certified as organic.

As to the control system of organic production in the country, there are two certification bodies (Balkan Biosert and Pro-Cert); authorised by MAFWE for control and certification in organic production. The control bodies conduct expert management and accreditation in line with the MKC EN 45011 (General requirements for bodies working with product certification systems). The confirmation that controls and certification bodies work by this standard is provided by the Institute of Accreditation of the Republic of North Macedonia (IARNM) as a result of the process of accreditation. IARNM is a full member of the European co-operation for Accreditation (EA), and in 2012 it signed the Mutual Recognition Agreement of Accreditation Certificates (EA-MLA) with the European cooperation for Accreditation.

Growing awareness of the consumers and a continuous increase in the demand for organic food will contribute to an inevitable rise in the supply of certified organic products. Low consumer income and high trade margins imposed by the retail network make organic products available only to a high-income category of consumers. There are significant weaknesses to be noted, and they largely remain a barrier to more intensive development of organic plant production: 1) A low supply of input materials for plant production at the domestic market, including seeds and seedlings and protection products, 2) The absence of animal feed and veterinary medicines appropriate for organic livestock farming causes less development of certified organic meat and dairy products. 3) The lack of consistent promotion of the benefits of organic products for the environment and human health leads to low consumer awareness and understanding of these products. 4) The inadequate education and organisation of organic farmers at local and national levels.

# *Veterinary and food safety system*

The free movement of food products within the EU is one of the founding factors of the single market and represents the core of the establishment of the harmonized EU rules, guaranteed uniform protection of the consumers. All food products originating from North Macedonian is to be part of the EU internal market. Favourable animal health status aligned with the EU MS provides safe trade with other parts of the EU internal market. By achieving equivalent response preparedness in animal health sector, North Macedonia will be able to benefit from intra union trade to its full potential. Animal diseases are highly contagious, and they can spread easily across borders, through the movement of farm animals and products thereof, through the movement of wild animals or spread by vectors.

The control of these diseases, as the EU experience has shown, can only be dealt with a sustainable animal health system and applied measures closely integrated and based on the assessed risks.

The Food Safety Strategy 2021-2025 ensures the consistency of the national food safety policy and the strategy with the EU requirements, and the international organisation standards (WTO, WAHIS and Codex Alimentarius). The Strategy establishes sustainable and self-sufficient system for food safety, food security and food defence, and it is based on the following principles: 1. Coverage of the complete food chain from primary production to the final consumer, “from field to table”; 2. Effective implementation of EU acts regulating the food safety; 3. Application of the principles of risk analysis and risk management; 4. The priority of the greatest health risks; and 6. Establishment of a system to ensure safety security of food.

The Action considers the priorities established in the National Programme for the Adoption of the Acquis (NPAA), as regards food safety and veterinary policy prioritization of harmonization of the EU legislation.

# *Phytosanitary system*

Plant health is important for plant production, forests, natural and planted areas, natural ecosystems, ecosystem services and biodiversity in the country. It is threatened by plant pests which present a greater risk of being introduced into the country owing to globalisation of trade and climate change. The need for a strong plant health sector has been recognised and has been also a subject of international agreements and international conventions, including the International Plant Protection Convention (IPPC).

Achieving safe, sustainable, climate responsible, and affordable production of food, respecting sustainability principles, the environment, safeguarding biodiversity and ecosystems, while ensuring food security, is of great concern for citizens and relevant stakeholders.

# *Illegal, unreported, and unregulated fishing*

North Macedonia being a land-locked country has neither marine fisheries activity nor fishing vessels operating at sea under the North Macedonia flag, therefore substantial parts of the acquis within Chapter 13 Fisheries are not applicable.

Although, the acquis in the Chapter 13 Fisheries consists of regulations, which do not require transposition into national legislation, still it requires the introduction of measures to prepare the administration and the operators for the implementation of the Common Fisheries Policy (CFP) rules. Certain measures will however need to be implemented and national legislation adapted to ensure the correct application of the acquis. Regarding EU requirements in relation of control illegal, unreported, and unregulated (IUU) fishing regulations as a common objective should be implemented. Furthermore, engage the country in fight against IUU, as an importer of fish and fishery products is of importance for EU and marine fishery activities as well.

# *AFSARD – Agency for financial support of Agriculture and Rural development*

With the start of the IPARD program, 20% of the total value of the instrument for pre-accession support was used within IPARD 1 (2007-2013), while 98% of the total value of the program was used within the IPARD 2 program. (2014-2020).

With the implementation of IPARD 2, a significant increase in the utilization of funds has been observed, which is result of: implementation of the measures for direct payments in the agriculture through constant allocation of financial support to the agricultural holdings, implementation of the rural development measures, implementation of fisheries and aquaculture measures, implementation of state aid measures in agriculture, increasing the quality of services to the Final Beneficiaries as well as increasing their satisfaction by fulfilling their requirements and expectations enabling financial assistance for rural development in rural areas in the Republic of North Macedonia, and thereby improving the living standards of the population in those areas and development of the municipalities.

The overall operation of AFPZRR produces value that improves the standard of living of the population in rural areas. Following the growth trend, the IPARD 3 fund has increased in contrast to IPARD 2 by 60%, i.e. IPARD 3 is 97 million euros.

# Relevant national strategies in the area of support #2

The Action will support the implementation of the following national strategies:

* The **National Strategy for Agriculture and Rural Development (NARDS) 2021-2027**, which aims to increase the international competitiveness of North Macedonian’s agricultural production and agri-food industry and securing sustainable development of rural areas. The Strategy has specific objectives related to the market regulation, organisation of the food chain and improving the quality of agricultural product, and the modernisation of the agri-food sector.
* The **IPARD Rural Development Programme 2021-2027**, which aims to enhance farm viability and competitiveness of all type of agriculture and primary food-processing, while progressively aligning with the Union standards/developing human and physical capital; restoring, preserving, and enhancing ecosystems dependent on agriculture, fishery, and forestry; promoting balanced territorial development in rural areas; and transfer of knowledge and innovation in agriculture, forestry, and rural areas.
* The **Food Safety Strategy 2021-2025** that ensures the consistency of the national food safety policy and the strategy with the requirements of the EU, and the international organisation standards (WTO, OIE and Codex Alimentarius). The Strategy establishes sustainable and self-sufficient system for food safety, food security and food defence, and it is based on the following principles: 1. Coverage of the complete food chain from primary production to the final consumer, “from field to table”; 2. Effective implementation of EU acts regulating the food safety; 3. Application of the principles of risk analysis and risk management; 4. The priority of the greatest health risks; and 6. Establishment of a system to ensure safety security of food.
* The **Programme for Improvement of Fisheries and Aquaculture 2012-2024**, which most of activities are in relation with EU aquaculture requirements and criteria for high-quality, sustainability and consumer protection standards as well as environmental protection standards.
* The **Strategy for Energy Development of North Macedonia until 2040.** The Strategy provides the directions for development of the energy sector in the country, considering the energy policy trends at global and European level, and particularly in the framework of the Energy Community. Energy trends are emphasizing more ambitious transition towards low-carbon economy, with renewable energy sources (RES) and energy efficiency (EE) among the most important enablers transition.
* The **National Energy and Climate Plan 2021-2030**. The NECP takes a holistic approach and address the five main dimensions of the Energy Union in an integrated wate recognising the interactions between the different dimensions: decarbonisation (addressing two segments: greenhouse gas emissions and renewable energy sources), energy efficiency, security of energy supply, internal energy market, and research, innovation, and competitiveness.

# Problem Analysis

**Area of support #1: Private sector development, trade, research and innovation**

**Short problem analysis**

*Services*

The Services Directive has been transposed in North Macedonia by the combination of a horizontal law (Law on Services, adopted in 2019 (Official Gazette 98/21.05.2019)) and sector-specific legislations in line with the the National Action Plan for the compliance with the EU Services Directive, adopted in December 2020.

The most recent screening, more than 450 legal acts were screened, whereas a total of 155 legal acts (55 laws and 105 by-laws) were identified as falling under the scope of Services Directive and the Law on Services.

This number of legislation in total regulates an impressive number of 475 services/professional activities, which are now subject of alignment measures with the Services Directive as provided in the new Draft Action Plan for Compliance with the Services Directive planned for adoption in 2023. Consequently, out of 155 national acts screened in total 72 legal acts (40 laws and 32 by-laws) will have to be amended aiming to align them with the articles of the Services Directive and the Law on Services. In accordance with the EC Progress report for 2022[[17]](#footnote-18) there were no developments to further harmonise with the EU acquis on recognition of professional qualifications. It was recommended by the EC to further align the national legislation with the EU acquis on postal services, including with the Postal Services Directive and with the Regulation on cross-border parcel delivery. Align the national legislation with the EU acquis, in particular on mutual recognition of professional qualifications and services.

Swiftly setting up a fully operational on-line ‘one-stop-shop’ system for all business-related permits and licences could have an additional positive impact on the business environment. The Point of Single Contact (PSC) for services is available as an electronic platform and has been regularly updated. However, it is required to increase the scope of information and online access to services available with the Point of Single Contact. Implementation of guidance and recommendation for PSC expected to be finalized by the end of 2023.

*Market Surveillance*

The law on inspection supervision adopted in 2019 aimed to streamline the inspection procedure. Among others, it envisages warnings for minor infractions and grace periods for corrective actions. However, ‘risk based assessment’ inspections begin in 2021 and fully implementing the law and establishing transparent and consistent procedures for inspections would increase the ease of doing business. The State Market Inspection (SMI) is performing risk calculations in the supervision process by collection and processing data through Excel spreadsheets which is time consuming process that may lead to omissions and lower number of inspections. EC Progress report for 2022[[18]](#footnote-19), indicates lack in efficient software system to record inspection results and proper risk planning and management. Therefore, introduction of IT solution is necessary to enable more efficient risk planning process and inspections of the SMI in full capacity.

Digitalisation of internal operational DMS and putting in place applications for the electronic processing of SMI activities (e.g. Document Management system software, Risk management software, Software for inspections, etc.) to improve and increase transparency of the SMI activities are related to the new consumer protection legislation adopted by the end of 2022 and general product safety legislation adopted in 2020. This is also supported with the Law on technical regulation and conformity assessment adopted by the end of 2022. The implementation of the legislative framework has to be supported by the setting up of the automated processing of the data and capacity building of inspectors’ competence in this area (trainings, development of check list, manuals, etc) to enhance:

* Risk-focus in resource allocation, planning and implementation of inspection visits – relying on a comprehensive and up-to-date information system
* Transparency of requirements and clear guidance, allowing businesses to know what is expected of them, and what they can expect from inspectors.

Increasing the efficiency and transparency of public administration, reducing the time and costs of commercial disputes and promoting alternative dispute resolutions mechanisms would address some of the factors limiting the competitiveness of domestic companies. Therefore, it is also required to support relevant authorities in transposition of the Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC which is considering setting up the alternative dispute resolution system i.e. development of the Alternative Dispute Resolution (ADR) mechanism and legislation as well as building capacities of the relevant national authorities and stakeholders on functioning of this system.

*Intellectual Property Rights (IPR)*

To tackle envisaged measures under the draft **National Strategy on Intellectual Property 2022-2026**, the Action will support harmonization of the National Laws on Industrial Property and their alignment with the legislation of the European Union and the international legal acts for industrial property. To ensure proper implementation of the harmonised Law and contribute to the implementation of the Strategy, capacity building of the relevant national authorities is required on competencies for the enforcement and acting on Law on Industrial property. To facilitate the creation of a credible enforcement record and gather reliable statistics on the institutional handling of IPR infringements, it is envisaged to digitalize the IPR Office and ensure the electronic data exchange in the IPR-protection network to boost the fight against counterfeiting and piracy and protect better the interests of rights-holders.

The process of granting IPRs (excluding AOs and GIs) was automated in 2000 by WIPO donation of the IPAS57 software. After the initial harmonization of the IPAS with the national legal framework, almost no further customization was made to the automated system for granting of rights, despite the numerous changes in the procedures. The reason for inadequate use of the IPAS system is the lack of employed and trained IT staff who will be able to perform the necessary adaptation of the IPAS system to the needs of the Office.

The Strategic Plan of SOIP 2021-2023, envisages within the cooperation framework with WIPO eliminating the shortcomings of the IPAS system by the appropriate trainings of IT staff who will then implement the necessary customization. In addition to the deficit of human resources, there is an evident lack of appropriate technical equipment. SOIP in order to be up to date with the latest technologies, should provide appropriate equipment: servers; network equipment; desktop computers; scanners; printers. Industrial property rights databases are available to the public. Bibliographic data and the legal status of patents, trademarks and industrial designs can be searched. GIs are not included in the SOIP database. Electronic filing and E-services within the framework of the Cooperation Agreement with the European Intellectual Property Office (EUIPO), SOIP implemented the tools TMclass, TMview, DesignClass and DesignView. Implementation of the CESTO tool, which is designed to facilitate examining the absolute grounds for refusal is still pending. Front Office - a tool for e-filing for trademarks and designs is in the process of realisation. The preparation for the e-filing of patent applications has started in the framework of the bilateral cooperation with the European Patent Office (EPO) in 2015. In cooperation with the EPO expert, the analysis of the IT infrastructure of SOIP has been done, activities have started to prepare e-filing of patent applications starting in January 2016. The activities have not been completed yet. SOIP needs assistance to introduce e-filing and e-services as a set of activities. Developing E-network for exchange of IP data among the enforcement institutions. The creation of databases and exchange of information with other competent authorities in the field of protection of IPRs has started in 2006, under the CARDS program, the IRIS’ system for data exchange between the SOIP and the competent authorities for the implementation of IP protection was prepared, but the system, - the web platform was never put into operation. The issue of e-network has been emphasized already in the Strategy for IP of the Republic of Macedonia 2009 – 2012 and reiterated in National Industrial Property Strategy (2016 – 2018). The topic is, similarly to e-filing and e-services, one of the main goals of The National Strategy on Intellectual Property 2022-2026 as well. None of the above has been implemented yet.

Support for the development and implementation of the relevant IPR IT solutions are structured under the Action in the following way:

* + - Development and implementation of a software solution which will allow IP right holders, companies from MK to report, in a structured format, information about IPR infringements that have occurred in the internal market, neighbouring countries in which they were victims. This platform will collect information on the follow-up by local authorities or, in the case that no action was taken, letting the companies to explain their reasons for taking action. Relevant stakeholders, such as CBIP chaired by SOIP, Customs, State Market Inspectorate, Courts and other enforcement authorities will have access to the full details of the all the submitted cases based on their roles. Collection of such information will enable policy makers to draft new laws and the government to address the issues when negotiating with respective countries.
    - Development and implementation of a publicly available database register composed of collection of works whose authors cannot be identified and which after diligent research are labelled as orphan works. The orphan works are copyright protected works for which IP right holders cannot be identified or, even if one or more of them is identified, or they cannot be located. A work can become orphaned through rightsholders being unaware of their holding. The inability to request permission from the right holders of the copyright, it means orphan works cannot be used in new works nor digitized, except when fair use exceptions apply. Public libraries, museums etc., can’t distribute orphaned books without avoiding the risk of getting legal action against them in case the owner of the copyright were to file a copyright violation. Therefore, this database will enable public to be informed related to orphan works contained in the collections of publicly accessible libraries, educational establishments and museums, as well as archives, film or audio heritage institutions and public-service broadcasting organizations established in North Macedonia. The database will provide a workflow of a diligent research to determine the author for cases when authors or creator claim the work.
    - Development and implementation of an online platform to help finding legally digital content easily, hosted by the State Office of Industrial Property as key stakeholder and law enforcement institution in North Macedonia. This platform will provide a fast and easy access to national portals that link to websites which offer this content nationally or regionally respecting the intellectual property rights of authors and creators. The platform that will provide an alternative legal option to non-licensed, illegal internet content which, if accessed, might be detrimental to yourself and others. Such a gateway gives users an opportunity to reach these alternative options, and as well publishers of a legal content to become part of a register of legal streaming services.

Furthermore, raising the IP awareness of the society is of high importance, taking into consideration the rate of piracy and the presence of counterfeited goods on the domestic market, showing that their level of knowledge is not satisfactory. It is necessary to continuously raise and strengthen the awareness of the public about the importance of the protection and its economic benefits. Therefore, the Action will also support, raising public awareness at national and local levels about the IP, its social and economic importance and value of increasing the effectiveness of the legal enforcement of IPRs.

*Smart Specialisation Strategy*

Key factors that undermine the country’s competitiveness, investment and GVC integration include a challenging business environment, a lack of skills, innovation and technology adoption and low productivity. The country’s businesses suffer from unsophisticated technology, limited capacities of production and innovation, inconsistent quality of goods and services, low investment in human and physical capital, frequent changes to the regulatory framework, low productivity and competition from a large informal sector. According to latest OECD Competitiveness Outlook, North Macedonia progressed in various policy areas, its policies to increase competitiveness need to be effectively and continuously implemented as well as stepped up to have a more sustainable impact. The future success of the economy mainly hinges on the success of a broad range of structural economic reforms, especially ones aiming to further improve the business environment (e.g. measures to combat the informal economy, simplification of the legal framework for doing business and the establishment of a fully functional state registry), enhanced support to innovation and technological development and promotion of human capital (i.e. skills development). Such reform efforts could also help attract foreign investment to sectors with high value added.

To continue the support to innovation, it is relevant to create and implement strategic concept with adequate policy mix as well work on strengthening the institutional capacities. Smart specialization concept is not new in EU countries. It was one of the preconditions to enable access to the cohesion funds. This place-based innovation strategy gives priorities and stimulate continuous entrepreneurial discovery process, where jointly academia, business, NGO and government will identify the biggest potentials and work on strengthening the comparative advantages, finding new markets and new business opportunities. In these days EU are developing further the concept towards Partnership for Regional Innovation networking and strengthening the links between countries and regions in order to stimulate smart specialization, innovation, research and development.

The Republic of North Macedonia have adopted their first Innovation Strategy in 2013 when the Fund for Innovation and Technology development was created as a key implementing institution. What was learned from previous innovation strategy is that as a key pillars for success are: continuous capacity building of all stakeholders in the system, structure of the policy mix offering stimulation and support to innovation, need for continuous dialogue on highest political level confirming the commitment and coordination between institutions,  as well dialogue between stakeholders especially academia and business, need for better understanding and getting acquainted with EU programs that provide access to finance for the stakeholders, continuous development of the innovation infrastructure (accelerators, digital innovation hubs, centres of excellence, science technology park etc.).

In this direction, the adoption of the Smart Specialisation Strategy within second quarter of 2023 envisages further development of the innovation eco system, having the horizontal approach for general stimulation of the innovation eco system, but also vertical approach for supporting domains for smart specialization, that are identified as areas with highest economic, science and innovation potential. Setting the institutional infrastructure for support of the academia-business collaboration, is particularly important. In the process of creating a competitive economy, based on knowledge and innovation, there should be a strong link to enhancing the innovation and stimulating cooperation between academia and business for transferring the knowledge, skills development, increasing capacities for research and development etc. In creation favourable environment for innovation-based growth it is necessary to provide strategic framework as a policy guidance with clear vision for inclusive and smart growth and strengthen the institutional support infrastructure for R&D&I in order to get closer to the science and technology and become more competitive in regional economy.

Proposed Action is designed to contribute to the implementation of the new strategy, in particular to enable improving communication and coordination among stakeholders; to increasing administrative and monitoring capacity; to improve the policy mix aligned with EU S3 good practices and improve participation in EU programs and projects.

# Main stakeholders

Main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) identified to be covered by the Action in the area of the private sector development:

* **Ministry of Economy (MoE)** is the policy-making body for the competitiveness, goods and services sector and SMEs.
* **State Market Inspection (SMI)** is an surveillance authority in the framework of the Ministry of Economy. SMI operates also through regional offices in Skopje, Štip, Strumica, Bitola and Ohrid, and employs a total of 165 employees mostly inspectors.
* **State Office for Industrial Property (SOIP)** is an administrative body with a status of an independent state administrative body with responsibilities laid down by the Law. SOIP has the capacity of a legal entity and it is supervised by the Ministry of Economy (MoE) who, according to the Law, supervises the implementation of the provisions of the Law and the respective bylaws. SOIP is managed by a director who represents the Office.
* **Fund for Innovation and Technology Development (FITD)** a leading government institution for supporting start-ups and innovative companies in the Republic of North Macedonia. Currently, the Fund, through its financial instruments, co-finances 686 projects with a joint investment of 86 million euros. As much as 51% of the FITR portfolio, i.e. 326 supported companies are start-up companies, mostly founded by young people. With almost 1.5 million euros, the Fund also supports the development of three accelerators in the country: X Factor, Seavus Accelerator and Business-Technology Accelerator UKIM. The main priorities of the Fund are improved access to financial support for innovation and technological development and promotion and encouragement of innovation activity in North Macedonia.

**Area of support #2: Agriculture and Rural Development**

**Short problem analysis**

*Quality of food and the supply chains*

The National Strategy for Agriculture and Rural Development emphasises *organic production and agri-environmental practices* as pillars for the development of the agricultural sector. It foresees a greater alignment of the sector with the EU *acquis* and the expansion of the adoption of organic principles among farmers to increase their competitiveness.

New legislation relating the organics was introduced on 1 January 2022. This legislation seeks to respond to the challenges posed by the rapid expansion of organic farming by providing a more effective legal framework for the industry. However, the system needs more systematic monitoring and control of the certification procedures and the products' certification. Domestic consumption is further limited due to a lack of consumer information and limited production quantities. The labelling of organic products exists in legal terms, but it is hardly distinguished on the market or falsely used. On the supply side, farmers are reluctant to expand despite the growth potential due to a lack of domestic market opportunities and higher unit production costs. To export organic products to the EU, North Macedonia needs to align further with the EU’s new organic legislation 848/2018 and strengthen the traceability and control systems along the value chain of organic products. For exporting organic products to the EU market, it must be compliant to the standards to those applying to goods produced in the European Union. Further research and development is needed to obtain more information on organic farming in RNM, both in the area of production and marketing, and market studies for identification national organic products. Promotion and raising the awareness of farmers and agricultural communities on environmentally friendly agriculture and organic farming practice is required as well as comprehensive capacity building for organic farmers to familiarise with the rules and procedures prescribed by the new Law on on organic agriculture production. It is required to raise awareness on the economic, environmental and social benefits to both, producers and consumers side.

Control authorities and control bodies that assess, inspect, and certify organic production or distributors must be recognised as control bodies. EU-recognised control bodies would scale up the export opportunities and potentially extend the variety of organic products. For traceability of organic products, it is necessary to develop a digital database for the certificates of all operators in organic production. It is necessary to upgrading IT software system, education, equipment to all beneficiaries in organic control system (control/certification body, inspectorate and administration).

Following the recommendations of the IPA II 2015 CMO project, the system for GI needs to be aligned further to the EU acquis. Protected designation of origin and geographical indications safeguard and promote agricultural products and traditional specialties. GI systems promote jobs for young population and women. The technical assistance will work on identifying product potential for GI, support the development of technical specifications for selected GI products, support MAFWE in the process of legal alignment, support the associations of producers in the registration process which assumes activities for training and education of the producers to standardise the products subject to GI. The assistance will also contribute to introducing a measure under IPARD III for support to producer groups.

The legal framework for the Geographical indication (GI/PGI) is established in North Macedonia, but it is not yet harmonized with the EU GI regulations for wine and spirits sector. The legal framework for the agri-food sector is aligned with Regulation (EU) No 1151/2012 in 2016 and is fully functional. In this sector, serious and evident progress has been made in the implementation of the legal framework for GI in the last years. At the end of 2021, through a public call, financial support was provided for the registration of protected geographical names. At the same time, in addition to budget funds, the country secured support from other external donors. In 2022, this resulted in three new requests for protection of geographical indication (Prespa apple, Belasicki chestnut honey and Macedonian lamb from Ovchepolska pramenka). In December 2022, the protection procedure for the Prespa apple was completed, so this product is already the second registered product with a protected geographical indication. For the other two products, the procedure is in an advanced stage and it is expected that they will be protected soon. Support has been granted for three other products (Mariovo honey, Bukovska pepper and Mariovo whipped cheese) and the start of the procedure for their protection is expected soon. However, it is evident that there is still limited awareness among farmers on how the GI/PGI system works and what the benefits of registering are. GI/PGI is a way forward to create opportunities for agri-food, wine, and spirit drinks producers to register their products as GI/PGI and further export on the EU markets.

In addition, following the screening and starting of negotiation for Chapter 11 **Agriculture and rural development**, a quite demanding and complex chapter, additional assistance may be needed to address several aspects for the Reinforcing of the Agricultural and Fisheries Policies.

*Veterinary and Phytosanitary system*

North Macedonia has achieved good food safety and **veterinary** policy preparation, but further efforts are needed to ensure alignment with the new EU acquis on animal health, which entered into force in April 2021 and covers over 80 animal diseases. The EU's new legislative package on animal health comprises a comprehensive set of more than 25 legal acts.

Further harmonisation and implementation of implemented and delegated legal acts stipulated by official control regulations are needed. The most recent audits carried out by the European Commission to evaluate the level of animal health preparedness in the context of the EU pre-accession, as well as the control systems established in the country, have highlighted the need to enhance the official controls on food safety and the animal health system, with a specific focus on verifying the effectiveness of the animal health control system. A draft law on official controls in line with EU Regulation 2017/625 has been prepared and is expected to be adopted in 2023. The practical implementation of the law requires upgrading methodological concepts and practices for epidemiological investigations, passive and active surveillance plans for animal diseases, early detection and emergency preparedness, and preparing and enforcement of eradication programmes for category B and C listed diseases. The European Commission emphasised the importance of enhancing data collection, validation, and analysis and creating effective risk assessments for animal diseases to establish credible risk management strategies.

Additionally, improvements are needed in the FVA IT systems to enable complete traceability of animals and food products, as well as measures applied for prevention, control, and eradication of diseases and food safety, in line with the Official control regulation 2017/625. The FVA IT system should ensure information exchange, reporting and notification data and documents necessary for the performance of official controls, results and records from the performed official controls both on animal health and food safety. The information system in North Macedonia, was developed over 12 years ago, and it is tailored as a country-specific and legislatively bound system. As such, the system is becoming obsolete from a technological perspective, as well as outdated in terms of legislative viewpoint due to the continuously evolving EU legislation and ongoing EU approximation, in particular the EU Regulation 2016/429 (Animal Health Law) and 2017/625 (official control regulation). Currently, FVA has requested support from FAO for customization and introduction of the IT system (NAITS) developed for Georgia for a support of its EU approximation efforts, as it already includes a number of modules aligned with the new EU Regulation 2016/429 “Animal Health Law”. However, to ensure sustainable IT system able to provide full traceability of the animals and food products, and also to ensure the integrity of the data on the system, certain upgrades/remodeling will be required further, to adjust to the FVA need. Therefore, this Action will support development/upgrade of the following modules:

* in the area of food of animal origin and food of non-animal origin
* in the area of other veterinary public health competences (VMP, ABP etc.)
* official controls over entire food chain
* ensuring data and reports for the purposes of reporting to international organizations (EFSA, WAHIS etc.)

On **phytosanitary***,* the country must enhance its implementation and strive for alignment with the European Union's Farm to Fork and Biodiversity Strategy within the framework of the European Green Deal. These efforts should include the adoption and implementation of legislative package on plant health and official controls, as well as the new proposal of EU Regulation related to the sustainable use of plant protection products.

EU Plant Health Regime, regulated by Regulation (EU) 2016/2031 and Official Control Regulation (EU) 2017/625, aims to ensure a harmonised approach concerning the protective measures against quarantine and other regulated plant pests. The Phytosanitary Directorate drafted a new Plant Health Law transposing regulations and relevant secondary legislations. The new Law focuses on measures on protecting plants against pests that pose plant health risks and reducing those risks to an appropriate level, with strict connections on the production and marketing of seeds and other propagating material. Additionally, prevention and early detection of pests are essential for timely and effective eradication. Therefore, surveillance is an integral part of the plant health regime, including specific survey programs for particular pests based on Multi-annual and Annual survey programmes.

In line with the adopted Law on Phytopharmacy, secondary legislation must be adopted based on the National Action Plan (NAP) for the sustainable use of plant protection products. An important part of NAP is the Integrated Pest Management (IPM), aiming to promote the application of all good agricultural practices to reduce the use of pesticides in agricultural production to an ecologically friendly and technically justified and safe level. There is a need to promote the IPM at the territorial and field levels, with the involvement of the relevant public institutions. The assistance will improve the capacities of the Competent Authorities and other stakeholders to create and implement phytosanitary policy and legislation, both in plant health and sustainable use of pesticides area.

*Illegal, unreported and unregulated fishing*

The legal and institutional alignment of the sector follows the National Plan for the Adoption of the Acquis (NPAA). Taking into consideration that North Macedonia is a land lock country a large part of the EU acquis on fisheries is not applicable. However, North Macedonia, should engage in the fight against IUU, and the national legal framework need keeping pace with changes to the EU’s Common Fisheries Policy. In this context, the country needs to increase its alignment with the EU legislation and improve its administrative capacities for managing resources and fleets and the inspections and control of the fishing policy. Establishment the system for prevent, deter and eliminate IUU fishing has been determinate as one of the priority in the Strategic response 2021-2027 for Republic of North Macedonia. Therefore, the new draft Law on Fisheries and Aquaculture provide an option for establishing secondary legislation regarding IUU fishing. Strengthening the national legislation and further alignment with the EU regulation is pivotal in order to alignment the legislation and establishment the system for prevent, deter and eliminate IUU fishing. It is of essential importance further training of national authorities to get acquainted with actual requirements for fight against IUU and its implementation. In addition, putting in place IT solutions for the national catch certification and supply of technical equipment should contribute to the establishing and functioning of the system for prevention, deter and elimination IUU fishing.

*AFSARD – Agency for financial support of Agriculture and Rural development*

Following the implementation of IPARD I and II, a significant trend of increasing utilization of IPARD funds can be observed through the implementation of projects that are of vital importance for agriculture and rural development. The Sector for Control, as an independent internal organizational unit is responsible for performing on-the-spot controls of the applicant or the beneficiary of financial support for the purpose of determining the actual situation, before project approval, before making payments, ex-post controls, as well as additional controls as required and act according to reports in order to prevent irregularities.

The sector for control is facing many challenges caused by the outdated IT equipment for performing field controls such as non-functional laptops, non-functional mobile printers, outdated models of GPS trackers as well as the necessary work equipment of the employees themselves who perform controls in the field (protective uniform). In 2020, 5908 controls were performed on an annual basis, in 2021, 5247 controls were performed, and in 2022, the number of on-site controls was 5,537. A larger number of controls is expected from 2023 with the start of the IPARD III Program.

Given that IPARD III 2021-2027 has a significantly higher value than IPARD I and II, i.e. about 97 million EUR, maximum focus and dedication of employees is needed to perform their tasks in a timely and professional manner. To raise the level of professionalism, it is necessary to improve the working environment, which will enable the successful functioning of the AFSARD. IPARD II cannot cover purchase of supplies due to the final phase of implementation.

# Main stakeholders

Main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) identified to be covered by the Action in the area of rural and agriculture development are as follows:

* **Ministry of Agriculture, Forestry and Water Economy (MoAFWE)** is responsible for developing and implementing agriculture, forestry, and water management policies. The Ministry is also responsible for managing fishing activities in North Macedonia, including regulating and controlling fishing, managing fish stocks, aquaculture, protection and sustainable use of fish.
* **Food and Veterinary Agency (FVA)** is a central competent authority for food and feed safety and veterinary policy. FVA is an independent body of the public administration in the role of legal entity.
* **Phytosanitary Directorate** is a body within the Ministry of Agriculture, Forestry and Water Economy responsible for creation and implementation of the policy and legislation related to the plant health and sustainable use of plant protection products. The other Competent Authorities involved in plant protection sector are State Phytosanitary Laboratory (SPL) for laboratory analysis, State Agricultural Inspectorate (SAI) within which is border and in-land phytosanitary inspection and Seed and Seedling Directorate for the issues related to the plant propagating material.
* **Agency for Financial Support in Agriculture and Rural Development (AFSARD)** is a responsible institution for the full, timely and accurate implementation of the Programs for Financial Support of the Agriculture and Rural Development, through an established, efficient, effective and economical control and management system. AFSARD applies the quality management system - ISO 9001:2015.

# Lessons Learned

The EU is the largest donor in the country for the competitiveness, agriculture and rural development sectors, benefiting of EUR 165.3 million in EU grants under IPA II. A new package of EUR 25.85 million, focused on greening the economy through establishing the Green Economy Fund, is funded under IPA III. The implementation of the EU-funded interventions led to the following conclusions:

* Clear strategic vision and political commitment to far-reaching sector reforms are crucial for the national and EU investments. With the adoption of performance assessment framework in 2021 and the Strategic Response in 2022, North Macedonia has established targets for year 2027 for a number of sector reforms. These targets have supported well the definition of strategic priorities for the new generation of strategies and helped the programming process channelling the EU and national investments in the right direction to achieve the targets. However, the current framework does not cover all areas. In some areas, such as the intellectual rights, the strategic vacuum since 2018 delayed significantly the reforms, weakened the existing capacities, and hampered national and donors’ investments. This is why the adoption of a new IPR strategy has been included as a precondition for any EU investments, even under the project approach.
* The clear political vision has to be backed by sophisticated, well-coordinated and inclusive policy-making, implementation and reporting process. Involving stakeholders, namely the business and farmers communities, researchers and innovators, as well as local community organisation, is a vector of success for any action. They must be partners in the activities, not only beneficiaries. This approach, ensuring the sustainably of the EU investments, requires strong communication and outreach policy, and this has been streamlined through all action components. In addition, the Action relies on the involvement of the two sector working groups – on competitiveness sand on agriculture and rural development - where the interests of the authorities meet those of the donors and civil society.
* Investing in capacities remains the most important tool for minimising risks to assistance, promoting sustainability, and maximising impact. These investments must cover all aspects of administrative capacities: clear competences and institutional roles, preparedness and knowledge of staff, business processes at institutional level, inter-institutional coordination, quality assurance and standards at work, etc. While the ongoing public administration reform will target horizontally a significant part of these priorities, the capacity building measures in specific institutional and sectoral context provide additional value and ensure a strong synergic effect.
* Significant part of the EU assistance targets alignment with the EU legislation, and preparation of the stakeholders to implement it in support of the early integration concept. It has never been easy to follow on the level of alignment. Despite the National Programme for the Adoption of the *Acquis* (NPAA), there is still no reliable system for monitoring the alignment at legal level and even less at the level of implementation. The new stage of accession of North Macedonia and the efforts of the Government to establish a well functioning negotiation system provide some assurance that this issue will be resolved in due time by putting in place a new comprehensive IT system on legislative correspondence. It will be equally important to back up the data with enhanced digitalisation at institutional and sector level – one of the objectives of this action.

# DESCRIPTION OF THE ACTION

# Intervention Logic

# The Overall Objective/Impact of this Action is:

*To unleash the economic potential of North Macedonia and enhance country’s cohesion with EU*

The Specific Objective (Outcome) of this Action is:

*To accelerate the business environment reform and transformation*

This Outcome will be achieved through the delivery of the following Outputs:

*Output 1: Improved legal, administrative and operational framework for private sector development*

*Output 2: Strengthened capacities for effective and efficient management of agriculture and fisheries*

# Indicative Activities

The Action will be implemented through the following main activities:

**Output 1: Improved legal and administrative framework for private sector development,** with a focus on:

# (1). Right of establishment and freedom to provide services – the Action will:

# Align further the national legislation with the EU Directive on Services 2006/123/EC covering amendments to the law on services and the specific legislation on the notification procedure, Point of Single Contact (PSC) and Internal Market Information System (IMI)in line with the *National Action Plan for the compliance with the EU Services Directive.*

* + - Upgrade the *Point of Single Contact (PSC)* to address the EU guidance and recommendation and ensure continuous functionality of the PSC and full access of the service providers to information and administrative services online.
    - Strengthen the capacity of the Ministry of Economy and other national institutions to understand the EU policy on services (including the new trends, linked to the Green deal and the digitalisation and innovation drive) and the benefits and implications of the transposition process, as well as to monitor and analyse the service markets and infrastructure and provide adequate response. This activity implies training in various forms (structured training, advising, coaching, on-the-job support, peer-to-peer change).
    - Raising the awareness of the private sector, authorities and the general public on the new requirements, rights and obligations related to the improvements in the national legislation on services and the national support framework.

# (2) Market surveillance and consumer protection - the Action will:

* + - Strengthen the capacities of the State Market Inspectorate (SMI) to exercise the legally prescribed competencies according to the Law on Consumer Protection, the Law on General Product Safety and the Law on technical requirements for products and conformity assessment. This activity implies training in various forms (structured training, advising, coaching, on-the-job support, peer-to-peer change).
    - Digitalise the business processes in the State Market Inspectorate and put in place software applications allowing effective and highly automated business circuit and process management, effective data collection and processing, and improved transparency.

# Establish an Alternative Dispute Resolution System on consumer matters encompassing development of the necessary legislation and capacity building of the relevant staff to understand and pursue the implementation of the legislation protecting the consumers.

# Raising the public awareness on consumer rights and liabilities for general public and businesses chambers through a series of targeted consumer protection campaigns.

# (3) Intellectual Rights - the Action will:

* + - Align further the national legislation on industrial property with the EU acquis, and the international agreements with EPO, EUIPO & WIPO.
    - Strengthen the capacity of the State Office for Industrial Property (SOIP), State Market Inspectorate (SMI) and Customs to protect the rights holders by applying pro-active measures, providing adequate response to counterfeiting and pirating goods, and enforcing the national legislation.
    - Digitalise the IPR enforcement process by putting in place

1. an anti-counterfeiting software solution which will allow IP right holders, companies from North Macedonia to report, in a structured format, information about IPR infringements that have occurred in the internal market, neighbouring countries in which they were victimsis;
2. Orphan works database register
3. legit-stream platform to help finding legally digital content easily and provide an alternative legal option to non-licensed, illegal internet content.
   * + Raising public awareness on Industrial property rights including Anti-Counterfeiting to the general public, right holders and users through targeted campaigns focused on youth, private sector and public at general.

# (4). Research and Innovation - the Action will:

* + - Support the effective and efficient functioning of the national coordination and advisory bodies for Competitiveness, Innovation and Smart Specialization and the continuous S3 Entrepreneurial Discovery Process, promoting a sustainable consultative process among stakeholders (quadruple helix - policy, industry, science and society). This activity implies also putting in place of a S3 integrated management and information system for stakeholders’ coordination and visibility in line with the digital transformation policy of the country.
    - Design and implemented selected support measures to support technological and practice-based innovation (e.g., digital and green transition of SMEs; mobility scheme between academia and industry improving the brain circulation and allowing highly qualified young researchers and professionals to transfer know-how in production environment, etc.). This process will be backed up by assessment of the effectiveness of the S3 policy mix support measures for private sector, research and innovation in the previous period, analysis of the gaps, mapping and analysis of the available S3 policy mix funding source, and identification of the most adequate finance sources for the stakeholders (policy, industry, agriculture, science and society). The action will pilot up to three support measures with an impact on green and digital transition, and gender equality.
    - Conduct a feasibility study for establishment of innovation infrastructure in line with the S3 policy mix (e.g., canters of excellence and technology transfer offices)
    - Promote the EU programs and strengthen the capacity of national stakeholders to support the national participation in the Union programs in line with S3 (MSMEs, academic institutions, TTOs, intermediaries, etc.) as well as European Research Area and the European Innovation Area.

# Output 2: Strengthened capacities for effective and efficient management of agriculture and fisheries

# (1). Aligning the national policy with the EU objectives on green and smart agriculture, and promotion of the organic food production, encompassing:

* + - Alignment of the national regulations with the EU *acquis* such ason organic production and preparing rulebooks according to the new Law on organic agriculture production.
    - Establishment of the systematic monitoring and control of the certification procedures and the products' certification.
    - Strengthening capacities for export to the regional and EU market through analysis of organic farming in North Macedonia, both in the area of production and marketing, as well as market assessment for identified national organic products.
    - Promotion and raising the awareness of farmers and agricultural communities on environmentally friendly agriculture and organic farming practice.
    - Promotion of the national logo for organic production in order to increase consumer awareness of the use of organic products, as well as the preparation of comparative analysis of the economic, environmental and social benefits of the population using organic products.
    - Capacity building of organic farmers at local and national levels on implementation of new rules according to the new Law on organic agriculture production as well as on organising organic farmers in a "producer organization" as a tool for increasing the market offer in the overall food sector.
    - Upgrading IT software system for monitoring and inspection controls of organic farmers and training of all beneficiaries in organic control system (control/certification body, inspectorate and administration).
    - Renewal of the IT equipment for AFSARD Sector for control for implementation of on-the spot checks this will ensure better implementation of the EU funds in the sector and improve the control standards of the management of the EU assistance.
    - Assist the alignment of legal and institutional framework linked to **Chapter 11 Agriculture and rural development** following the screening process and during the starting of the negotiations. This may include preparation or review of legislation and functional analysis of the bodies involved.
    - Provide with capacity building to the staff of Ministry of Agriculture, Forestry and Water Economy and to the subordinated bodies to address any challenges during the preparation for starting negotiations. This will assist the above authorities to deliver on the sectoral structural reforms, align the sector systems and standards with the EU ones and ensure that the invested EU and national funds in the Agriculture sector will create value added and improve the every-day life of the farmers.
    - Provide with ad hoc assistance and expertise on any issues related to the approximation of the sector of Agriculture and Rural Development to the EU acquis. This may include preparation of studies, sector assessments, strategic planning, reporting etc.

**(2). Strengthening the GI/PGI System** by**:**

* + - Further alignment of the national PDO/PGI legislation for spirits with the EU *acquis* on the geographical indication.

Raising awareness of producers and processors of all GI products on the GI protections, benefits and impact on rural economy.

# (3). Enhancing the Veterinary system by

* Further aligning the national legislation with the EU acquis on veterinary, environmentally friendly food production, animal health and official controls.
* Development and implementation of animal disease risk analysis, strengthening the capacities for early detection of animal diseases and emergency preparedness, and putting in place of integrated IT solutions for monitoring animal health and food safety.
* Improving the effectiveness of the official controls through (a) capacity building measures and procedural improvements, (b). modernised equipment for performance of official controls and (c). digitalisation of the control routine and business management process.

**(4). Improving the Phytosanitary system,** encompassing**:**

(a). Reform-focused measures including:

* + - Further aligning the national legislation with the acquis on plant health and plant protection products.
    - Development of the necessary phytosanitary measures to eradicate quarantine pests in the area.
    - Capacity building activities to increase the efficient implementation of legislation and phytosanitary information system.
    - Further development of a functional National plant protection organisation.
    - Development of risk-based and preventive measures to protect the country’s territory from pests that plants, plant products or other objects from a third country might introduce.
    - Further development of the system of phytosanitary certification for export.
    - Extension of the IPM within the whole territory, involving all stakeholders on the central and regional levels.

(b). Delivering laboratory and inspection equipment of the competent authorities involved in the phytosanitary system (Phytosanitary Inspection, Phytosanitary Directorate and State Sanitary Laboratory)

# (5). Preventing the illegal, unreported and unregulated fishing

* Strengthening the national legislation and programmes on aquaculture and fisheries and align them with the EU regulation to prevent, deter, and eliminate illegal, unreported, and unregulated fishing (IUU Regulation).
* Introduction and enforcement of new legislation related to IUU to the importers of fishery products
* Capacity-building activities for the national authorities to implement the catch certification scheme and on inspection and control to increase the efficient implementation of legislation, monitoring, reporting and control of IUU regulation.
* Putting in place IT solutions for the national catch certification including traceability of the fishery and agriculture products and supply of the technical equipment.

# Mainstreaming

**Environmental Protection, Climate Change and Biodiversity**

North Macedonia is committed to using the EU experience and support to improve its economy’s performance in line with the EU *acquis* and EU policies, namely the Green Agenda and the Digital Transformation. EU funds will be channelled to greening the business practices and implementing the EU environmental and quality standards in industry and agriculture. The action will promote innovation policy focused on sustainable use of natural resources, resource-saving in industry and agriculture, and nature-based solutions decreasing pollution. In the implementation of S3, support measures will be piloted with an impact on green and digital transition of SMEs. No support will be provided to “environmental non-friendly or neutral” business activities.

The activities linked to promoting the organic agriculture and modern veterinary and phytosanitary policy will have positive impact on environment, biodiversity, climate change mitigation and saving of natural resources. This will support the implementation of the North Macedonian Agriculture Strategy 2017-2027, which emphasises the need to encourage sustainable agriculture practices, such as agri-environmental measures, integrated natural resource management, and organic agriculture. The Action will maximise the agricultural sector's contribution to a modern, resource-efficient and competitive economy. In the long term, this will improve the quality of life for rural residents and increase resilience to the impacts of climate change, reducing exposure to natural disasters.

**Gender equality and empowerment of women and girls**

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G0; yet it remains gender-sensitive. The country has put in place the legal framework for gender equality, equal opportunities and protection from discrimination and this Action will contribute to the implementation of the legal framework in practice. In the implementation of S3, the piloted support measures will promote gender opportunities for both women researches and business women. The activities related to agriculture will also promote -related output, special focus will be put on involving women. In North Macedonia the percentage of women owning land and production tools is very small. Therefore, the Action will actively promote equal opportunities with a special focus on engaging women in self-support cooperative activities. During the implementation, equal opportunities and gender mainstreaming will be ensured through gender sensitive analysis, training, review of standards, skills development and information. In addition, all implementing partners will be requested to provide monitoring data recording the participation of men and women by age in terms of expert inputs and staff hired by the project.

**Human Rights**

This Action takes into consideration the country’s commitment to advance the human rights agenda in practice. It will support North Macedonia in enforcing the right of the citizens to have a job and decent living, and to live in a clean environment, where natural resources are benefitting all citizens. The Action aims to ensure equal access and opportunities for all, without discrimination based on factors such as sex, race, ethnicity, religion, disability, age, or sexual orientation. It will also actively promote equal participation of women and men through accessible information and design and will consider equal opportunities throughout the project cycle. The Action will work to create an inclusive environment that supports gender equality and the participation of individuals with disabilities.

**Civil Society Organisations**

The consultation and communication processes with civil society and the general public are of utmost importance in establishing and promoting a competitive economy, facilitated by private sector development, research and innovation, and the fortification of agriculture and fisheries. CSOs will be included directly in implementing activities, with their significant contribution expected. Furthermore, they serve as an essential platform to check the progress against the real needs on the ground. For this reason, communication and coordination with the CSOs will be integral to the contracts.

# Risks and Assumptions

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Category** | **Risks** | **Likelihood**  **(High/**  **Medium/**  **Low)** | **Impact**  **(High/**  **Medium/**  **Low)** | **Mitigating measures** |
| People and the organisation | Lack of political consensus to continue with the implementation of reforms in the private sector development, trade, research and innovation and Agriculture and Fishery sectors | M | H | Keeping the dynamics of the accession process is an important leverage tool to align political visions. The progress with the ongoing screening will help enhancing the societal support for the accession process. The active strategic communication on the concrete benefits of the EU accession, including with outreach to smaller locations and rural areas will support the process.  Enhanced political dialogue with the political actors will be important as well through engaging in continuous policy dialogue with institutions and authorities of North Macedonia through mainly the SWGs, with strong ownership and leadership by the relevant ministries. |
| Planning, process and system | Insufficient administrative capacity, lack of adequate number and quality staffing and insufficient coordination among the institutions | M | H | The ongoing Public Administration Reform (PAR) is expected to address the high staff turnover in all institutions by proposing a viable retention and merit-based policy and modern human resource management. As intermediate mitigation approach, technical assistance and capacity building measures, including by this action, will be put in place. |

**External Assumptions**

The following assumptions allow for a successful cause-and-effect relationship between different levels of results:

* Macroeconomic and fiscal stability is ensured
* The economy and creation of a business climate favourable to economic growth remain top priorities for the Government of North Macedonia.
* Incentives for RDI gradually increase
* Continued political will and commitment of the Government and public administration to the accession process and the alignment of the EU acquis
* The political commitment is translated into physical and human resources for the continuation of the sector reforms and the implementation of the EU assistance
* Willingness on behalf of the economic operators and academia to cooperate
* Good cooperation and coordination among key stakeholders including local administration

| * 1. **Indicative Logical Framework Matrix** | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Results** | **Results chain:**  **Main expected results** | **Indicators** | **Baselines**  **(values and years)** | **Targets**  **(values and years)** | **Sources of data** | **Assumptions** |
| **Impact** | *Economic potential of North Macedonia unleashed in line with the EU objectives on climate change and the protection of biodiversity* | Distance to frontier rank (the ease of doing business) | 17 (2020) | Rank ≤ 20 (2027) | WB | *Not applicable* |
| Research and Development expenditure per inhabitants (Euro/inhabitants) | 19,9 EUR/inhab. | ≥ 50 EUR/inhab. | SSO |
| Value of export of agriculture products | 624,503,315 Euro (2019) | ≥835,000,000 Euro (2027) | WTO |
| **Outcome** | *Accelerated business environment reform and transformation* | Level of progress in negotiation thematic Cluster 2: Internal market (Chapters: 1, 3, 7, 28) and Cluster 5: Resources, agriculture and cohesion (chapters 11, 12 13) | Moderately prepared  (2022) | Good level of preparation (2027) | EC Annual Progress Report | Macroeconomic and fiscal stability is ensured  The economy and creation of a business climate favourable to economic growth remain top priorities for the Government of North Macedonia.  Incentives for RDI gradually increasee Government incentives for RDI remain at its current level or increase |
| Number of enterprises | 58 765 (2019) | >70.000 (2027) | National Statistical office[[19]](#footnote-20) |
| Enterprise survival rate [[20]](#footnote-21) | 54.1% | 55% (2027) | National Statistical office[[21]](#footnote-22) |
| Agricultural area under integrated plant protection. | 5 (2020) | 30% (2027) | Ministry of Agriculture |
| Agricultural area under organic farming (without pastures) | 2,716 Ha (2018) | ≥ 3,100 Ha (2027) | State Statistical Office (SSO) |
| **Output 1** | *Improved legal, administrative and operational framework for private sector development* | Number of pieces of EU legislation fully transposed under Cluster 2: Internal market (Chapters: 1, 3, 7, 28) | N/A | >10 (2027) | Report on implementation of National Action plan on compliance with Services Directive / EC progress report for North Macedonia | Continued political will and commitment of the Government and public administration to the accession process and the alignment of the EU acquis  The political commitment is translated into physical and human resources for the continuation of the sector reforms and the implementation of the EU assistance  Willingness on behalf of the economic operators and academia to cooperate  Good cooperation and coordination among key stakeholders including local administration |
| Number of new services functional in the Point of Single Contact (PSC) | 1 (2023) | 50% of the listed in the catalogue of service (2027) | Report on implementation of National Action plan on compliance with Services Directive |
| Number of market inspectors trained on quality controls | 0 (2023) | ≥150 (2027) | Semi-annual report of the Market Inspectorate |
| Number of consumer complaints finalised annually | 1934 (2022) | ≥30% (2027) | Semi-annual report of the Market Inspectorate |
| Number of filed applications for IP rights | 650 patents (2022)  3,593 trademarks (2022)  157 industrial designs (2022) | ≥30% each (2028) | Annual report of the SOIP |
| Number of partnerships between economy and research sectors | 0 (2022) | ≥10 (2027) | Annual Report on implementation of S3 Action plan |
| **Output 2** | *Strengthened capacities for effective and efficient management of agriculture and fisheries* | Number of pieces of EU legislation fully transposed under Cluster 5: (Chapters: 11,12,13) | N/A | >10 (2027) | Report on implementation of National Action plan on compliance with Services Directive / EC progress report for North Macedonia |
| Number of organic farmers | 927 (2022) | ≥ 10% up (2027) | Annual reports of MAFWE and State Statistical office |
| Number of organic farmers benefitting directly from the EU assistance | 0 (2023) | ≥ 1,500 (2028) | Project progress report |
| Number of registered products with PDO/PGI | 2 (2023) | ≥ 20 (2027) | MoAFWA Register of PDO/PGI products |
| Number of type of reports generated by the IT solutions (software) for animal health and food safety (FVA) | 0 (2022) | ≥5 (2027) | EFSA data reporting tools |
| Number of implemented legislation in line with the FVA Action Plan | 3 (2022) | ≥23 (2027) | EC progress report for North Macedonia  Sub-committee on Agriculture and Fisheries Report |
| Number of registered professional operators based on Directive 2000/29/EC | 0 (2020) | ≥785 (2027) | Register of producers, traders exporter, of plant and plants products and Phytosanitary Information System, Phytosanitary Directorate, MAFWE. |
| Number of implemented legislation and other relevant documents adopted | 0 (2023) | ≥ 20 (2028) | Project progress report  Official Journal |
| Number of annual information notes of IPM prepared and distributed to the stakeholders | 4 (2023) | 30 (2028) | Project progress report  Annual Report for implementation of Phytosanitary Policy Programme |
| System for prevention and control of IUU established | 0 (2020) | Fully operative system for prevention and control of IUU (2027) | EU Annual Progress Report |
| Number of on-spot checks increased on the annual basis | 7315 (2023) | ≥20% increase (2027) | AFSARD Annual Job Reports |  |

# IMPLEMENTATION ARRANGEMENTS

# Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the North Macedonia.

# Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of conclusion of the financing agreement.

Extensions of the implementation period may be agreed by the Commission’s responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

# Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.

# Direct Management (Grants)

# *Grant-Twinning-Call for proposals “Strengthening the phytosantiray capacities of North Macedonia”*

**(a) Purpose of the grant(s)**

This call for proposals will aim at the implementation of *Output 1(4)a: Improving the phyto-santiry system* - Reform-focused measures.

**(b) Type of applicants targeted**

The applicants must be EU Member State administrations or mandated bodies. The essential selection criterion is the operational capacity of the applicant. The essential award criteria are the technical expertise of the applicant and the relevance, methodology and sustainability of the proposed action. The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of the Financial Regulation if full funding is essential for the action to be carried out.

# Direct Management (Procurement)

Procurement procedures will be used for:

Output 1: *Improved legal, administrative and operational framework for private sector development*

Output 2: *Strengthened capacities for effective and efficient management of agriculture and fisheries, Activities (1),(2), (3), (4b) and (5).*

# Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

# Indicative Budget

|  |  |  |
| --- | --- | --- |
| **Indicative Budget components** | **EU contribution**  **(amount in EUR)** | **Indicative third-party contribution, in currency identified** |
| **Methods of implementation –** cf. section 4.4 |  | |
| **Output 1: Improved legal, administrative and operational framework for private sector development**  composed of | **7,500,000** | **265,000** |
| Grants (direct management) – cf. section 4.4.1 | N.A. |  |
| Procurement (direct management) – cf. section 4.4.3 | 7,500,000 | 265,000 |
| **Output 2: Strengthened capacities for effective and efficient management of agriculture and fisheries**  composed of | **8,100,000** | **305,000** |
| Grants (direct management) – cf. section 4.4.1 | 1,500,000 |  |
| Procurement (direct management) – cf. section 4.4.3 | 6,600,000 | 305,000 |
|  |  |  |
| **Grants** – total envelope under section 4.4.1 | **1,500,000** |  |
| **Procurement** – total envelope under section 4.4.3 | **14,100,000** | **570,000** |
| **Evaluation** – cf. section 5.2  **Audit** – cf. section 5.3 | may be covered by another Decision |  |
| **Strategic Communication and Public Diplomacy** – cf. section 6 | will be covered by another Decision |  |
| **Totals** | **15.600.000** | **570,000** |

# Organisational Set-up and Responsibilities

The Delegation of the European Union to North Macedonia is in charge of the implementation of the action and will collaborate with the Secretariat for European Affairs (NIPAC office), the line ministries involved and all stakeholders and implementing partners.

At policy level the implementing partners will be accountable to the relevant SWGs (the Sector Working Group (SWG) Competitiveness and Innovation and SWG Agriculture and Rural Development) as well as the IPA Monitoring Committee. At contract level, the implementation arrangements will be discussed through the project Steering Committees having advisory functions and composed of the EU Delegation, the relevant national authorities, and all relevant implementing partners.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

# Pre-conditions

The following pre-condition will apply:

* For Output 1(3), North Macedonia will adopt the National Strategy for Intellectual Property for 2022-2026 with Action plan. The Draft National Strategy has been prepared and presented at the Conference that was held on December 16th,, 2022 n Skopje. Adoption is expected in 2023.
* For Output 2(3), the FVA engages to upgrade the IT system with modules and features under FAO project “Technical Assistance for aligning of the National Animal Health and Food Safety system to the standards of the European Union”.

# PERFORMANCE MEASUREMENT

# Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner’s strategy, policy or reform action plan list (for budget support). The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Arrangements for monitoring and reporting, including roles and responsibilities for data collection, analysis and monitoring: the implementation of the Action will be monitored at the sector level through the established 2020 Performance Assessment Framework (PAF), which includes outcome and impact indicators, targets and baseline data. PAF has been established as a web-based application (backed up by a government decision on responsibilities and deadlines), allowing regular electronic data input, processing, and analytics. The PAF data will be used in the Sector Working Group on Health, which is also the inclusive platform for all stakeholders to monitor the implementation of the sector priorities.

At the output level, data about each project and contract implementation will be collected in OPSYS. They will be based on official reports, acceptance certificates or equivalent documents. The competent actors are expected to produce timely and meaningful data to monitor the results and impact of the Action.

# Evaluation

Having regard to the importance of the Action, a final evaluation will be carried out for this Action or its components via independent consultants. It will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission shall form a Reference Group (RG) composed by representatives from the main stakeholders at both EU and national (representatives from the government, from civil society organisations (private sector, NGOs, etc.), etc.) levels. If deemed necessary, other donors will be invited to join. The Commission shall inform the implementing partner at least 2 months in advance of the dates envisaged for the evaluation exercise and missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination[[22]](#footnote-23). The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

# Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

# STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union’s support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document [*Communicating and raising EU visibility: Guidance for external actions*](https://international-partnerships.ec.europa.eu/knowledge-hub/communicating-and-raising-eu-visibility-guidance-external-actions_en) (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and contribution agreements.

# SUSTAINABILITY

The sustainability potential of the Action is high at institutional, regulatory, financial and cultural levels. It is defined by the cross-pollination of legislative harmonisation, regulative and methodological upgrades, digitalisation, capacity building, and awareness raising measures

The Action includes a significant component targeting the aligning with the *acquis* in the areas of internal market, agriculture and food safety. The investment in legal harmonisation provides a positive outlook for sustainability, as it facilitates the economic partnerships and exchanges, supports the early integration conceps and advances the country’s accession. Furthermore, the early alignment provides the country with sufficient time for prepare the systems and economy for accession and for the competitive pressures of the EU market.

This Action invests in administrative capacities in relevant areas (market surveillance and consumer protection, intellectual rights, quality of food, phytosanitary and fishing), which is a game changer for any economy. The improved quality of administrative and business services has the potential to push forward the business development and act as a multiplier of the action results. The capacity building approach for both public administration and business operators is expected to upgrade the body of knowledge and the skills, which is an investment in the social capital in the country and is a guarantee for sustainability.

The Action also includes a relevant activity on innovation climate which is a key driver of the sustainable development with high potential to support economic growth, create new jobs and contribute to a more sustainable future. The increased investment in research and development and the measures to facilitate the links between researchers and businesses significantly enhance the sustainability potential.

The improvements in the business process (services, market surveillance and consumer protection, alternative dispute resolution system on consumers’ matters) will contribute to a more rationalised, sustainable and cost-effective management of the public administration and public sources, which is also a factor of sustainability.

**Appendix 1: IDENTIFICATION OF THE PRIMARY INTERVENTION LEVEL FOR REPORTING IN OPSYS**

A Primary intervention[[23]](#footnote-24) (project/programme) is a coherent set of results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

* Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);
* Articulating Actions and/or Contracts according to an expected common chain of results and therefore allowing them to ensure a more efficient and aggregated monitoring and reporting of performance;
* Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

The present Action identifies as

|  |  |  |
| --- | --- | --- |
| **Action level** (i.e. Budget support, Blending) | | |
|  | Single action | Present action: all contracts in the present action |
| **Group of actions level** (i.e: i) top-up cases, ii) second, third, etc. phases of a programme) | | |
|  | Group of actions | Actions reference (CRIS#/OPSYS#): |
| **Contract level** (i.e. Grants, Contribution Agreements, any case in which foreseen individual legal commitments identified in the budget will have different log frames, even if part of the same Action Document) | | |
|  | Single Contract 1 | N/A |
| **Group of contracts level** (i.e: i) series of programme estimates, ii) cases in which an Action Document foresees many foreseen individual legal commitments (for instance four contracts and one of them being a Technical Assistance) and two of them, a technical assistance contract and a contribution agreement, aim at the same objectives and complement each other, iii) follow up contracts that share the same log frame of the original contract) | | |
|  | Group of contracts | N/A |

1. Depending on the availability of OPSYS at the time of encoding, a provisional CRIS number may need to be provided. [↑](#footnote-ref-2)
2. The share of the priority areas should be linked to the NEAR EIP sub-tags: Transport, Energy, Environment and climate resilience, Digital, Economic development (incl. private sector, trade, and macroeconomic support), Human Development (incl. human capital and youth), Health resilience, Migration and mobility, Agriculture, food security and rural development, Rule of law, governance and public administration reform, Other. [↑](#footnote-ref-3)
3. Indicate the lead window and thematic priority as identified in the relevant programming document. Please indicate for each thematic priority the approximate share (%) of the window budget it represents. [↑](#footnote-ref-4)
4. Development Assistance Committee (DAC) sectors (codes and descriptions) are indicated in the first and fourth columns of the tab ‘purpose codes’ in the following document: [DAC and CRS code lists - OECD](https://www.oecd.org/development/financing-sustainable-development/development-finance-standards/dacandcrscodelists.htm) [↑](#footnote-ref-5)
5. For guidance, see [Development finance standards - OECD](https://www.oecd.org/development/financing-sustainable-development/development-finance-standards/) (Go to “Data collection and resources for reporters”, select Addendum 2, annexes 18 (policy) and 19 (Rio) of the reporting directive. If an action is marked in the DAC form as contributing to one of the general policy objectives or to RIO principles as a principal objective or a significant objective, then this should be reflected in the logframe matrix (in the results chain and indicators). [↑](#footnote-ref-6)
6. Please check the [Handbook on the OECD-DAC Nutrition Policy Marker](https://scalingupnutrition.org/wp-content/uploads/2020/12/OECD_PolicyMarkerNutrition.pdf). [↑](#footnote-ref-7)
7. These markers have a different scope/rationale than the DAC codes. They are drawn from the level of budget allocation and emphasise the action in terms of main objective(s) selected. The definition of objectives and outputs in the description of the action should be in line with this section. [↑](#footnote-ref-8)
8. When a marker is Significant or Principal Objective, please indicate the relevant tags by selecting “YES” or “NO”. [↑](#footnote-ref-9)
9. Please address the digitalisation marker in line with the note ARES(2019)7611708, which provides internal guidelines on the criteria to be used to assess the degree of relevance of the marker for the action (not targeted, significant or main objective). [↑](#footnote-ref-10)
10. When a marker is “Significant Objective“ or “Principal Objective”, please indicate the relevant tags by selecting “YES” or “NO”. [↑](#footnote-ref-11)
11. Please address the migration marker in line with the note Ares(2021)6077013. [↑](#footnote-ref-12)
12. Number of months should not exceed 72 months. [↑](#footnote-ref-13)
13. [Statistics | Eurostat (europa.eu)](https://ec.europa.eu/eurostat/databrowser/view/tec00114/default/table?lang=en) [↑](#footnote-ref-14)
14. [North Macedonia Report 2022.pdf (europa.eu)](https://neighbourhood-enlargement.ec.europa.eu/system/files/2022-10/North%20Macedonia%20Report%202022.pdf) [↑](#footnote-ref-15)
15. [north\_macedonia\_report\_2020.pdf (europa.eu)](https://neighbourhood-enlargement.ec.europa.eu/system/files/2020-10/north_macedonia_report_2020.pdf) [↑](#footnote-ref-16)
16. [North Macedonia - United States Department of State](https://www.state.gov/reports/2021-investment-climate-statements/north-macedonia/) [↑](#footnote-ref-17)
17. [North Macedonia Report 2022.pdf (europa.eu)](https://neighbourhood-enlargement.ec.europa.eu/system/files/2022-10/North%20Macedonia%20Report%202022.pdf) [↑](#footnote-ref-18)
18. Ibid. [↑](#footnote-ref-19)
19. <http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat__StrukturniStat/225_StrDel_Mk_03byactivity_en.px/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef> [↑](#footnote-ref-20)
20. Proportion of SMEs in business economy, active in the fourth year of life, compared to the total number of new SMEs in the year of reference. [↑](#footnote-ref-21)
21. <http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat__DelovniSubj__DemografijaNaPretprijatija/275_DelSub_Mk_04AN_en.px/?rxid=2d7f8742-3410-4731-ae76-1c3793fbb500> (Select: Column 1: B-N\_X\_K642 Business economy, except group 64.2 - Activities of holding companies; Column 2: relevant years; Column 3: 4-year survival rate (%)) [↑](#footnote-ref-22)
22. See best [practice of evaluation dissemination](https://europa.eu/capacity4dev/evaluation_guidelines/wiki/disseminating-evaluations) [↑](#footnote-ref-23)
23. For the purpose of consistency between terms in OPSYS, DG INTPA, DG NEAR and FPI have harmonised 5 key terms, including ‘Action’ and ‘Intervention’ where an ‘Action’ is the content (or part of the content) of a Commission financing Decision and ‘Intervention’ is a coherent set of activities and results which constitutes an effective level for the operational follow-up by the EC of its operations on the ground. See more on the [concept of intervention](https://webgate.ec.europa.eu/fpfis/wikis/display/PCM/Concept+of+intervention) *[to access the link an EU Login is needed]*. [↑](#footnote-ref-24)