

# SECTORAL AGREEMENT



## BETWEEN THE GOVERNMENT OF THE REPUBLIC OF SERBIA AND THE EUROPEAN COMMISSION SETTING OUT PROVISIONS FOR THE MANAGEMENT AND IMPLEMENTATION OF UNION FINANCIAL ASSISTANCE TO SERBIA UNDER THE RURAL DEVELOPMENT PROGRAMME OF THE INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPARD III)

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The European Commission, acting for and on behalf of the European Union, hereinafter referred to as **"the Commission"**,

on the one part, and

the Government of the Republic of Serbia, acting for and on behalf of the Republic of Serbia, hereinafter referred to as **"Serbia"**,

on the other part,

and together, jointly referred to as **"the Parties"**

Whereas:

(1) Regulation (EU) 2021/1529 establishing an instrument for pre-accession assistance<sup>1</sup> ("IPA III Regulation") constitutes the legal basis for the provision of financial assistance to the beneficiaries listed in Annex I to the IPA III Regulation to support them in adopting and implementing reforms in different sectors, including in particular the agricultural sector, required in order to comply with the Union's values and to progressively align to the Union's rules, standards, policies and practices, with a view to Union membership.

(2) Implementing Regulation (EU) 2021/2236<sup>2</sup> sets out the applicable management and control provisions ("IPA III Implementing Regulation").

(3) In accordance with Article 5 of the IPA III Implementing Regulation, financial framework partnership agreements may be complemented by sectoral agreements setting out specific provisions for the management and implementation of IPA III assistance in specific policy areas or programmes.

(4) Serbia is eligible for assistance under the IPA III Regulation.

(5) On 20 December 2022 a Financial Framework Partnership Agreement was concluded between the Government of Serbia and the Commission on the arrangements for implementation of Union financial assistance to Serbia under IPA III (hereinafter referred to as the "FFPA").

(6) Rural development programmes are to be implemented by Serbia on the basis of indirect management in accordance with Article 62(1) (c) of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council<sup>3</sup> ("Financial Regulation") and they have to indicate the actions to be financed with IPA III assistance. The selected types of actions have to be of a nature similar to those provided for under the European Agricultural Fund for Rural Development.

(7) In some sections of the FFPA, the level of detail of the rules for the implementation of rural development programmes is not sufficient. It is therefore necessary to set out further details for the implementation and management of the assistance under the IPA III rural development programme in a sectoral agreement in accordance with Article 9 of the FFPA.

(8) As a sectoral agreement should complement the FFPA, the structure of this Agreement follows the structure of the FFPA,

<sup>1</sup> Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing an Instrument for Pre-accession Assistance (IPA III) (OJ L 330, 20.9.2021, p. 1).

<sup>2</sup> Commission Implementing Regulation (EU) 2021/2236 of 15 December 2021 on the specific rules for implementing Regulation (EU) 2021/1529 of the European Parliament and of the Council establishing an Instrument for Pre-accession Assistance (IPA III) (OJ L 450, 16.12.2021, p. 10).

<sup>3</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

HAVE AGREED AS FOLLOWS:

## Section I GENERAL PROVISIONS

### Article 1

#### Scope

This Agreement lays down specific provisions for the management and implementation of the assistance under the IPA III rural development programme (IPARD III) in accordance with Article 9 of the FFPA.

It complements the FFPA concluded with Serbia in accordance with Article 5(1) and (2) of the IPA III Implementing Regulation for the implementation of IPA III. In case of conflict between this Agreement and the FFPA, the provisions of the FFPA shall prevail.

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## **Article 2**

### **Compliance with the Agreements**

(1) Serbia shall take all necessary steps to ensure the proper execution of all assistance activities and to facilitate the implementation of the IPARD III programme in compliance with the FFPA and this Agreement ("the Agreements"). Serbia shall also comply with the IPARD III programme and the financing agreement referred to in Article 3 of this Agreement.

(2) In case of conflict between the Agreements and IPARD III programme, the provisions of the Agreements shall prevail.

(3) The Sectoral Agreement shall be amended whenever the Commission considers it is appropriate for the best programming and financial implementation of the IPARD III programme for Serbia. Technical and non-substantial changes can be proposed by the Commission following the "exchange of letters procedure" that will be completed with the agreement of Serbia. For substantial amendments, in the opinion of the Commission, the "signing and conclusion procedure" will be followed.

## **Article 3**

### **Financing decisions and financing agreements**

Following the entry into force of the FFPA and of this Agreement, and after the adoption by the Commission of a financing decision approving the IPARD III programme, a financing agreement shall be concluded in accordance with Article 5(3) of the IPA III Implementing Regulation.

The financing agreement shall set out the breakdown of the multi-annual legal commitments and the period of validity of those commitments, which shall be broken down over several years into annual instalments.

The financing agreement shall be revised on an annual basis to take account of the amounts provided for in the budget of the Union and, where appropriate, to consider amendments to this Agreement.

## **Article 4**

### **Consistency with other actions and instruments**

(1) In addition to Article 5(2)(b) of the FFPA, the Commission and Serbia shall ensure consistency and co-ordination of assistance within and between the IPARD III programme, the other relevant actions under the IPA III Regulation and IPA III programming framework and assistance from the European Investment Bank and other international financial instruments, at the levels of planning, programming and implementation.

(2) Any overlap between actions covered by assistance provided under the different windows of IPA III programming framework shall be avoided.

## **Section II**

## **RULES FOR INDIRECT MANAGEMENT BY THE IPA III BENEFICIARY**

### **Title 1:**

### **SET-UP OF MANAGEMENT AND CONTROL SYSTEMS**

## **Article 5**

### **Implementing principles**

The implementation of the IPARD III programme shall be carried out by Serbia on the basis of indirect management, as set out in Article 7(1)(b) of the FFPA.

## **Article 6**

### **Functions and common responsibilities of the structures and authorities**

The structures and authorities set out in Article 10(1) points (c) and (d) of the FFPA shall be established, by a formal act, carrying out the functions and responsibilities set out in Annex 1 to this Agreement.

## **Article 7**

### **Functions and responsibilities of the National Authorising Officer**

(1) The National Authorising Officer ("NAO") shall be responsible for establishing a management structure as referred to in Article 10(1)(c) of the FFPA.

(2) In addition to clause 4 of Annex A to the FFPA, the NAO shall act as the sole interlocutor with the Commission for all questions relating to IPARD as regards:

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(a) the distribution of Union texts and guidelines relating thereto to the management and control system and to any other bodies responsible for their implementation, as well as their harmonised application;

(b) the request for being entrusted with budget implementation tasks referred to in Article 13(1) of the FFPA;

(c) the availability to the Commission of a full record of all accounting information required for statistical and control purposes.

(3) The NAO shall assess any proposed changes in the implementing or paying arrangements of the IPARD Managing Authority/IPARD Agency and Management Structure. The NAO shall inform the Commission, with copy to the Audit Authority, of any substantial change, including NAO's assessment, appropriate explanations, justifications and supporting documents for examination and approval in advance of their implementation.

## **Article 8**

### **Functions and responsibilities of the IPARD Managing Authority**

The IPARD Managing Authority shall be allocated the functions and responsibilities in accordance with Annex 1 and Annex A, clause 6a FFPA.

## **Article 9**

### **Functions and responsibilities of the IPARD Agency**

The IPARD Agency shall be allocated the functions and responsibilities in accordance with Annex 1 and Annex A, clause 6b FFPA.

## **Title 2: CONTROL SYSTEMS**

## **Article 10**

### **General provisions on applications for support, payment requests and other declarations**

(1) Serbia shall provide appropriate procedures for submitting applications for support and/or payment requests and other declarations relating to rural development measures.

(2) The results of the administrative and on-the-spot verifications shall be assessed to establish whether there is a risk for other similar operations, recipients or other bodies, of non-compliance with the eligibility criteria and any other applicable obligations imposed in the Agreements and the IPARD III programme, whether the necessary level of control is practiced and corrective and preventive actions are necessary.

(3) Where applicable, administrative and on-the-spot verifications on eligibility shall take into account suspected cases of non-compliance reported by other services, bodies or organisations.

## **Article 11**

### **Administrative verifications**

(1) Administrative verifications shall be carried out on all applications for support, payment requests or other declarations required to be submitted by a recipient or by a third party, and shall cover all elements that can be checked and are appropriate to be checked by means of administrative verifications. The procedures shall require recording of the control work undertaken, the results of the verification and the measures taken in the event of discrepancies.

(2) Administrative verifications on applications for support shall ensure the compliance of the operation with applicable obligations established by the Agreements, including those of other obligatory standards and requirements. The verifications shall in particular include verification of:

(a) the eligibility of the operation for which support is requested;

(b) the eligibility criteria set out in the IPARD III programme, commitments and other obligations of the operation for which support is requested;

(c) compliance with the selection criteria;

(d) the eligibility of the costs of the operation;

(e) the compliance of the operation for which support is requested with applicable national and Union rules on, in particular, and where relevant, public procurement, public aid and the other appropriate obligatory standards established by national legislation or established in the Agreements (including the IPARD III programme);

(f) the reasonableness of the costs proposed, which shall be evaluated using a suitable evaluation system, such as reference costs, standard unit costs, a comparison of different offers or an evaluation committee;

(g) the reliability of the potential recipient, with reference to any third party information, such as court decisions, initiated criminal

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procedures by the public prosecutor, initiated bankruptcy procedure.

(3) Administrative verifications on payment requests shall include a verification of:

(a) the delivery of the products and services co-financed. Contractual pre-financing by a contracting authority may qualify as eligible expenditure up to 10% of the amount of the contract;

(b) the reality of the expenditure claimed;

(c) the completed operation and fulfilment of the conditions compared with the operation for which the application for support was submitted and granted;

(d) the reasonableness of the costs claimed, which shall be evaluated using a suitable evaluation system, and the payments made.

(4) Administrative verifications shall include procedures to avoid double financing with other Union or national schemes. Where financing from other sources exists, those verifications shall ensure that the total support received does not breach the maximum permissible aid ceilings.

(5) Administrative verifications shall also cover the documents referred to in Article 38(7) of this Agreement.

(6) Indications of irregularities shall be followed-up by an appropriate administrative procedure.

## **Article 12**

### **On-the-spot-verifications**

(1) Serbia shall organise on-the-spot verifications of applications for support and payment requests using an appropriate methodology and shall cover all elements that can be checked at the time of the verification. Those verifications shall cover all operations at least once during the project implementation period and shall, to the extent possible, be carried out before the final payment is made. However in exceptional circumstances, duly recorded and explained, Serbia can decide that an on-the-spot verification is not necessary.

(2) Advance notice of on-the-spot verifications may be given, provided that the purpose of the control is not jeopardised. If the advance notice is given more than 48 hours before the on-the-spot verification, it shall be limited to the minimum necessary, depending on the nature of the measure and the operation being co-financed.

(3) Where appropriate, on-the-spot verifications provided for in this Agreement shall be carried out at the same time as any other checks provided for in Union or national law. The duration of on-the-spot verifications shall be strictly limited to the minimum time period necessary.

(4) The controllers undertaking the on-the-spot verification shall not have been involved in administrative verifications of the same operation.

(5) On-the-spot-verifications may be done using physical visits or alternative means, such as any relevant documentary evidence, including geotagged photos, which would permit definitive conclusions to be drawn to the satisfaction of the competent control authority concerning the realisation of the operation.

## **Article 13**

### **Content of the on-the-spot-verifications**

(1) On-the-spot verifications shall verify that the operation has been applied for and implemented in accordance with the applicable rules and shall cover all the eligibility criteria, commitments and other obligations relating to the conditions for the granting of support, which can be checked at the time of the verification and have not been subject to a conclusive administrative verification. They shall ensure that the operation is eligible.

(2) On-the-spot verifications shall verify the accuracy of the data declared by the recipient against underlying documents. This includes a verification that the applications and payment requests submitted by the recipient are supported by accounting or other documents, including, where necessary, a check on the accuracy of the data in the payment request on the basis of data or commercial documents held by third parties.

(3) On-the-spot verifications shall verify that the use or intended use of the operation is consistent with the use described in the application for support and for which the support was granted. On-the-spot verifications shall include a verification in the place where the operation is implemented (by a physical visit or using alternative means) or, if the operation is intangible, verification with the operation promoter.

## **Article 14**

### ***Ex-post* verifications on investment operations**

(1) *Ex-post* verifications shall be carried out on investment operations to verify the respect of commitments laid down in Article 35(6) or in the IPARD III programme.

(2) The controllers for the *ex-post* verifications shall not have been involved in any *ex-ante* verifications of the same investment operation, unless other controllers did at least one on-the-spot verification in-between.

(3) The *ex-post* verifications shall be carried out within five years of the date of final payment to the recipient. All investments shall be

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checked at least once during the five-year period.

(4) The *ex-post* verifications, carried out throughout the five-year period, shall be based on an analysis of the risks and financial impact of different operations, groups of operations or measures.

(5) The sample of approved operations to be checked in accordance with paragraphs 3 and 4 shall take into account in particular:

- (a) the need to check an appropriate mix of types and sizes of operations;
- (b) any risk factors which have been identified following national or Union verifications;
- (c) the need to maintain a balance between measures.

(6) *Ex-post* verifications may be done using physical visits or alternative means, such as any relevant documentary evidence, including geotagged photos, which would permit definitive conclusions to be drawn to the satisfaction of the competent control authority concerning the respect of the commitments.

## **Article 15**

### **Control report**

(1) Every on-the-spot verification under this Title shall be the subject of a control report which makes it possible to review the details of the verifications carried out. The report shall indicate in particular:

- (a) the measures and applications or payment requests checked;
- (b) the persons present during the verification;
- (c) whether notice of the check was given to the recipient and, if so, the period of prior notice;
- (d) the results of the verifications and, where applicable, any particular observations;
- (e) indications of any specific control measures to be carried out in the context of individual measures;
- (f) indication of any non-compliance found that could require follow-up during the following years;
- (g) any further control measures to be carried out.

(2) In case of on-the-spot verifications, the recipient shall be given the opportunity to sign the report during the check, to attest the recipient's presence at the check and to add observations.

Where any non-compliance is found, the recipient shall receive a copy of the control report.

(3) Paragraph (1) and the second subparagraph of paragraph (2) shall apply *mutatis mutandis* to *ex-post* verifications under this Title.

## **Article 16**

### **Area-related measures**

(1) For the purposes of this Title, 'area-related measures' means measures for which support is based on the size of the area declared.

(2) Without prejudice to Articles 11(1) and 12, the verifications of area-related measures shall also comply with the rules set out in Articles 18 to 24.

## **Article 17**

### **Animal-related measures**

(1) For the purposes of this Title, 'animal-related measures' means measures for which support is based on the number of animals declared.

(2) Without prejudice to Articles 11(1) and 12, the rules set out in Articles 18 to 24 shall apply *mutatis mutandis* to the verification of animal related measures

## **Article 18**

### **Administrative verifications of area-related measures**

(1) The administrative verifications shall permit the detection of non-compliances. The verifications shall cover all elements that are possible and appropriate to control by means of administrative verifications, with a view to establishing that:

- (a) the eligibility criteria, commitments and other obligations are fulfilled;
- (b) there is no double financing through other Union schemes;

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(c) the aid application or payment request is complete and submitted within the relevant time-limit and, where applicable, that supporting documents have been submitted and that they prove eligibility;

(d) there is compliance with long-term commitments, where appropriate.

(2) Where appropriate, the administrative verifications shall include cross-verifications between the agricultural parcels as declared in the application and/or payment request and the information as contained in national land, farm and animal-registers, to verify the eligibility of the areas as such.

(3) Indications of non-compliance resulting from cross-verifications shall be followed-up by any other appropriate administrative procedure, and where necessary, by an on-the-spot verification.

## **Article 19**

### **Elements of on-the-spot verifications of area-related measures**

On-the-spot verifications shall cover the area measurement and verification of the eligibility criteria, commitments and other obligations of the recipient under the measures.

## **Article 20**

### **Area measurement**

(1) The area measurement of the agricultural parcel as part of an on-the-spot verification shall be carried out on all agricultural parcels for which an aid application and/or payment request has been submitted.

(2) The financing agreement concluded by the Commission and Serbia, or any amendment thereof, may provide that the actual area measurement of the agricultural parcel as part of an on-the-spot verification be limited to a randomly selected sample of parcels. If such a case applies, the financing agreement shall also indicate the minimum sample size. When this sample verification reveals any non-compliance, all agricultural parcels shall be measured, or conclusions from the measured sample shall be extrapolated.

(3) Agricultural parcel areas shall be measured by any means proven to assure measurement of a quality at least equivalent to that obtained by Global Navigation Satellite Systems (GNSS) or ortho-imagery.

(4) A single value buffer tolerance shall be defined for all area measurements performed using GNSS and/or ortho-imagery. For this purpose the measurement tools used shall be validated for at least one validation class of buffer tolerance below the single value. However, the single tolerance value shall not exceed 1.25 m.

The maximum tolerance with regard to each agricultural parcel shall not, in absolute terms, exceed 0.1 ha.

(5) The total area of an agricultural parcel may be taken into account in the measurement provided that it is fully eligible. In other cases, the net eligible area shall be taken into account.

## **Article 21**

### **Verification of eligibility conditions and commitments of area-related measures**

(1) The verifications shall be carried out by any means that allow the control of the different commitments and obligations of the recipient.

(2) Where one single control method is not sufficient for the purpose of paragraph 1, the control system shall provide for multiple control means, which, together, allow to comply with paragraph (1).

## **Article 22**

### **Control report of area-related measures**

(1) Every on-the-spot verification of area-related measures shall be the subject of a control report which makes it possible to review the details of the verifications carried out and to draw conclusions on the compliance with the eligibility criteria, commitments and other obligations. The report shall indicate in particular and in addition to the report mentioned in Article 15:

(a) the agricultural parcels checked, the agricultural parcels measured, including, where applicable, the result of the measurements per measured agricultural parcel and the measuring methods used;

(b) where applicable, the results of the measurement of non-agricultural land for which support under rural development measures is being claimed and the measuring methods used;

(2) The recipient shall be given the opportunity to sign the report during the check to attest the recipient's presence at the check and to add observations. Where any non-compliance is found the recipient shall receive a copy of the control report.

## **Article 23**

### **Reductions and exclusions in relation to the size of area and the number of animals**



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(1) If the area determined is found to be greater than that declared in the payment request, the area declared shall be used for the calculation of the aid.

If the area declared in the payment request exceeds the area determined, the aid shall be calculated on the basis of the area determined.

However, where the difference between the total area determined and the total area declared in the payment request for a measure is less than or equal to 0.1 hectare, the area determined shall be considered equal to the area declared.

The third subparagraph shall not apply where the difference represents more than 20% of the total area declared for payments.

If a maximum limit or a ceiling has been set for the area eligible for support, the number of hectares declared in the payment request shall be reduced to the limit or ceiling.

(2) In the case referred to in the second subparagraph of paragraph (1), if the difference found is more than either 3% or two hectares, but not more than 20% of the area determined the aid shall be calculated on the basis of the area determined reduced by twice the difference found.

If the difference is more than 20% of the area determined, no aid shall be granted.

(3) If the number of animals declared in an aid application or payment claim exceeds that determined as a result of administrative verifications or on-the-spot verifications, the aid or support shall be calculated on the basis of the animals determined.

Where a difference is found between the number of animals declared and that determined, the total amount of support to which the recipient is entitled under that support measure shall be reduced by:

(a) the percentage established as animals under all aid schemes and found by irregularities divided by all animals, if it is not more than 10%, and

(b) twice the percentage established as animals under all aid schemes and found by irregularities divided by all animals, if it is more than 10%, but not more than 20%.

If the difference is more than 20% of the number of animals determined, no aid shall be granted.

(4) In order to establish the percentage by which the amount of support shall be reduced, the number of animals declared and found with non-compliances shall be divided by the number of animals determined in respect of the aid application or payment claim for the claim year concerned.

## **Article 24**

### **Non-compliance with the eligibility criteria other than the size of area or number of animals, commitments or other obligations**

(1) The support claimed shall be refused or withdrawn in full where the eligibility criteria are not complied with.

(2) The support claimed shall be refused or be withdrawn in full or in part where the following commitments or other obligations are not complied with:

(a) commitments established in the rural development programme, or

(b) where relevant, other obligations of the operation established by Union or national law or established in the rural development programme, in particular public procurement, State aid and other obligatory standards and requirements.

(3) When deciding on the rate of refusal or withdrawal of support following the non-compliance with the commitments or other obligations referred to in paragraph (2), account shall be taken of the severity, extent, duration and reoccurrence of the non-compliance related to conditions for support referred to in paragraph (2).

The severity of the non-compliance shall depend, in particular, on the importance of the consequences of the non-compliance, taking into account the objectives of the commitments or obligations that were not met.

The extent of the non-compliance shall depend, in particular, on its effect on the operation as a whole.

The duration shall depend, in particular, on the length of time for which the effect lasts or the possibility of terminating this effect by reasonable means.

The reoccurrence shall depend on whether similar non-compliances have been found earlier during the last four years in case of the same recipient and the same measure or type of operation.

(4) In case of multiannual commitments or payments, withdrawals based on the criteria referred to in paragraph 3 shall also apply to the amounts already paid in the previous years for the same operation.

## **Title 3:**

### **SPECIFIC PROVISIONS RELATING TO ENTRUSTING THE IPA III BENEFICIARY WITH BUDGET IMPLEMENTATION TASKS**

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## Article 25

### Common requirements

(1) At the moment of sending the request for being entrusted with budget implementation tasks for a given programme measure or group of measures, the structures and authorities of the management and control system as defined in Articles 10 and 11 of the FFPA shall have a well-defined administrative organisation and system of internal verifications with full internal rules of procedure, clear institutional and personal responsibilities, which comply with the criteria set out in Annex B to the FFPA and Annex 2 to this Agreement regarding the following areas:

- (a) control environment;
- (b) risk assessment;
- (c) control activities;
- (d) information and communication;
- (e) monitoring activities.

In respect of the IPARD Managing Authority, the criteria as set out in Annex B to the FFPA and Annex 2 to this Agreement regarding risk assessment, control activities and monitoring activities shall not apply.

The role of the IPARD Managing Authority under the technical assistance measure, if applicable, shall be described in the IPARD III programme.

(2) Serbia may lay down further criteria to take account of the size, responsibilities and other specific features of the management and control system.

(3) Following the conclusion of the FFPA and of this Agreement, and after the adoption by the Commission of a financing decision approving the IPARD III programme, a request for entrustment with budget implementation tasks and the supporting annexes, shall be submitted to the Commission.

## Article 26

### Preparations for sending the request for being entrusted with budget implementation tasks

(1) Before sending the request for being entrusted with budget implementation tasks for a given programme measure or group of measures, the NAO shall be satisfied that the IPARD Managing Authority/IPARD Agency and the management structure's administrative, accounting, payment and internal control arrangements offer the following guarantees:

- (a) the eligibility of applications and compliance with the Agreements are checked before contracts with recipients are signed and the commitments recorded;
- (b) the admissibility of payment requests as well as their compliance with the Agreements are checked before payment is authorised;
- (c) the commitments and payments effected are accurately and completely recorded in the accounts;
- (d) the verifications laid down by the Agreements are made;
- (e) the requisite documents are presented within the time-limit and in the form stipulated by the Agreements or by the approved procedures;
- (f) the documents are accessible and kept in a manner which ensures their completeness, validity and legibility over time, including with regard to electronic documents within the meaning of the Agreements.

(2) If the NAO is not satisfied that the management structure and IPARD Managing Authority/IPARD Agency comply with the criteria laid down in Annexes A and B to the FFPA and Annex 2 to this Agreement, it shall address instructions to the respective body which specify the conditions it is required to fulfil before a request for entrustment can be sent to the Commission.

(3) The IPARD Agency shall hold documents justifying the payments effected and documents concerning the carrying out of the prescribed administrative and physical verifications. Where the relevant documents are held by local offices or delegated bodies, those offices and bodies shall regularly transmit reports to the IPARD Agency on the number of verifications carried out, their content and the action taken in the light of the results.

(4) The NAO shall ensure that the Accounting Body's and IPARD Agency's accounting systems meet internationally accepted accounting principles.

(5) The NAO shall be satisfied that the administrative and internal control arrangements of the IPARD Managing Authority offer the following guarantees:

- (a) the required documents are presented within the time-limit and in the form stipulated by the Agreements;
- (b) the documents are accessible and kept in a manner which ensures their completeness, validity and legibility over time, including with regard to electronic documents within the meaning of the Agreements.

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(6) The examinations needed for the purposes of paragraphs (1) and (5) shall be conducted according to methods equivalent to internationally accepted auditing standards.

For already entrusted measures under IPARD II, the NAO may rely on results of an *ex-ante* assessment carried out with regard to an entrustment pursuant to Regulation (EU) No 231/2014 or an earlier financing agreement.

When the NAO cannot rely on a previous *ex-ante* assessment the request shall be supported by an audit opinion on the structures and authorities under points (a) to (d) of Article 10(1) of the FFPA, drawn up by an external auditor independent from those structures and authorities. The audit opinion shall be based on examinations conducted according to internationally accepted auditing standards.

(7) The request for being entrusted with budget implementation tasks shall be submitted to the Commission, in accordance with Article 27.

It shall include the results of the examinations needed for the purposes of paragraphs (1) and (5) of this Article.

(8) The NAO shall ensure that any proposed substantial changes to the working arrangements referred to in Article 7(3) are submitted to the Commission, with a copy to the Audit Authority, for examination and approval before those changes are implemented.

A substantial change shall be considered to be any change introduced in the respective national systems after the entrustment of budget implementation tasks, which may affect significantly the implementing structures and systems initially presented as part of the request.

(9) The NAO shall keep the Management Structure and IPARD Managing Authority/IPARD Agency under constant supervision in accordance with Article 14(1) of the FFPA.

(10) Serbia shall establish a system that ensures that any information suggesting that the Management Structure and IPARD Managing Authority/IPARD Agency does not comply with the criteria is communicated to the NAO without delay.

## **Article 27**

### **Request and supporting annexes**

The NAO shall send the request for being entrusted with budget implementation tasks in accordance with Article 13 of the FFPA to the Commission together with the relevant documents indicated in Annex 3 to this Agreement. Which documents are relevant in which specific case is explained in a Commission guidance concerning the requests for entrustment with budget implementation tasks. A copy of this request and the accompanying documents shall be sent to the Audit Authority.

## **Section III RULES FOR PROGRAMMING**

### **Article 28**

#### **IPARD III programme**

In accordance with Article 16(7) of the FFPA, rural development measures under the agriculture and rural development policy area shall be subject of a programme (IPARD III programme) to be drawn up at central level covering the entire period of implementation of the IPA III assistance. The programme shall be prepared by the relevant authorities designated by Serbia and shall be submitted to the Commission after consulting the appropriate interested parties. Rural development programmes shall be implemented by Serbia on the basis of indirect management in accordance with Article 62(1)(c) of the Financial Regulation and shall indicate the actions to be financed with IPA III assistance. The selected types of actions shall be of a similar nature as those provided for under the European Agricultural Fund for Rural Development.

### **Article 29**

#### **IPARD III programme measures**

(1) In accordance with the objectives as defined in Article 16(7) of the FFPA, the following measures can be supported under the IPARD III programme for addressing the thematic priorities set out in the Annex II of Regulation (EU) 2021/1529:

1. investments in physical assets of agricultural holdings;
2. support for the setting up of producer groups;
3. investments in physical assets concerning processing and marketing of agricultural and fishery products;
4. agri-environment-climate and organic farming measure;
5. implementation of local development strategies - LEADER approach;
6. investments in rural public infrastructure;
7. farm diversification and business development;
8. improvement of skills and competences;

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9. technical assistance;
  10. advisory services;
  11. establishment and protection of forests;
  12. financial instruments;
  13. promotion of cooperation for innovation and knowledge transfer.

Further information on the measures is provided in Annex 4 to this Agreement.

(2) The IPARD Managing Authority and the IPARD Agency shall provide an *ex-ante* assessment of the verifiability and controllability of the measures to be included in the IPARD III programme. The IPARD Managing Authority and the IPARD Agency shall also undertake the assessment of the verifiability and controllability of the measures during the implementation of the IPARD III programme. *Ex-ante* assessment and assessment during the implementation period shall take into account, where relevant, the results of verifications in the previous and current programming period. Where the assessment reveals that the requirements of verifiability and controllability are not met, the measures concerned shall be adjusted accordingly.

## Section IV RULES FOR IMPLEMENTATION

### Title 1: GENERAL RULES AND PRINCIPLES FOR IMPLEMENTATION

#### Article 30

##### Rules on procurement

(1) For the purposes of this Agreement, the contracting authority referred to in Article 178(2)(b) of the Financial Regulation shall be a national public-sector body being a recipient under the IPARD III programme.

However, public procurement may be done on behalf of the recipient by a national public sector body specifically assigned for this task.

(2) For procurement under the IPARD III programmes in line with Article 18(5) of the FFPA, national law shall only be considered equivalent to the rules applied by the Commission in accordance with the Financial Regulation if the correctness of the transposition is confirmed by the relevant Commission service.

### Title 2: TRANSPARENCY AND VISIBILITY

#### Article 31

##### Information, publicity and transparency

(1) Serbia shall provide information on and publicise the IPARD III programme and the Union contribution in accordance with Annex 8. This information shall be aimed at the general public. It shall highlight the role of the Union and ensure the transparency of Union assistance.

(2) The IPARD Managing Authority shall be responsible for:

- (a) drafting and implementing a plan of visibility and communication activities in accordance with Article 32;
- (b) ensuring the existence of a single website or a single website portal providing information on, and access to the IPARD III programme of Serbia, including information about the timing of implementation of programming and any related public consultation processes;
- (c) informing potential recipients about funding opportunities under the IPARD III programme.

(3) In order to ensure transparency concerning support under IPARD, the IPARD Agency shall be responsible for the publication of the list of the projects and recipients of IPA III assistance in accordance with the conditions set out in Article 23(2) of the FFPA.

The publication shall be available in a spreadsheet data format, which allows data to be sorted, searched, extracted, compared and easily published on the internet. The list of operations shall be accessible through the single website or the single website portal. The minimum information to be set out in the list of operations is laid down in Annex 8 to this Agreement.

(4) The list of operations and recipients shall be updated at least every six months.

(5) The IPARD Agency shall inform the recipients of IPARD III assistance of the Union contribution.

(6) In accordance with Article 23(3) of the FFPA, only contract award notices for public procurement contracts subject to an 'international open call for tender' procedure shall be prepared and sent to the Commission for publication.

#### Article 32

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## **Visibility and communication**

(1) Activities with the objective to make available, and publicise, in Serbia information about assistance under the IPARD III programme as referred to in Article 24 of the FFPA shall be implemented based on a plan of visibility and communication activities to be agreed between the IPARD Managing Authority and the Commission. This plan of visibility and communication activities shall be approved by the IPARD III monitoring committee, no later than one year after the adoption by the Commission of the IPARD III programme, and shall set out:

- (a) the aims and target groups;
- (b) the content and strategy of the communication and information measures, stating the measures to be taken;
- (c) its indicative budget;
- (d) the administrative departments or bodies responsible for implementation;
- (e) the indicators to be used to evaluate the impact of the information and publicity measures in terms of transparency, awareness of the IPARD III programmes and the role played by the Union.

This plan covering the whole period of the IPARD III programme shall be implemented by an annual list of actions.

(2) The amount allocated for information and publicity may be part of the technical assistance measure of the IPARD III programme.

(3) At the meetings of the IPARD III monitoring committee, the chairperson shall report on progress in implementing the information and publicity activities and provide the committee members with examples of such activities.

(4) When the implementation of this article implies specific information and publicity activities at project level, such activities shall be the responsibility of the recipients of IPA III assistance and shall be funded from the amount allocated to the relevant project.

## **Section V**

### **RULES ON FINANCIAL MANAGEMENT OF IPA III ASSISTANCE**

#### **Title 1:**

#### **GENERAL PROVISIONS**

#### **Article 33**

##### **General rules on financial assistance**

(1) All activities receiving assistance under the IPARD III programme shall require co-financing by Serbia. Where the execution of activities depends on financial contributions from Serbia's own resources or from other sources of funds, the funding of the Union shall become available at such time as the financial contribution of Serbia and/or the other sources of funds themselves become available. However, in the case of recipients in the public sector, the Union contribution may be made later than that of other public bodies. In no case the Union contribution shall be made before the contribution by public bodies in Serbia.

(2) The Union contribution shall co-finance public expenditure actually paid to the recipient.

(3) Union financing shall be subject to the fulfilment by Serbia of obligations laid down in the Agreements and in the financing agreement in accordance with Article 3 of this Agreement.

(4) The euro account opened by the Accounting Body, on behalf of Serbia in accordance with Article 33(6) of the FFPA, shall, including the interest generated on the euro account, not be subject to any charges or taxes.

(5) Serbia shall communicate to the Commission a sample of the signatures of all actors involved in requests for payment from the Union as referred to in Article 39 of this Agreement.

#### **Article 34**

##### **Aid intensities and rate of Union contribution**

(1) For the purpose of the IPARD III programme, the Union contribution referred to in Article 30(2) of the FFPA shall be calculated on the basis of public expenditure.

(2) Aid intensities and the rate of Union contribution shall be in accordance with the rates and ceilings laid down in Annex 4 to this Agreement.

(3) In determining the share of public expenditure as a percentage of total eligible cost of investment, account shall not be taken of national aid to facilitate access to loans.

#### **Title 2:**

#### **ELIGIBILITY**

#### **Article 35**

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## Eligibility of expenditure

(1) Prior to the conclusion of the relevant financing agreement and to the signature of the contract between the IPARD Agency and the recipient, any contracts and addenda signed or expenditure incurred by the recipients and payments made *by Serbia shall* not be eligible for funding under the IPARD III programme.

The first subparagraph shall not apply to actions under the technical assistance measure and to expenditure relating to the activities referred to in paragraph 5(c), provided that the expenditure is incurred by the recipients after 1 January 2021.

(2) Serbia shall notify the Commission the list of eligible expenditure for each measure. The Commission shall notify Serbia of its acceptance or provide its comments.

(3) The following expenditure shall not be eligible under the IPARD III programme:

(a) taxes, including value added taxes, customs and import duties, or any other charges having equivalent effect, as provided for in Article 28 of the FFPA;

(b) purchase, rent or leasing of land and existing buildings, irrespective of whether the lease results in ownership being transferred to the lessee, unless the provisions of the IPARD III programme provide for it;

(c) fines, financial penalties and expenses of litigation;

(d) operating costs, except where duly justified by the nature of the measure in the IPARD III programme or in the case of force majeure or exceptional circumstances;

(e) second hand machinery and equipment and consumables (commodities which are not durable);

(f) bank charges, costs of guarantees and similar charges;

(g) conversion costs, charges and exchange losses associated with the IPARD euro account, as well as other purely financial expenses;

(h) contributions in kind, including own labour costs;

(i) the purchase of agricultural production rights, annual plants and their planting;

(j) any maintenance, depreciation and rental costs, except where duly justified by the nature of the measure in the IPARD III programme or in the case of force majeure or exceptional circumstances;

(k) any cost incurred and any payments made by the public administration in managing and implementing assistance, including those of the Management Structure and IPARD Managing Authority/IPARD Agency and, in particular, overheads, rentals and salaries of staff employed on activities of management, implementation, monitoring and control, except where duly justified by the nature of the measure in the IPARD III programme.

(4) Unless the Commission expressly and explicitly decides otherwise, the following expenditure shall also not be eligible:

(a) expenditure on projects which, before completion, have charged fees to users or participants unless the fees received have been deducted from the costs claimed;

(b) promotional costs, other than in the collective interest;

(c) expenditure incurred by a recipient of whose capital more than 25% is held by a public body or bodies unless the Commission has so decided in a specific case on the basis of a complete reasoned request from Serbia. The Commission shall take its decision within three months of receiving the request. This exclusion shall not apply to expenditure for measures of which the recipient is/can be a public body, i.e.:

measure 5 implementation of local development strategies - LEADER approach;

measure 6 investments in rural public infrastructure;

measure 9 technical assistance;

measure 10 advisory services;

measure 11 establishment and protection of forests.

(5) Notwithstanding paragraphs (2) and (3), in the case of investments:

(a) construction or improvement of immovable property shall be eligible, up to the market value of the asset, as established in accordance with Article 11(2)(f) and Article 11(3)(d);

(b) the purchase of new machinery and equipment, including computer software, shall be eligible, up to the market value of the asset, as established in accordance with Article 11(2)(f) and Article 11(3)(d);

(c) general costs linked to collective projects that could additionally include studies, marketing and development of the products concerned and animation costs (all to be specified in the List of Eligible Expenditure (LEE)) and general costs linked to expenditure referred to in points (a) and (b), such as architects', engineers' and other consultation fees and feasibility studies, shall be eligible up to a ceiling of 10%

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of the costs referred to in those points (a) and (b) under the following conditions:

- (i) the eligible amount of the general costs shall not exceed the reasonable cost established in accordance with Article 11(2)(f) and Article 11(3)(d);
- (ii) for projects with eligible expenditure of the investments referred to in points (a) and (b) of more than EUR 3 million, the business plan preparation costs shall not exceed 3% of the eligible expenditure of these investments;
- (iii) for projects with eligible expenditure of the investments referred to in points (a) and (b) of at least EUR 1 million and no more than EUR 3 million, the business plan preparation costs shall not exceed 4% of the eligible expenditure of these investments;
- (iv) for projects with eligible expenditure of the investments referred to in points (a) and (b) of less than EUR 1 million, the business plan preparation costs shall not exceed 5% of the eligible expenditure of these investments.

The detailed provisions concerning the maximum eligible amount referred to in this paragraph shall be established in the IPARD III programme on the basis of an assessment of the level of costs for similar actions in Serbia.

(6) For the purposes of point (a) of Article 31(1) of the FFPA and Article 14 of this Agreement, substantial modifications to a project are those which result in:

- (a) a cessation or relocation of a productive activity outside the geographical area covered by the IPARD III programme;
- (b) a change in ownership which gives to a firm or a public body an undue advantage;
- (c) a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

Where any such modification is detected by Serbia it shall immediately inform the Commission and start recovering the IPARD III contribution in accordance with Article 52(1) of this Agreement.

(7) The NAO is overall responsible and liable for the legality and regularity of the underlying transactions and shall apply financial adjustments in accordance with Article 41 of the FFPA. In the event that the Commission determines that the expenditure declared is not fully in conformity with the Agreements and in particular the principles set out in this Article, it shall assess the amounts to be excluded from Union financing in accordance with Article 51 of this Agreement.

## Title 3: FINANCING AND PAYMENTS

### Article 36

#### De-commitment of unused funds

(1) The Commission shall automatically de-commit any portion of a budgetary commitment for the IPARD III programme that, by 31 December of the third year following that of the budgetary commitment, hereinafter referred to as "n+3", has not been used for the purpose of pre-financing in accordance with Article 40 of this Agreement or making interim payments in accordance with Article 39 of this Agreement or for which the NAO entrusted with budget implementation tasks has not presented a payment request including a certified statement of expenditure in accordance with Article 35(1) of the FFPA and Article 39(1) of this Agreement.

(2) In duly justified circumstances, accepted by the Commission, the period of three years referred to in paragraph (1) can be extended to up to five years in the financing agreement referred to in Article 3 of this Agreement.

(3) The Commission shall inform Serbia by the end of September of the current financial year of any de-commitment risk it has identified based on the information received from Serbia in accordance with Article 33(3) of the FFPA and on the need to take decisions to remedy this situation.

(4) After receipt of the payment request referred to in Article 39(4)(d) in January following the year n+3, the Commission shall *inform Serbia* on the amount covered by the automatic de-commitment rule on the basis of the information the Commission has access to.

(5) By the end of March following the year n+3, the Commission shall issue a letter to Serbia, requesting to confirm the amount covered by the automatic de-commitment rule or send their observations within two months of the receipt of the letter together with the revised financing plan.

### Article 37

#### Financing plan for the IPARD III programme

(1) The financing plan of the IPARD III programme shall lay down, in particular, the maximum amount of the Union contribution, its annual breakdown, the co-financing rates applicable for each measure, and, for programme monitoring purposes, a breakdown by measure.

(2) Contracting and making payments by the IPARD Agency shall only start after the IPARD III programme has been adopted by the Commission and after the financing agreement has entered into force.

### Article 38

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## **Payments of the Union contribution**

(1) Only assistance under the IPARD III programme granted in accordance with the Agreements and paid by the IPARD Agency shall be subject to co-financing by the Union.

(2) In accordance with the provisions as set out for each measure in the programme and for the simplified costs options as referred to in points (b), (c) and (d) as defined by the IPARD Agency in advance of the call for applications, payments by the Commission of the Union contribution shall cover:

(a) eligible costs actually incurred and paid by recipients;

(b) standard unit costs;

(c) lump sums not exceeding EUR 100 000, per recipient, per year, of public contribution;

(d) flat-rate financing, determined by the application of a percentage to one or several defined categories of costs.

(3) Where aid is granted on the basis of the simplified costs options as referred to in subparagraph (2) points (b), (c) and (d) or additional costs and income foregone, Serbia shall ensure that the relevant calculations are adequate and accurate and established in advance on the basis of a fair, equitable and verifiable calculation. To this end, a body that is functionally independent from the authorities responsible for the IPARD III programme implementation and possesses the appropriate expertise shall confirm the adequacy and accuracy of the calculations. The relevant documents shall be provided to the Commission in advance of the implementation of the simplified costs options, for information purposes.

Where, in area-based measures, aid is granted on the basis of the simplified costs options, the calculations shall be made by a body functionally independent from the authorities responsible for the IPARD III programme implementation.

(4) Payments by the Commission of the Union contribution shall be made within the limits of the funds available in accordance with the financing agreement referred to in Article 3. Each payment shall be posted to the earliest open budget commitment made for the IPARD III programme.

(5) The combined total of pre-financing and interim payments shall not exceed 95% of the Union contribution as set out in the financing table of the IPARD III programme.

(6) When the ceiling referred to in paragraph (5) is reached, the NAO shall continue transmitting to the Commission the payment requests including the certified statement of expenditures in accordance with Article 39, as well as information about the amounts recovered.

(7) Expenditure paid by recipients shall be substantiated by receipted invoices or accounting documents of equivalent probative value. Where the assistance is not a function of expenditure, other appropriate documents, as specified in the IPARD III programme may be accepted. In all cases, expenditure shall be certified by the NAO.

## **Article 39**

### **Payment requests by Serbia**

(1) The NAO shall make payment requests for the IPARD III programme. These requests shall include the certified statements of expenditure as laid down in clause 4(3) of Annex A to the FFPA and shall cover, for each IPARD III programme measure, the amount of eligible public expenditure for which the IPARD Agency has actually paid the corresponding Union contribution during the reference period.

(2) Payment requests shall be drawn up in accordance with the model in Annex 5. They shall be signed and certified, and transmitted by the NAO, on behalf of Serbia, to the Commission, with copies to the Audit Authority.

(3) At the closure of the programme, the NAO shall provide a final statement of expenditure.

(4) Once the conditions of Article 37(2) have been fulfilled, Serbia shall submit to the Commission its payment requests by the following deadlines:

(a) by 30 April at the latest in the case of expenditure in the period 1 January to 31 March;

(b) by 31 July at the latest in the case of expenditure in the period 1 April to 30 June;

(c) by 31 October at the latest in the case of expenditure in the period 1 July to 30 September;

(d) by 31 January at the latest in the case of expenditure in the period 1 October to 31 December.

Serbia may modify the data declared in the payments requests in the annual statement of expenditure to be submitted by 15 of February of the financial year following the year in which the expenditure has been made. In duly justified cases the Commission may allow Serbia to declare expenditure from previous financial years in the final statement of expenditure under paragraph (3). The expenditure from previous financial years shall be accompanied by an opinion and report of the Audit Authority and its inclusion in the final statement shall be without prejudice to acceptance of accounts decisions in accordance with Articles 50 and 51 of this Agreement.

Requests shall be sent even in cases in which no reimbursement is requested.

(5) Where there are disagreements, differences of interpretation or inconsistencies relating to payment requests for a reference period, resulting in particular from the failure to communicate the information required in the Agreements, and these require further checks, Serbia



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shall be required to provide additional information. Such information shall be provided in accordance with Article 33 of the FFPA.

The time limit for payment laid down in paragraph (6) may in such cases be interrupted for all or part of the amount for which payment is claimed, from the date on which the request for information is sent until receipt of the information requested.

Where no solution is found within that time limit, the Commission may interrupt or suspend payments in accordance with Articles 38 and 39 of the FFPA.

(6) Interim payments shall be made by the Commission within 90 days of registering the payment request for which the requirements set out in Article 35 of the FFPA are met, without prejudice to the decisions referred to in Articles 50 and 51 of this Agreement, provided that:

- (a) the expenditure declared is eligible for Union funding in accordance with Article 35 of this Agreement;
- (b) the checks in Article 43 of this Agreement have not indicated any problems;
- (c) no interruption or suspension of payments has been decided concerning the measure(s) that is or are the subject of the application in question;
- (d) appropriations are available.

## **Article 40**

### **Pre-financing**

(1) Pre-financing payments referred to in Article 34 of the FFPA may amount to 30% of the Union's contribution for the three most recent years of the IPARD III programme as established in the financing agreement. Subject to the availability of budgetary appropriations, pre-financing may be paid in two or more instalments.

(2) The Commission shall make an initial pre-financing payment of at least 50% of the amount referred to in paragraph (1) as first instalment.

Additional instalments may be paid following a request of *Serbia* in accordance with the requirements provided for in paragraphs (1) and (4).

(3) Where the pre-financing payments referred to in paragraph (1) are not sufficient to ensure timely payment of claims from recipients, they may be increased. The increase shall be the amount needed for this purpose. It shall be based on the sum of substantiated expenditure incurred by recipients, but not yet settled due to the exhaustion of Union funding in the IPARD euro account. However, the cumulative amount of payments for pre-financing shall not exceed 30% of the Union contribution for the three most recent years established in the financing agreement.

(4) The total amount paid as pre-financing shall be reimbursed to the Commission if no payment request for the IPARD III programme is sent within 15 months of the date on which the Commission made the first pre-financing payment. The Union contribution to the IPARD III programme shall not be affected by such reimbursement.

## **Article 41**

### **Calculation of the amount to be paid**

(1) The Union contribution to be paid in respect of the eligible public expenditure declared for each measure and for each reference period shall be calculated on the basis of the financing plan in force on the first day of that period.

(2) The amounts of the Union contribution recovered from recipients under the IPARD III programme during each reference period and the debts that have not been collected within two years of their registration in the debtors' ledger as referred to in Article 49(6) of this Agreement shall be deducted from the amount to be paid by the Commission in the payment request for that period in accordance with Article 50 of this Agreement.

(3) Without prejudice to the ceiling of 95% as provided for in Article 38(5), where the combined total of declarations of expenditure exceeds the total programmed for a given measure, the amount to be paid shall be capped at the amount programmed for that measure in the financing plan in force. Expenditure excluded as a result may be taken into account in a subsequent payment request provided that an adjusted financing plan has been submitted by *Serbia* and accepted by the Commission.

## **Article 42**

### **Settlement of the final balance**

(1) For the settlement of the final balance as referred to in Article 36 of the FFPA, the deadline referred to in Article 36(1) and (2) of this Agreement as laid down in the financing agreement shall apply.

(2) The settlement of the final balance shall not prejudice the adoption of subsequent decisions pursuant to Article 51.

(3) The settlement shall also not prejudice the follow-up of the provisions laid down in Article 46 and Article 52.

(4) No further financial transactions may be made by *Serbia* on the IPARD euro account after the final payment request was sent to the Commission. *Serbia* shall ensure that the requirements referred to in Article 36(1) of the FFPA are respected until the requirements

mentioned in Article 46 of this Agreement are fulfilled. As regards Article 52 of this Agreement, the Commission shall be informed whenever the recovered amounts are recorded in the national accounts.

(5) Serbia shall set up a system which allows it to follow-up on the requirements set out in paragraph (4). Serbia shall identify the responsible body and shall inform the Commission of the practical arrangements concerning the transfer of responsibilities to this body.

## **Article 43**

### **Payments to the recipients**

(1) Serbia shall ensure that payments to the recipients are:

(a) debited as appropriate against the IPARD euro account. The payable order(s) or any other accounting documents of equivalent probative value to the recipient(s) or to their assignee(s) shall as a general rule be issued within five working days of this debit;

(b) based on declarations of expenditure incurred by the recipient and evidenced by original receipted invoices. Where the assistance is not a function of expenditure, other appropriate documents, as specified in the IPARD III programme, may be accepted.

(2) In order to be eligible, expenditure shall be in accordance with Article 35(1).

(3) Payments shall be made by means of a transfer to the bank account on the name of the recipient. Payments to the recipients cannot be seized, withheld or adjusted in any manner in place of a recipient's debt obligation. The IPARD Agency can, however, off-set against the payments, any amount to be recovered from recipients related to financial assistance under the Instrument for Pre-Accession Assistance.

(4) Where original invoices or the other relevant documents referred to in paragraph (1) point (b) are not retained by the IPARD Agency following receipt, the IPARD Agency shall ensure that copies shall be taken and arrangements made to ensure that the originals will be made available for audit and inspection purposes.

(5) The NAO and the IPARD Agency shall ensure that total public expenditure by all public bodies in Serbia for each measure and project is identifiable in the IPARD Agency's accounts.

(6) The IPARD Agency shall maintain records of each payment which include at least the following information:

(a) the amount in national currency, if applicable;

(b) the corresponding amount in euros.

(7) The NAO and the IPARD Agency shall ensure that any amount which they find has been paid in excess of the sum due, and which has been incorporated in certified statements of expenditure in accordance with Article 39, is transferred within ten working days in the IPARD euro account and is deducted from the next payment request to the Commission.

(8) The NAO and the IPARD Agency shall ensure timely treatment of payment requests by recipients. In cases where the interval between receipt of the payment request and issuing of the payment order exceeds six months, Union co-financing may be reduced in accordance with the following rules:

(a) where expenditure effected after the deadlines is equal or less than 5% of the expenditure effected before the deadlines, no reduction shall be made, irrespective of the number of months' of a delay;

(b) where expenditure effected after the deadlines is more than 5% of the expenditure effected before the deadlines, all further expenditure effected with a delay of up to:

(i) one month, shall be reduced by 10%

(ii) two months, shall be reduced by 25%

(iii) three months, shall be reduced by 45%

(iv) four months, shall be reduced by 70%

(v) five months, or more shall be reduced by 100%.

For the purposes of this paragraph, the receipt of a payment request is considered the date when a payment request made by the recipient has been received by the relevant services of Serbia, irrespective of whether or not that payment request, when received, is complete of all supporting documents needed to make the payments. The IPARD Agency shall provide for procedures ensuring that missing documents are received from the recipients in time for the payment to be made in accordance with the first subparagraph.

The Commission may apply a different time scale and/or lower or no reductions, if exceptional management conditions are encountered for certain measures, or if well-founded justifications are provided by Serbia. Delays by the recipient to provide documents missing from the payment request shall not be considered a well-founded justification. *Serbia* shall establish appropriate provisions in the contracts signed with the recipients setting appropriate deadlines for the provision of missing documents.

Before taking the decision the Commission shall inform Serbia allowing it to make its position known within 10 working days. The Commission shall inform Serbia of its final decision, stating the reasons on which the decision is based.

For any expenditure effected after the deadlines Serbia shall submit to the Commission a detailed justification of the delay, written evidence

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to substantiate this justification as well as a demonstration of a direct relationship between the justification and the relevant expenditure effected after the deadlines.

(9) When deciding on cancelling all or part of the Union contribution, the NAO and the IPARD Agency shall take into account the nature and gravity of the irregularities and the financial loss to the Union contribution.

## **Article 44**

### **Exchange rate and interest**

(1) Serbia shall ensure that the rate recorded for conversion between euro and national currency is the monthly accounting rate of the euro established by the Commission for Serbia for the month during which the expenditure was registered in the accounts of the IPARD Managing Authority/IPARD Agency. However, the following shall apply:

(a) for payments by the IPARD Agency, the date shown in the accounts shall be the date that the payment order is issued to the recipient;

(b) for overpayments by the IPARD Agency in accordance with Article 43(7), the rate in the month preceding the month during which the overpayment was first noted;

(c) for debts not yet recovered, as well as debts that have not been collected within two years of their registration in the debtor's ledger, in accordance with Article 52, the rate in the month preceding the month during which the debt was first noted;

(d) for amounts fixed by the clearance of accounts and/or conformity clearance Decisions, the rate in the month preceding the month during which the Decision was taken;

(e) for debts and interest recovered in accordance with Article 52, the rate in the month preceding the month during which the debt was recovered;

(f) for irregular amounts recovered in accordance with Article 51 of the FFPA, the rate in the month preceding the month during which the amount was recovered;

(g) for interest earned on the Accounting Body's and the IPARD Agency's account(s), the rate in the month the interest was credited to the account(s) which must be at least monthly;

(h) for the thresholds written in euro in the IPARD III programme for each measure, the exchange rate for conversion between euro and national currency shall be the monthly accounting rate of the euro established by the Commission for Serbia the month preceding the month during which the related call for application is published.

For multi-annual measures the exchange rate for conversion between euro and national currency shall be adapted every twelve months.

Points (a) to (h) shall also apply to cases covered by Article 33(8) of the FFPA.

(2) In the event that a rate for a month is not published, the rate for the most recent previous month of publication shall be used.

(3) Where the time-limits in the Decisions taken pursuant to Articles 50 and 51 are not complied with, any outstanding amount shall generate interest at a rate equal to the Euribor rate for three month deposits published by the European Central Bank plus 1.5% points. That rate shall be the monthly average of the month in which those Decisions were taken.

(4) Any interest earned on the IPARD euro account remains the property of Serbia. Interest generated by the financing by the Union of the IPARD III programme shall be posted exclusively to the IPARD III programme, being regarded as a resource for Serbia in the form of a national public contribution, and shall be declared to the Commission, at the time of the closure of the eligible period of the IPARD III programme. At the time of the closure of the programme by the Commission any amount of interest that has not been spent in the form of a national public contribution shall be returned to the Commission.

## **Title 4:**

### **CLOSURE OF A PROGRAMME**

## **Article 45**

### **Closure of the IPARD III programme**

(1) In addition to the minimum requirements for the settlement of the final balance set out in Article 36(1) of the FFPA, the IPARD III programme shall be considered closed for the purposes of Article 47 of the FFPA as soon as one of the following conditions are fulfilled:

(a) based on the acceptance of the accounts of the final year in question and of the total years of IPARD III implementation, the payment of the final balance due or the issuance of a recovery order by the Commission;

(b) de-commitment of appropriations by the Commission;

(c) the closure of the debtors' ledger referred to in Articles 49(6) and 52(6) of this Agreement.

(2) The closure of the IPARD III programme shall not affect the obligations of Serbia referred to in Articles 43(9) and 52 and the obligation to continue to retain related documents, in accordance with Article 46, and shall not prejudice a subsequent decision under Article 51.

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## **Article 46**

### **Retention of documents**

(1) The IPARD Agency and the Accounting Body shall ensure that if they do not hold the documents referred to in Article 49 of the FFPA themselves, the documents are kept at the disposal of the Commission for the period referred to in that Article. In the case of situations referred to in Article 43 of the FFPA, the supporting documents referred to Article 49 of the FFPA shall be kept at the disposal of the Commission for at least seven years following that in which the sums are entirely recovered from the recipient and credited to the IPARD III programme or in which the financial consequences of non-recovery are determined in Article 52 of this Agreement.

(2) In case of a conformity clearance procedure provided for in Article 51 of this Agreement, the supporting documents referred to in paragraph 1 shall be kept at the disposal of the Commission for at least one year after the conclusion of that procedure or, if a conformity decision is the subject of legal proceedings, for at least one year after the conclusion of those proceedings.

## **Title 5:**

## **FINANCIAL CORRECTIONS AND EXAMINATION AND ACCEPTANCE OF ACCOUNTS**

## **Article 47**

### **Content of the annual accounts**

The annual accounts, composed of the annual financial reports and statement referred to in Article 61(2)(a) of the FFPA shall include:

- (a) the revenues and the expenditure of the IPARD III programme, showing Union, national and total revenues and expenditure summarised by measures and presented on an annual basis and submitted using Form D 2 as set out in Annex 6 to this Agreement;
- (b) a table of differences by IPARD III programme and measure, between the expenditure and the revenues declared in the annual accounts and that declared for the same period in the documents referred to in Article 39 of this Agreement, accompanied by an explanation for every difference;
- (c) the table of the amounts to be recovered at the end of the financial year (debtors' ledger);
- (d) a list of all payments made in the financial year in line with Annex 9 to this Agreement.

## **Article 48**

### **Transmission of the information necessary for the examination and acceptance of the accounts**

(1) For the purpose of the examination and acceptance of the accounts pursuant to Article 42 of the FFPA, the NAO shall send to the Commission:

- (a) the annual financial reports and statements referred to in Article 47 of this Agreement, together with any reports by authorities acting under delegation from relevant structures, authorities and bodies as referred to in Article 10(1) of the FFPA and a bank statement indicating the closing balance of the IPARD euro account at 31 December of the financial year;
- (b) the management declaration by the NAO as referred to in Article 61(2)(d) of the FFPA, including a summary of the reports in accordance with Article 61(2)(b)(i) of the FFPA.

(2) The documents referred to in points (a) and (b) of paragraph (1) shall be provided by the NAO, on behalf of Serbia, to the Commission in accordance with Article 61(2) of the FFPA with copies to the Audit Authority. The documents shall be sent in one single package electronically via the Commission's IT portal SFC in accordance with the format and under the conditions established by the Commission.

(3) The annual audit opinion and the annual audit activity report established by the Audit Authority for the financial year shall be submitted to the Commission in accordance with Article 63 of the FFPA, with copies to the NAO by 15 March of the following financial year. The documents shall be sent in one single package electronically via the Commission's IT portal SFC in accordance with the format and under the conditions established by the Commission.

The deadline of 15 March may exceptionally be postponed by the Commission to 1 April, upon justified request by the Audit Authority.

(4) At the request of the Commission or on the initiative of the NAO, further information concerning the examination and acceptance of the accounts shall be addressed to the Commission within a time period set by the Commission, taking into account the amount of work required for providing that information. In the absence of that information, the Commission may examine and accept the accounts on the basis of such information as is in its possession.

## **Article 49**

### **Form and content of the accounting information**

(1) The form and content of the accounting information referred to in Article 48(1)(a) shall be established in accordance with internationally accepted accounting principles and shall ensure that total public expenditure by all public bodies in Serbia for each measure and project under the IPARD III programme is identifiable in the books and records of the Accounting Body and the IPARD Agency by an adequate accounting code.

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(2) Where there are disagreements, differences of interpretation or inconsistencies relating to documents and the accounting information referred to in paragraph (1) for a reference period, resulting in particular from the failure to communicate the information required in this Agreement, and these require further checks, Serbia shall be required to provide additional information.

(3) Where payments due under the IPARD III programme are encumbered by financial claims on the recipient, they shall be deemed to have been made in their entirety:

(a) on the date of the payment of the sum still due to the recipient, if the claim is less than the expenditure settled;

(b) on the date of the settlement of the expenditure, if the latter is less than or equal to the claim.

(4) The accounting information shall be used by the Commission for the sole purposes of:

(a) carrying out its functions in the context of the examination and acceptance of the accounts or conformity clearance;

(b) monitoring developments and providing forecasts in the agricultural sector.

The European Court of Auditors and the European Anti-fraud Office (OLAF) shall have access to that information.

(5) Payment orders not executed and payments debited to the account and then re-credited shall be deducted in Form D 2 as set out in Annex 6, from expenditure in respect of the month during which the failure to execute or the cancellation is reported to the IPARD Agency.

(6) Serbia shall set up, in respect of the IPARD III programme, a system for the recognition of all amounts due and for the recording in a debtors' ledger of all such debts, including irregularities prior to their receipt. Without prejudice to Article 43(5) or any national provisions concerning recovery of debts, any financial contribution charged to the Union with respect to these sums, including irregularities, shall be written off at the end of the second year following its registration in the debtors' ledger and deducted from the next request for payment as provided for in Article 41(2). The IPARD Agency and the Accounting Body shall ensure that any amounts recovered are credited to the IPARD euro account within five working days of the date of recovery.

## **Article 50**

### **Examination and acceptance of accounts procedures**

(1) The acceptance of accounts decision shall confirm that the annual financial reports and statements referred to in Article 47(a) and (c) as included in the annual accounts are complete, accurate and true. It shall not prejudice the adoption of a subsequent conformity clearance decision, pursuant to Article 51. The acceptance of accounts decision shall also cover the balance of the IPARD euro account.

(2) The Commission shall communicate to Serbia the results of its analysis of the information supplied, together with any amendments it proposes, by 15 July following the end of the financial year at the latest.

(3) The amount which, as a result of the acceptance of accounts decision, is normally recoverable from or payable to Serbia shall be established by deducting the interim payments with respect to the financial year concerned from the expenditure recognised for the same year in accordance with paragraph (1). That amount shall be deducted by the Commission from or added to the following interim payment or the final payment.

(4) Where the amount to be deducted, fixed by the acceptance of accounts decision, exceeds the level of possible subsequent payments, the NAO shall ensure that the amount not covered by the balance shall be credited to the Commission in euro within two months of notification of that decision. The Commission may however, on a case by case basis, decide that any amount to be credited to it shall be offset against payments due to be made by the Commission to Serbia under any Union instrument.

(5) This Article shall apply *mutatis mutandis* to pre-financing payments within the meaning of Article 40.

(6) Article 84 of the FFPA shall not apply to the financial clearance.

## **Article 51**

### **Conformity clearance**

(1) If the Commission finds that expenditure under the IPARD III programme has been incurred in a way that has infringed applicable rules, it shall decide what amounts are to be excluded from Union financing.

(2) The Commission shall assess the amounts to be excluded on the basis of the nature and the gravity of the non-conformity and of the financial damage caused to the Union.

(3) When, as a result of any inquiry, the Commission considers that expenditure was not effected in compliance with the applicable rules, it shall communicate its findings to the NAO, and indicate the corrective measures needed to ensure future compliance with those rules.

The communication shall make reference to this Article. The NAO shall reply within two months of receipt of the communication, with copy to the Audit Authority, and the Commission may modify its position in consequence. In justified cases, the Commission may agree to extend the period for reply.

After expiry of the period for reply, the Commission may request additional information and, where necessary, convene a bilateral meeting.

(4) Within two months from the date of the reception of the request for additional information or the minutes of the bilateral meeting referred to in the third subparagraph of paragraph (3), the NAO shall communicate any information requested during that meeting or any other

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information which it considers useful for the ongoing examination.

In justified cases, the Commission may, upon reasoned request of the NAO, authorise an extension of the period referred to in the first subparagraph. The request shall be addressed to the Commission, with copy to the Audit Authority, before the expiry of that period.

After the expiry of the period referred to in the first subparagraph, the Commission shall formally communicate its conclusions to the NAO, with copy to the Audit Authority, on the basis of the information received in the framework of the conformity clearance procedure. The communication shall evaluate the expenditure which the Commission envisages to exclude from Union financing.

Where the Commission proposes a financial correction, the NAO shall be given the opportunity to provide its assessment of the actual financial impact of the irregularity. The communication of the assessment to the Commission shall take place within two months from the date of reception of the Commission's proposal for a financial correction. In justified cases the Commission may agree to extend the period for reply.

(5) The NAO shall inform the Commission, with a copy to the Audit Authority, of the corrective measures it has undertaken to ensure compliance with the applicable rules and the effective date of their implementation.

(6) The Commission may, at any stage, terminate the procedure, without financial consequences for Serbia, if it expects that the possible financial effects of non-compliance identified as a result of an inquiry referred to in paragraph (1) would not exceed EUR 10 000 and 2% of the relevant expenditure or the amounts to be recovered.

(7) The deductions from the Union financing shall be made by the Commission from the following interim payment or the final payment. However, at Serbia's request and where warranted by the materiality of the deductions, the Commission may set a different date for the deductions.

(8) In accordance with Article 45(1) of the FFPA, the deductions made by the Commission shall not be reallocated to the IPARD III programme.

(9) Article 84 of the FFPA shall not apply to the conformity clearance.

## **Article 52**

### **Recovery of funds**

(1) The financial adjustments and reuse of the Union contribution shall be undertaken by the NAO and shall be subject to the following conditions:

(a) where irregularities are detected, the NAO shall extend its inquiries to cover all operations liable to be affected by such irregularities;

(b) the NAO shall notify the corresponding adjustments to the Commission, with a copy to the Audit Authority;

(c) amounts of the Union contribution which are cancelled and amounts recovered shall be reallocated to the IPARD III programme in accordance with Article 45(2) of the FFPA.

(2) When the annual accounts are sent, as provided for in Article 48, the NAO shall provide the Commission, with a copy to the Audit Authority, with a summary report on the recovery procedures undertaken in response to irregularities. This shall give a breakdown of the amounts not yet recovered, by administrative and/or judicial procedure and by year of the primary administrative or judicial finding of the irregularity. Any interest recovered by Serbia attributable to the IPARD III programme with respect to debts recovered shall be recorded in the Serbia's accounts.

(3) The Union contribution not recovered by the IPARD Agency from the recipients within two years of their registration in the debtor's ledger shall be refunded by the NAO to the Union budget. Where possible, the amount recovered shall be deducted by the Commission from the following interim payment or the final payment to Serbia. Serbia shall ensure that any amounts recovered are credited to the IPARD euro account within five working days of the date of recovery.

(4) [IPAI II beneficiary] shall ensure that any amounts to be recovered from recipients in accordance with Article 51 of the FFPA are established taking into account the nature and gravity of the irregularities and the financial loss to the Union contribution and are recognised, registered in the debtors' ledger and subject to recovery procedure in a timely manner. If the Commission finds that the late registration of debts has resulted in a lower amount of debts written off in accordance with paragraph (3), it shall determine the financial correction to be applied under Article 51 of this Agreement.

(5) Where it has been possible to effect the recovery referred to in paragraph (1) when the combined total of declarations of expenditure exceeds the ceiling of 95% as provided for in Article 38(5) of this Agreement or after the final payment by the Union for the IPARD III programme has been made, the NAO shall refund the sums recovered to the Union budget in accordance with the procedures laid down in Article 46 of the FFPA.

(6) Any Union contribution to the IPARD III programme not recovered at the date of the final closure as referred to in Article 48(1) of the FFPA and in Article 45 of this Agreement shall be written-off in the debtors' ledger and the corresponding amount shall be refunded to the Union budget. This payment shall not prejudice the adoption of a subsequent decision pursuant to Article 51 of this Agreement.

## **Section VI**

### **MONITORING, EVALUATION AND REPORTING**

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Title 1:  
**PROGRAMME MONITORING**

**Article 53**

**Programme monitoring and monitoring indicators**

(1) The IPARD Managing Authority and the monitoring committee for the IPARD III programme ("IPARD III monitoring committee") shall monitor the effectiveness and the quality of the implementation of the IPARD III programme. They shall report to the IPA monitoring committee and to the Commission on progress of the measures.

(2) Programme monitoring shall be carried out by reference to the indicators presented in the IPARD III programme.

**Article 54**

**IPARD III monitoring committee**

(1) The IPARD III monitoring committee, which shall be established after adoption of the programme, shall be chaired by a senior representative of Serbia, who shall have voting rights.

(2) The Commission, the IPARD Managing Authority/IPARD Agency, the NAO and the NIPAC shall participate in the work of the IPARD III monitoring committee without voting right.

(3) For the purposes of Article 53(1) of the FFPA, the IPARD III monitoring committee shall examine the results of the IPARD III programme, in particular the achievement of the targets set for the different measures and the progress on utilisation of the financial allocations to those measures. In this regard, the IPARD Managing Authority shall ensure that all relevant information in relation to the progress of measures is made available to the monitoring committee and the NIPAC.

(4) The IPARD III monitoring committee shall periodically review progress made towards achieving the objectives set out in the IPARD III programme. For this purpose, it shall, in particular, be given the following:

(a) information on any sectors or measures where difficulties are experienced;

(b) information on the results of verifications carried out.

(5) Article 53(4)(g) of the FFPA shall be interpreted for the IPARD III monitoring committee in a way that the IPARD III monitoring committee has to consider and approve, where appropriate, any proposal drawn up by the IPARD Managing Authority to amend the IPARD III programme to be submitted to the Commission, with a copy to the NIPAC and the NAO.

(6) Notwithstanding Article 8, the IPARD III monitoring committee may, following consultation with the IPARD Managing Authority and the IPARD Agency, propose to the IPARD Managing Authority for submission to the Commission, with a copy to the NIPAC and the NAO, amendments or reviews of the IPARD III programme to ensure the achievements of the programme's objectives and enhance the efficiency of the assistance provided.

(7) The IPARD III monitoring committee shall consider and approve the annual and final implementation reports before they are sent to the NIPAC for submission to the Commission, with copies to the NAO and the Audit Authority.

(8) The IPARD III monitoring committee shall examine the evaluations of the IPARD III programme referred to in Article 59.

(9) The IPARD III monitoring committee shall consider and approve the plan of visibility and communication activities referred to in Article 32 as well as any subsequent updates of the plan.

(10) The IPARD III monitoring committee shall be consulted on the technical assistance activities under the IPARD III programme. It shall consider and approve each year an indicative annual action plan for the implementation of technical assistance activities including indicative amounts for information purposes.

(11) When required by the IPARD III programme to give an opinion on any matter, the IPARD III monitoring committee shall act accordingly.

(12) All final documents of IPARD III monitoring committee meetings shall be made public.

(13) The IPARD III monitoring committee shall meet at least twice per 12 months.

**Article 55**

**Indicators**

(1) The progress, efficiency and effectiveness of the IPARD III programme in relation to its objectives shall be measured by means of indicators relating to the baseline situation as well as progress with regard to financial execution.

(2) The IPARD III programme shall contain a limited number of additional indicators specific to that programme.

Title 2:

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## EVALUATION

### Article 56

#### Principles for the evaluation of the IPARD III programme

- (1) For the purposes of Article 54 of the FFPA, evaluations shall aim to improve the quality, effectiveness and consistency of the assistance from Union funds and the strategy and implementation of the IPARD III programme.
- (2) The IPARD III programme shall be subject to *ex-ante* and *ex-post* evaluation and, where considered as appropriate by the Commission, interim evaluations carried out by independent evaluators under the responsibility of Serbia.
- (3) The evaluations shall assess the implementation of the IPARD III programme towards the achievement of objectives set out in Article 16(7) of the FFPA.
- (4) The evaluations shall examine the degree of utilisation of resources, the effectiveness and efficiency of the programming, its socio-economic impact and its impact on the defined objectives and priorities. They shall cover the goals of the IPARD III programme and aim to draw lessons concerning rural development policy. They shall identify the factors which contributed to the success or failure of the implementation of the IPARD III programme, including the sustainability of actions and identification of best practices.
- (5) Evaluation reports shall explain the methodology applied and include an assessment of the quality of the data and the findings.
- (6) The quality and implications of evaluations shall be assessed by the IPARD Managing Authority, the IPARD III monitoring committee and the Commission.
- (7) The results of the *ex-ante* and the interim evaluations shall be taken into account in the programming and implementation cycle.

### Article 57

#### Ex-ante evaluation of the IPARD III programme

- (1) *Ex-ante* evaluation shall form part of drawing up of the IPARD III programme and aim to optimise the allocation of budgetary resources and improve programming quality. It shall identify and appraise medium and long-term needs, the goals to be achieved, the results expected, the quantified targets, the Union value-added, the extent to which the objectives, have been taken into account in accordance with Article 16(7) of the FFPA, the lessons learned and the quality of the procedures for implementation, programme monitoring, evaluation and financial management.
- (2) Serbia shall ensure that the *ex-ante* evaluator is involved in the process of development of the IPARD III programme, is included in the development of the SWOT analysis, in the design of the programme's intervention logic and in the establishment of the programme's targets.
- (3) *Ex-ante* evaluation shall be carried out under the responsibility of Serbia.

### Article 58

#### Evaluation plan for the IPARD III programme

- (1) An evaluation plan shall be drawn up by the IPARD Managing Authority, in consultation with the NIPAC, for the IPARD III programme in accordance with Article 56 of the FFPA. The evaluation plan shall be submitted to the monitoring committee no later than one year after the adoption by the Commission of the IPARD III programme.
- (2) The IPARD Managing Authority and the IPARD III monitoring committee shall use the evaluation plan to:
- (a) examine the progress of the IPARD III programme in relation to its goals by means of result and, where appropriate, impact indicators;
  - (b) improve the quality of the IPARD III programme and its implementation;
  - (c) examine proposals for substantial changes to the IPARD III programme;
  - (d) prepare for interim and *ex-post* evaluation.
- (3) The IPARD Managing Authority shall report each year on the results achieved under the evaluation plan to the IPARD III monitoring committee, with copies to the Audit Authority. A summary of the activities shall be included in the annual report provided for in Article 61.

### Article 59

#### Interim evaluation

- (1) If the Commission considers as appropriate, in the third year following the year of adoption of the first entrustment of budget implementation tasks for the IPARD III programme, an interim evaluation shall be performed.
- (2) The interim evaluation shall propose measures to improve the quality of the IPARD III programme and its implementation, where appropriate. In particular Serbia shall ensure that the interim evaluation examines the initial results of the IPARD III programme, their consistency with the *ex-ante* appraisal, the relevance of the targets and objectives and the extent to which they have been attained. It shall



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also assess the quality of programme monitoring and implementation and the experience gained in setting up the system for implementation of the IPARD III programme.

(3) The interim evaluation shall be submitted to the IPARD III monitoring committee, and to the Commission by 31 December of the year referred to in paragraph (1).

(4) In addition to the assessment referred to in Article 56(7), the IPARD III monitoring committee, the IPARD Managing Authority and the Commission shall consider the implications of the evaluation with a view to reviewing the IPARD III programme.

(5) The IPARD Managing Authority shall inform the Commission about the follow-up to the recommendations in the evaluation report. If Serbia fails to submit the interim evaluation report by the date referred to in paragraph (3), Article 39(5) shall apply.

## **Article 60**

### ***Ex-post* evaluation**

(1) At the latest by the end of the first year after the programme implementation period, an *ex-post* evaluation shall be prepared by Serbia for the IPARD III programme. That report shall be completed and submitted to the Commission not later than the end of that year.

(2) On the basis of the evaluation results already available as well as evaluation questions relevant to the IPARD III programme, the *ex-post* evaluation shall cover the utilisation of resources and the effectiveness and efficiency of the IPARD III programme, its impact and its consistency with the *ex-ante* evaluation. It shall cover factors contributing to the success or failure of implementation, the achievements of the IPARD III programme and results, including their sustainability. It shall draw conclusions relevant to the IPARD III programme and to the enlargement process.

(3) If Serbia fails to submit the *ex-post* evaluation report by the date referred to in paragraph 1, Article 39(5) shall apply.

## **Title 3: REPORTING**

## **Article 61**

### **Annual and Final Implementation Reports**

(1) By 30 June each year following a full calendar year of implementation of the IPARD III programme, the IPARD Managing Authority, after consultation with the IPARD Agency, shall draw up annual reports on the implementation of the IPARD III programme in the previous calendar year, in accordance with Article 62(6) of the FFPA. The first report submitted shall cover the calendar years from 2021 onwards.

(2) The IPARD Managing Authority shall draw up a final report on the implementation of the IPARD III programme. The final report shall be submitted at the latest six months after the final date of eligibility of expenditure under the IPARD III programme in accordance with Article 29(4) of the FFPA.

(3) The annual implementation reports shall cover the previous calendar year and shall include data related to the calendar year before and the cumulative financial and monitoring data for the whole period of implementation of the IPARD III programme as well as aggregated monitoring tables. The final reports on implementation of the IPARD III programme shall cover the whole period of implementation and may include the last annual report.

(4) The reports referred to in paragraphs (1) and (2) shall be sent, after examination and approval by the IPARD III monitoring committee, to the NIPAC for submission to the Commission with copies to the NAO and the Audit Authority.

(5) All annual and final implementation reports shall include the following information:

(a) any change in general conditions of relevance to the implementation of the IPARD III programme, in particular, the main socio-economic trends, changes in national, regional or sectoral policies and, where applicable, their implications for the consistency between IPARD III assistance and that from other Union financial instruments;

(b) the progress in the implementation of priorities and measures in relation to the attainment of the objectives of the IPARD III programme by reference to the financial data, common and programme-specific indicators and quantified target values, including changes in the value of result indicators where appropriate. The data transmitted shall relate to values for indicators for fully implemented operations and also, where possible, having regard to the stage of implementation, for selected operations. They shall also set out a synthesis of the findings of all evaluations of the programme that have become available during the previous calendar year, any issues which affect the performance of the programme, and the measures taken;

(c) financial commitments and expenditure by measure, and a summary of the activities undertaken in relation to the evaluation plan;

(d) the steps taken by the IPARD Managing Authority, the IPARD III Agency and the IPARD III monitoring committee to help to ensure the quality and effectiveness of implementation, in particular:

i. a summary of any significant problems encountered in implementing the IPARD III programme and any action taken, including that on recommendations for adjustments made pursuant to paragraph (8);

ii. a summary of the results of the verifications carried out per measure and of the irregularities detected;

iii. the use made of technical assistance;

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- iv. the steps taken to involve local bodies to a greater extent;
  - v. the steps taken to ensure publicity for the IPARD III programme;
  - vi. data to demonstrate that Union funds are complementing funding available in Serbia.
- (e) the steps taken to ensure co-ordination of all the Union pre-accession assistance referred to in Article 4;
  - (f) financial tables showing Union, national and total expenditure per measure and/or sector;
  - (g) a summary of the activities undertaken in relation to the evaluation plan in accordance with Article 58;
  - (h) a description of the activities carried out for the implementation of the plan of visibility and communication activities referred to in Article 32.

The content and presentation of the annual and final implementation reports shall be based on the Commission guidelines.

(6) The Commission shall inform Serbia within 15 working days of the date of receipt of the annual implementation reports if it is not admissible, failing which it shall be deemed admissible.

(7) The Commission shall inform Serbia of its observations within three months of the date of receipt of the annual implementation report and within four months of the date of receipt of the final implementation report. Where the Commission does not provide observations within those deadlines, the reports shall be deemed to be accepted.

(8) If, after this review, the Commission makes comments to Serbia concerning issues which significantly affect the implementation of the IPARD III programme, Serbia shall inform the Commission of the action taken on these comments within three months. Where the Commission, without prejudice to the Decisions to be taken pursuant to Articles 50 and 51, makes recommendations to Serbia for adjustments aimed at improving the effectiveness of the programme monitoring or management arrangements for the IPARD III programme, Serbia shall subsequently demonstrate the steps taken to improve the programme monitoring or management arrangements or it shall explain why it has not acted so within three months of the receipt of the Commissions' comments. The IPARD III monitoring committee shall be informed on these activities.

## Section VII FINAL PROVISIONS

### Article 62

Articles 81 to 84 and 88 to 91 of the FFPA shall apply *mutatis mutandis* to this Agreement.

### Article 63

#### Applicability of the sectoral agreements for IPA

Sectoral agreements signed under previous Instruments for Pre-Accession Assistance between the Commission and Serbia shall remain applicable to assistance adopted under previous pre-accession instruments, until such assistance is completed in accordance with the terms of the relevant sectoral agreements. However, Articles 47 to 51 of this Agreement shall apply in respect of expenditure under IPA when financial clearance or conformity clearance procedure is instigated after the entry into force of this Agreement.

### Article 64

#### Force majeure and exceptional circumstances

(1) Neither party is responsible for any failure to perform its obligations under this agreement if it is prevented or delayed in performing those obligations by an event of *force majeure* or exceptional circumstances.

(2) Cases of *force majeure* or exceptional circumstances shall be notified in writing to the IPARD Agency and the NAO, with relevant evidence to the satisfaction of the IPARD Agency and the NAO, within fifteen working days from the date on which the recipient or the person entitled through him, is in a position to do so.

### Article 65

#### Address for communications

Any communication in connection with this Agreement shall be sent to the following addresses:

(1) For all correspondence other than that referred to in point (2):

For the European Union:

European Commission

Directorate General for Agriculture and Rural Development

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Unit for neighbourhood, enlargement and pre-accession assistance

Rue de la Loi 130

BE - 1049 Bruxelles

Website: [https://ec.europa.eu/info/food-farming-fisheries/farming/international-cooperation/enlargement\\_en](https://ec.europa.eu/info/food-farming-fisheries/farming/international-cooperation/enlargement_en)

For Serbia:

Minister responsible for European integration

National IPA Coordinator (NIPAC)

Nemanjina 11, Belgrade, Serbia

Fax +381 11 3617 597

E-mail: [kabinet@eu.rs](mailto:kabinet@eu.rs)

(2) For correspondence relating to information set out in Article 51(2) of the FFPA, the addresses shall be as follows:

For the European Union:

European Commission

OLAF - European Anti-Fraud Office

Directorate C

30, Rue Joseph II

BE - 1049 Bruxelles

Website: [http://ec.europa.eu/anti\\_fraud/index\\_en.htm](http://ec.europa.eu/anti_fraud/index_en.htm)

For Serbia:

Ministry of Finance, Republic of Serbia

Group for combatting irregularities and fraud in dealing with EU funds (AFCOS)

Kneza Milosa 20, Belgrade, Serbia

Tel: +381117652364

E-mail: [afcos.serbia@mfin.gov.rs](mailto:afcos.serbia@mfin.gov.rs)

## **Article 66**

### **non-compliance and termination**

Without prejudice to Article 90 of the FFPA, where the Commission has detected non-compliance with the obligations of this Agreement, it:

- (a) shall notify Serbia of its intentions, with justification(s), and
- (b) shall have the right, with regard to the IPARD III programme, but without prejudice to the Decisions referred to in Articles 50 and 51:
  - (i) to make financial corrections against Serbia;
  - (ii) to cease to transfer money to Serbia;
  - (iii) to refrain from undertaking any new financial obligations on the part of the Union; and
  - (iv) if appropriate, to terminate this Agreement with effect from the time non-compliance was first detected.

## **Article 67**

### **Entry into force**

This Agreement shall enter into force on the date on which the last of the Parties informs the other one in writing of its approval in accordance with the existing internal legislation or procedure of the Party.

## **Article 68**

### **Signature**

This Agreement is drawn up in duplicate in the English language.

Signed, for and on behalf of the Government of the Republic of Serbia, in Belgrade, on 03.04. 2023

by Ms Tanja MIŠČEVIĆ  
Minister of European Integration  
National IPA Coordinator (NIPAC)

Signed, for and on behalf of the European Commission, in Brussels, on 02 May 2023

by Mr Wolfgang BURTSCHER  
Director-General for Agriculture and Rural Development  
Delegated Authorising Officer

## ANNEXES

### Annex 1.

#### MAIN FUNCTIONS OF THE INTERNAL CONTROL SYSTEM

The structures, authorities and bodies of the internal control system as defined in Articles 10(1)(c) and 10(2) of the FFPA shall have an organisational structure allowing them to execute the following main functions in respect of IPARD expenditure:

The basic approach for the allocation of functions and responsibilities shall be established in accordance with the following table:

General Functions	Specific Functions	Management Structure		IPARD Managing Authority/IPARD Agency	
		NAO Support Office	Accounting Body	IPARD Agency	IPARD Managing Authority
Managing functions	Selection of measures				*
	Programme monitoring				*
	Management of IPA III accounts and financial operations		*		
	Evaluation				*
	Reporting			*	*
	Coordination				*
Paying functions	Authorisation and control of commitments			*	
	Authorisation and control of payments		(*)	*	
	Execution of payments			*	
	Accounting for commitment and payment		*	*	
	Debt management		*	*	
	Treasury		*		
Implementing functions	Selection of projects			*	
	Publicity			*	*
	Verifiability and controllability of measures			*	*
	Provide assurance on the effective functioning of the internal control system	*			
Audit functions	Internal audit	*	*	*	

In case it is indicated as optional (\*), the function may be allocated depending on the size, the responsibilities and other specific features of the internal control systems.

Unless the Commission expressly and explicitly provides for otherwise, allocations of functions and responsibilities must not be in contradiction to the basic approach as shown in this Annex.

#### Managing functions

(a) *Selection of the measures*: the objective of this function is that according to Article 10(1)(d) of the FFPA the IPARD Managing Authority is responsible for the selection of measures and their publicity, including the selection of measures under each call in accordance with Article 8 of this Agreement.

(b) *Programme monitoring*: the objective of this function is to monitor the effectiveness and quality of the implementation of the IPARD III programme. It shall be carried out by reference to relevant physical, environmental and financial indicators. It shall also ensure that operations are selected for funding in accordance with the criteria and mechanism applicable to the programme, and comply with the relevant Union and national rules.

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(c) *Management of IPA III accounts and financial operations*: the objective of this function is to ensure a smooth financial management including recording of activities, transferring of funds and making financial adjustments when necessary.

(d) *Evaluation*: the objective of this function is to improve the quality, effectiveness and consistency of the assistance from Union funds and the strategy and implementation of the IPARD III programme. The evaluations shall examine the degree of utilisation of resources, the effectiveness and efficiency of the programming and its socio-economic impact on the defined objectives and priorities, and shall, as a general rule, be accompanied by achievement related criteria and indicators.

(e) *Reporting*: the objective of this function is to ensure that implementation of the programme and progress of the individual operations and measures are reported in a way which helps to ensure the effective and efficient implementation of the measure, using adequate information and communication systems.

(f) *Coordination*: the objective of this function is to guide and monitor the work of the IPARD III monitoring committee in accordance with Article 53 of the FFPA, notably by providing the documents necessary for monitoring the quality of the implementation of the programmes.

### **Paying functions**

(a) *Authorisation and control of commitments and payments*: the objective of this function is to establish that the applications for approval of operations and subsequent amount to be paid to a recipient or to their assignee(s) is in conformity with the Agreements and eligible for the Union assistance claimed, which shall include, *inter alia*, the administrative and, where appropriate, on-the-spot verifications, in particular those concerning the regularity and legality of the expenditure:

- (i) checking the eligibility of applications for approval and request for payment;
- (ii) checking of compliance with commitments entered into, concerning project approvals;
- (iii) where appropriate, checking of tendering and contracting procedures and verification of the work carried out or services supplied;
- (iv) applying the necessary verifications, including checks of possible artificially created conditions for obtaining payments.

Verifications may include pre-project selection checks, re-measurement, checks on quantity and quality of goods or services delivered, an analysis or a sample control, pre-payment checks, *ex-post* payment checks and any special provisions for implementing the Agreements as to the regularity and legality of the expenditure. In order to establish the regularity and legality, verifications shall include, where appropriate, examinations of a technical nature, which can involve economic financial assessments and checks of a specific agricultural, technical or scientific nature.

(b) *Execution of payments*: the objective of this function is the issuing of an instruction to the IPARD Managing Authority/IPARD Agency's bankers, or, in appropriate cases, a governmental payments office, to pay the authorised amount to the recipient (or their assignee(s)).

(c) *Accounting for commitment and payment*: the objective of this function is the recording of all commitments and payments in the separate books of accounts for IPARD III expenditure, which will normally be in the form of an electronic data processing system, and the preparation of periodic summaries of expenditure, including the expenditure declarations to the Commission. The books of account shall also record the assets financed by the IPARD III funds, in particular concerning un-cleared debtors.

(d) *Debt management*: the objective of this function is to have a system in place for the recognition of all amounts due and for the recording in a debtors' ledger of all such debts, including irregularities, prior to their receipt.

(e) *Treasury*: the objective of this function is to organise the bank accounts, requesting funds from the Commission, verifying the existence and correctness of the co-financing elements, authorising the transfer of IPARD III funds from the Commission to the IPARD Agency or to the recipients and the financial communication to the Commission, which includes the quarterly payment applications and annual declarations.

The organisational structure shall provide for clear assignment of authority and responsibility at all operational levels and for separation of the paying functions referred to in points (a), (b) and (c), the responsibilities of which shall be defined in an organisational chart.

### **Implementing functions**

(a) *Selection of projects*: the objective of this function is to select projects in accordance with the criteria, mechanisms and rules applicable to the IPARD III programme.

Exceptionally, this function may be carried out by the IPARD Managing Authority for the measures 'implementation of local development strategies - LEADER approach' and 'technical assistance'.

(b) *Publicity*: the objectives of this function are both:

- (i) the issuing of calls for applications and publicising terms and conditions for eligibility, including information on contractual obligations and possible sanctions in the event of non-compliance with those obligations and, where necessary, the issue of approval to commence work; and
- (ii) to highlight the role of the Union and to ensure the transparency of Union assistance.

(c) *Verifiability and controllability of measures*: the IPARD Managing Authority and the IPARD Agency shall provide an *ex-ante* assessment of the verifiability and controllability of the measures to be included in the IPARD III programme in accordance with annex A, clause 6a(3) (b) and clause 6b(1)(a) of the FFPA.

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The IPARD Managing Authority and the IPARD Agency shall also undertake the assessment of the verifiability and controllability of the measures during the implementation of the IPARD III programme.

(d) *Provide assurance on the effective functioning of the internal control system*: the objective of this function is to continuously check the good performance of the internal control system, including necessary measures as follow-up of audit findings and detected irregularities.

#### **Audit functions**

*Internal audit*: the objective of this function is to ensure that regular specific activities are carried out to provide higher management with independent review of the subordinate systems.

## **Annex 2. INTERNAL CONTROL FRAMEWORK**

For the purposes of Annex B to the FFPA the following provisions shall apply:

### **1. Control environment**

#### **General complementary provisions to Section 1 of Annex B to the FFPA**

##### **Delegation**

Part or all of the evaluation, reporting, authorisation and control functions<sup>4</sup> may be delegated to other bodies provided that the following conditions are fulfilled:

(1) A written agreement must be concluded specifying, apart from the delegated tasks, the nature of the information and the supporting documents to be submitted to the delegating entity and the time limit within which they must be submitted. The agreement must enable the delegating entity to comply with the requirements from Annex B to the FFPA and this Annex. A sufficient audit trail shall be maintained.

The Agreement shall provide for access by duly authorised agents or representatives of Serbia or the Union to information held by these delegated bodies and for investigation by such officials of applications including carrying out of checks on projects and recipients of aid and any other information they need for the execution of their tasks.

(2) The concerned structures, authorities and bodies of the Management and Control System (hereinafter referred to as "MCS") shall in all cases remain responsible for the efficient and sound management of the IPARD assistance concerned. It remains fully responsible for the legality and regularity of the underlying transactions, including protecting the Union's financial interest.

(3) The responsibilities and obligations of the other body, notably concerning the control and verification of the compliance with the Agreements and any applicable guidelines, shall be clearly defined.

(4) The concerned structures, authorities and bodies of the MCS shall ensure that the other body has effective systems for ensuring that it fulfils its tasks in a satisfactory manner.

(5) The body shall explicitly confirm to the concerned structures, authorities and bodies of the MCS that it in fact fulfils its tasks and shall describe the means employed.

(6) The concerned structures, authorities and bodies of the MCS shall regularly review the tasks delegated to confirm that the work performed is of satisfactory standard and that it is in compliance with the Agreements.

(7) The Audit Authority shall report on the delegated functions as if they were managed by the delegating entity itself.

The conditions set out in points (1), (2), (3) and (5) shall apply *mutatis mutandis* in the cases where the delegating entity functions are performed by another body as part of its regular tasks on the basis of national legislation.

#### **Specific complementary provisions to Section 1 of Annex B to the FFPA**

Reference is made to Section 1 of Annex B to the FFPA.

For the purposes of point 4.2. Professional development of Section 1 of Annex B to the FFPA, staff training shall be appropriate at all operational levels including fraud awareness.

For the purposes of 4.4. Succession planning and deputising arrangements of Section 1 of Annex B to the FFPA, job descriptions shall include the setting of financial limits of commitments and payments to the authority of the jobholder.

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<sup>4</sup> In no case may the functions of execution of payment, and of accounting of commitment and payment be delegated.

### **2. Risk assessment**

[No complementary provisions]

### **3. Control activities**

#### **General complementary provisions to Section 3 of Annex B to the FFPA**

Ensuring a sound internal control requires the following common written procedures:

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## **A. Procedures for authorising applications and payment request:**

(1) The relevant structures, authorities and bodies of the MCS shall lay down detailed procedures for the receipt, recording and processing of applications for project approval, payment requests and invoices including a description of all documents to be used.

(2) Each official responsible for authorisation shall have at his/her disposal a detailed checklist of the verifications to be carried out, and shall attest in the supporting documents of the payment request that those verifications have been carried out. That attestation may be made by electronic means. There shall be evidence of systematic, such as sample, system or plan-based review of the work by a senior staff member. The analysis of the project shall be guided by the principles of sound financial management.

(3) A payment request shall be authorised for payment only after sufficient verifications have been carried out to ensure compliance with the Agreements. Those verifications shall include those required by the regulation governing the specific measure under which aid is claimed, and those required pursuant to Article 51 of the FFPA to prevent and detect irregularities and fraud with particular to the risks observed.

(4) The management shall, at an appropriate level, be informed on a regular and timely basis of the results of administrative and on-the-spot verifications carried out, so that the sufficiency of those verifications may always be taken into account before a payment request is settled.

(5) The administrative verification performed shall be detailed in a checklist (see (2) accompanying each payment request or batch of payment requests. The checklist shall be accompanied by an attestation of the eligibility of the approved payment requests and of the nature, scope and limits of the work done. In addition, there shall be an assurance that the criteria for the granting of aid, including contracting, have been respected and that all applicable Union and national rules, including those fixed in the rural development program, have been complied with. The on-the-spot verification performed shall be detailed in a report in accordance with Article 15 or Article 23 of this Agreement.

If any on-the-spot or administrative verification is not exhaustive, but performed on a sample of payment requests, the payment requests selected shall be identified, the sampling method described, the results of all inspections and the measures taken in respect of discrepancies and irregularities reported upon. The supporting documents shall be sufficient to provide assurance that all the required verifications on the eligibility of the authorised payment requests have been performed.

(6) Where documents (in paper or electronic form) relating to the payment requests authorised and verifications made are retained by other bodies, both those bodies and the concerned structures shall set up procedures to ensure that the location of all such documents relevant to specific payments is recorded.

(7) Applications from recipients shall be processed in a timely manner.

(8) Criteria for assessing applications and their order of priority shall be clearly defined and documented.

## **B. Procedures for payment**

(1) The concerned structures, authorities and bodies of the MCS as defined in Article 10(1) and (2) of the FFPA shall adopt the necessary procedures to ensure that the national authorities can fulfil their contractual commitments regardless of the delays or interruptions in funding from the Commission.

(2) The national authorities shall adopt the necessary procedures to ensure that payments are made only to bank accounts belonging either to recipients or to their assignees. The payment shall be made by the IPARD agency's bank, or, as appropriate, a governmental payments office, within five working days of the date of debiting against the IPARD euro account. Procedures shall be adopted to ensure that all payments for which transfers are not executed are not declared for reimbursement. If such payments have already been declared these should be re-credited to the Fund via the next monthly/quarterly declarations or in the annual accounts at the latest. Payments shall be made by means of a transfer to the bank account on the name of the recipient. The approval of the authorising official and/or his/her supervisor may be made by electronic means, provided an appropriate level of security over those means is ensured, and the identity of the signatory is entered into the electronic records.

## **C. Procedures for accounting**

(1) The concerned structures, authorities and bodies of the MCS shall adopt full and transparent accounting procedures following internationally accepted accounting principles and any applicable guidelines. Accounting procedures shall ensure that quarterly and annual declarations are complete, accurate and timely, and that any errors or omissions are detected and corrected, in particular through verifications and reconciliations performed at regular intervals. A full audit trail for every item entered into the accounts shall be provided.

(2) The national authorities' accounting procedures shall ensure that accounting system can produce, in euro and national currency, and for each project, contract or measure, the total cost, the committed expenditure, part payments and balance payments. Deadlines shall be set for cancellation of commitments where work has not been completed within an agreed timetable. Such cancellations shall be appropriately recorded in the accounting systems.

## **D. Procedures for advances and guarantees (if applicable)**

Payments of advances qualify as eligible expenditure up to 50% of the public aid related to the project and shall be subject to the establishment of a bank guarantee or an equivalent guarantee corresponding to 110% of the amount of the advance. Advances cannot be paid in combination with pre-financing as provided for in Article 11(3)(a).

Procedures shall be adopted to ensure that:

(1) Payments of advances are separately identified in the accounting or subsidiary records.

(2) Guarantees are obtained only from financial institutions which are approved by the appropriate authorities and which remain valid until cleared or called upon, on the simple request of the IPARD agency.

(3) The advances are cleared within the stipulated time limits and those overdue for clearing are promptly identified and the guarantees promptly called upon.

Payments of advances, for the measure 9 'technical assistance' qualify as eligible expenditure up to 90% of the public aid related to the operation and shall not be subject to the establishment of a bank guarantee or an equivalent guarantee.

#### **E. Procedures for debts**

All the requirements provided for in Sections A. to D. shall apply *mutatis mutandis* to guarantees, reimbursed payments, assigned revenues etc. which the IPARD agency is required to collect on behalf of the IPARD III programme. The IPARD agency shall set up a system for the recognition of all amounts due and for the recording in a single debtors' ledger of all such debts prior to their receipt. The debtors' ledger shall be inspected at regular intervals and action shall be taken to collect debts that are overdue.

#### **F. Audit trail**

The information regarding documentary evidence of the authorisation, accounting and payment of payment requests and handling of advances, securities and debts shall be available to ensure at all times a sufficiently detailed audit trail.

The management shall, at appropriate level, be informed on a regular and timely basis of the results of verifications carried out, so that the sufficiency of those verifications may always be taken into account before a payment request is settled.

For those purposes, the concerned structures, authorities and bodies of the MCS shall set up necessary procedures to ensure retention of all documents required to guarantee an adequate audit trail.

#### **Specific complementary provisions to Section 3 of Annex B to the FFPA**

Reference is made to Section 3 of Annex B to the FFPA.

11. The organisation selects and develops general control activities over technology to support the achievement of objectives.

For the purposes of point 11 of Section 3 of Annex B to the FFPA, information systems security shall be based on the criteria laid down in a version applicable in the financial year concerned of the following standard:

International Standards Organisation 27002: Code of practice for Information Security controls (ISO) or equivalent.

### **4. Information and communication**

#### **Specific complementary provisions to Section 4 of Annex B to the FFPA**

Reference is made to Section 4 of Annex B to the FFPA.

##### **15.1. External communication**

For the purposes of point 15.1 of Section 4 of Annex B to the FFPA, the following provisions shall apply:

(i) every change in the Agreements, including the rates of aid applicable or terms and conditions, has to be recorded and the instructions, databases and checklists updated in good time;

(ii) all the substantial changes in the MCS after their accreditation and entrustment of budget implementation shall be submitted to the competent national authority(ies) and the Commission, with copy to the Audit Authority, for examination and approval before their implementation.

### **5. Monitoring activities**

#### **Specific complementary provisions to Section 5 of Annex B to the FFPA**

Reference is made to Section 5 of Annex B to the FFPA.

16. The organisation selects, develops, and performs ongoing or specific assessments to ascertain whether the components of internal control are present and functioning.

For the purposes of point 16 of Section 5 of Annex B to the FFPA, the following provisions shall apply:

(i) at all levels the daily operations and control activities of the national authorities shall be monitored on an on-going basis to ensure a sufficiently detailed audit trail;

(ii) monitoring of the technical services and delegated bodies responsible for carrying out the verifications and other functions to ensure a proper implementation of regulations, guidelines and procedures;

(iii) monitoring procedures to prevent and detect fraud and irregularity with particular regard to those areas of expenditure under the IPARD agency's competence which are exposed to a significant risk of fraud or other serious irregularities.

The internal audit service shall be independent of the national authorities' other departments and shall report directly to the entity's director. The internal audit service shall verify that procedures adopted by the entity are adequate to ensure that compliance with Union rules is



verified and that the accounts are accurate, complete and timely. Verifications may be limited to selected measures and to samples of transactions provided that an audit plan ensures that all significant areas, including the departments responsible for authorisation, are covered over a period not exceeding five years. The internal audit service's work shall be performed in accordance with internationally accepted standards, shall be recorded in working papers and shall result in reports and recommendations addressed to the agency's top management.

### Annex 3.

## DOCUMENTS REQUIRED FOR THE APPLICATION OF ENTRUSTMENT OF BUDGET IMPLEMENTATION TASKS

This Annex 3 provides by entity which documents are required for the application of entrustment of budget implementation tasks.

Serbia shall provide:

- (a) the signed request for entrustment in paper and in electronic format; and
- (b) the documents indicated in this Annex and any other relevant supporting documents in electronic format only, on a physical support (CD/DVD/USB key or other similar commonly used means).

No.	Evidences
<b>1</b>	<b>Formal legal designation, confirmation of readiness and procedures</b>
1.1	Formal legal designation of the NIPAC, the NAO and the AA.
1.2	Confirmation of its own readiness of the NIPAC, the NAO and the AA.
1.3	<b>Procedures by which the main functions of the NIPAC are implemented</b> The Commission shall issue further clarification and guidance regarding the required documents, their format and their level of detail.
1.4	<b>Procedures by which the main functions of the NAO are implemented</b> The Commission shall issue further clarification and guidance regarding the required documents, their format and their level of detail.
1.5	<b>Procedures by which the main functions of the AA are implemented</b> The Commission shall issue further clarification and guidance regarding the required documents, their format and their level of detail.
1.6	<b>Self-assessment reports</b> for all management and control system entities prepared by the internal auditors.
1.7	<b>Supporting audit opinion and report</b> on the management structure and the IPARD Managing Authority/IPARD Agency <b>drawn up by an external auditor</b> independent from the structures and authorities under Article 10(1) and (2) of the FFPA and be based on examinations conducted according to internationally accepted auditing standards. This point is not applicable for already entrusted programme measures for which the NAO can rely on results of previous <i>ex-ante</i> assessment carried out with regard to an entrustment pursuant to Regulation (EU) No 231/2014 or an earlier financing agreement.
<b>2.</b>	<b>MANAGEMENT STRUCTURE</b>
2.1	Written confirmation by the NAO that the management structure satisfies the requirements for being entrusted with budget implementation tasks.
2.2	Name and statute of the concerned structures, bodies and authorities (NAO support office, Accounting Body), including copies of the formal legal designation at ministerial level.
2.3	<b>Description of the following:</b> <ul style="list-style-type: none"> <li>- the responsibilities vested in the NAO support office and the Accounting Body;</li> <li>- the allocation of responsibilities between their departments;</li> <li>- relationship of the management structure with other bodies, public or private, which also hold responsibilities for executing measures under which it charges expenditure to the IPARD III programme;</li> <li>- the administrative, accounting and internal control requirements under which payments are made relating to implementation of the IPARD III programme.</li> </ul>
2.4	<b>Procedures by which the main functions of the NAO support office are implemented</b> The Commission shall issue further clarification and guidance regarding the required documents, their format and their level of detail.
2.5	<b>Procedures by which the main functions of the Accounting Body are implemented</b> The Commission shall issue further clarification and guidance regarding the required documents, their format and their level of detail.
<b>3</b>	<b>IPARD MANAGING AUTHORITY/IPARD AGENCY</b>
3.1	Written confirmation by the NAO that the IPARD Managing Authority/IPARD Agency satisfies the requirements for being entrusted with budget implementation tasks.
3.2	Name and statute of the constituting bodies of the IPARD Managing Authority/IPARD Agency (IPARD Agency, IPARD Managing Authority, and any of their delegated bodies where applicable), including copies of the formal legal designation at ministerial level.

3.3	<b>Description of the following:</b> <ul style="list-style-type: none"> <li>- the responsibilities vested in the IPARD Agency and the IPARD Managing Authority (including their delegated bodies, if applicable);</li> <li>- the allocation of responsibilities between their departments;</li> <li>- relationship of the IPARD Managing Authority/IPARD Agency with other bodies, public or private, which also hold responsibilities for executing measures under which it charges expenditure to the IPARD III programme;</li> <li>- the administrative, accounting and internal control requirements under which payments are made relating to implementation of the IPARD III programme;</li> <li>- written agreements between the bodies in the system including memorandum of understanding or protocols signed also with other delegated or technical bodies;</li> <li>- information on how the delegated functions will be supervised must also be included.</li> </ul>
3.4	<b>Procedures by which the main functions of the IPARD Agency are implemented</b> The Commission shall issue further clarification and guidance regarding the required documents, their format and their level of detail.
3.5	<b>Procedures by which the main functions of the MA are implemented</b> The Commission shall issue further clarification and guidance regarding the required documents, their format and their level of detail.

The requirements stated above should be considered as indicative and not limitative. The responsibility for providing all the necessarily documentation in view of the request for entrustment of budget implementation tasks remains primarily with the national authorities.

The Commission services may request additional documentation prior to, or in the course of their assignments.

## Annex 4. RULES FOR PROGRAMMING

### Aid intensities, rates of Union contribution and eligibility for IPA Rural Development programmes 2021-2027

#### 1. Definitions

For the purposes of this Annex, the following definitions apply:

- "Union standards" means the standards laid down by the Union in the fields of environmental protection, public health, animal and plant health, animal welfare and occupational safety;
- "Mountain areas" means the areas referred to in Article 32(2) of Regulation (EU) No 1305/2013;
- "Young farmer" means a farmer under 40 years of age at the time of submitting the application, possessing adequate occupational skills and competence;
- "Collective investments" means investments by officially recognised producer organisations in:
  - sharing facilities, machines, equipment and other infrastructure for production and processing of agricultural products up to the EU standards or for quality products (see Annex II for further details);
  - establishing and development of short supply chains and local markets;
- "Short value chain" is "a supply chain involving a limited number of economic operators, committed to cooperation, local economic development, and close geographical and social relations between producers, processors and consumers" (Article 2 of Regulation (EU) No 1305/2013). Moreover, support for the establishment and development of short supply chains... shall cover only supply chains involving no more than one intermediary between farmer and consumer;
- "Circular economy-type" investments, imply investments in changing the pattern of the conventional business model in production, such as: water reuse and use efficiency, reduction and reuse of waste and use of by-products, substitution of single-use packaging by reusable, recyclable or biodegradable packaging and biodegradable mulch films;
- "Natural disaster", means a naturally occurring event of a biotic or abiotic nature that leads to important disturbances in agricultural production systems or forest structures, eventually causing important economic damage to the farming or forestry sectors;
- "Organic farmer", means a recipient certified as organic farmer under the nationally accepted certification scheme;
- "Deadweight risk" means the risk of inefficiency in public financing. It means that recipients receive subsidies for projects that would have been implemented even without the subsidy;
- "Operating costs" should be understood as the ongoing expenses incurred from the normal day-to-day of running a business that include both overhead and costs of goods sold.

#### 2. IPARD III programme

Each programme shall include:

- (a) a description of the current situation, SWOT and identification of needs, by providing a quantified description of the current situation showing disparities, shortcomings and potential for development;
- (b) SWOT analyses (strengths, weaknesses, opportunities and threats) focussing on a few specific areas;

- 
- (c) an overview of main results of previous intervention, by national funds, Union assistance or multilateral assistance;
  - (d) a description of the existing national rural development strategy, including alignment of the selected measures and selection criteria to the main elements of the EU Green Deal and the Green Agenda for the Western Balkans;
  - (e) an indicative overall financial table;
  - (f) a description of each of the measures selected, including, national minimum standards, national legislation relevant to the programme, evidence of targeting, confirmation that verifiability and controllability of measures have been ensured.
  - (g) a description of the existing and/or planned national rural development network;
  - (h) information on the complementarity of IPARD with the measures financed by other (national or international) sources;
  - (i) a description of the key IPARD entities, including monitoring and evaluation;
  - (j) summary description of management and control structure;
  - (k) a description of the results of consultations on programming and provisions to involve relevant authorities and bodies as well as appropriate economic, social and environmental partners;
  - (l) the results and recommendations of the *ex-ante* evaluation of the programme;
  - (m) a description of actions foreseen in the context of publicity, visibility and transparency in accordance with IPA legislation, to inform potential beneficiaries, professional organisations, economic, social and environmental partners, bodies involved in promoting equality between men and women and NGOs about possibilities offered by the programme and rules of gaining access to funding;
  - (n) a description of provisions linked to the equality between men and women and non-discrimination promoted at various stages of programme (design, implementation, monitoring and evaluation);
  - (o) a description of the actions taken to ensure the availability of sufficient technical and advisory capacity for the proper implementation of the programme.

Further guidance on programme preparation and implementation, provided by the Commission, shall be respected.

### 3. Aid intensities

Public expenditure shall not exceed a ceiling of 50% of the total eligible cost of the investment, with the following exceptions:

(a) 60% for investment in:

- physical assets of agricultural holdings,
- farm diversification and business development.

(b) 65% for investments in physical assets of agricultural holdings in mountain areas.

(c) 70% for:

- investments made by young farmers and/or organic farmers in physical assets of agricultural holdings and in farm diversification and business development,
- collective investments.

An additional 10% can be given for:

- investments related to effluent and waste management, renewable energy and circular economy-type investments.

For the above types of investments, cumulative aid intensity cannot exceed 75%, except in case of non-productive investments, under measure 1, where the aid intensity can be up to 85%.

(d) 100% for investments in support of:

- rural public infrastructure, non-productive investments for agri-environment-climate objectives, agri-environment-climate and organic farming commitments and establishment and protection of forests,
- activities financed under the technical assistance measure.

Fixed amounts of support to be paid are defined and justified individually under the following measures:

- setting-up of producer groups,
- agri-environment-climate and organic farming measure,
- implementation of local development strategies - LEADER approach,
- improvement of skills and competences,

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- advisory services,
  - establishment and protection of forests.

#### **4. Rates of Union contribution**

The IPARD III beneficiary shall set the Union contribution rate which shall not exceed 75% of public expenditure.

However, for the following measures and in the case of investment projects carried out in regions where the Commission determines that exceptional natural disasters have occurred, the Union contribution rate shall not exceed 85% of public expenditure for:

- agri-environment-climate and organic farming,
- establishment and protection of forests,
- technical assistance,
- improvement of skills and competences,
- advisory services.

The Union contribution rate shall not exceed 90% of public expenditure for the "implementation of local development strategies - LEADER approach".

#### **5. Eligibility**

For the different measures the following will be applicable:

##### **Measure 1 - Investments in physical assets of agricultural holdings**

###### ***Recipients***

Recipients under this measure are farmers or groups of farmers, whether natural or legal persons and other agricultural legal entities (micro, small and medium size private agricultural enterprises<sup>5</sup>), producer organisations (e.g., cooperatives, associations) etc.) responsible for carrying-out and financing investments on agricultural holdings (as defined by the national law of the beneficiary country and included in the national farm register).

When the recipient is not the owner of the holding where the investment is carried out, a contract which includes provisions allowing for the structural effects of the project during at least 5 years after its conclusion should be established between the parties concerned.

All recipients must be included in the relevant national (farm/business) register.

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<sup>5</sup> In line with the SME definition as listed in Section 8.1 of the IPARD programme.

###### ***Common eligibility criteria***

###### ***Type of eligible holdings***

Since EU rules do not define specific conditions/restrictions on the size of the holdings eligible (both minimum and maximum size, particularly targeting micro to medium size holdings), the national authorities should identify the appropriate conditions in the programme. These conditions should be in coherence with the national strategy, which should be based on the sector analyses carried-out for the relevant sectors.

###### ***Economic viability of the recipient***

The economic viability of the recipient must be demonstrated by means of a business plan. The business plan includes a brief description of the business, its current assets and liabilities, human resources, a description of the investment proposed, its financing and projections on the future economic operation (incl. marketing).

The criteria to be used by the IPARD Agency to assess the future economic viability of the recipient, such as feasibility analysis, credibility of assumptions and assessment of the financial situation, etc. must be presented in the programme, whereas the detailed formula forms part of the respective manual established by the IPARD Agency.

The IPARD funds granted to the recipient must be taken into account when calculating the economic viability of the recipient.

In case of smaller investments, to be defined in the programme, a simplified form of a business plan can be accepted. The IPARD Agency shall prepare templates for such business plans to be made available to all potential recipients.

###### ***Other eligibility criteria***

- The investment must concern production, storing and processing of agricultural products as listed in Annex I to the Treaty and described in the Section 8.1 of the programme. Concerning production of MAPs, mushrooms, beekeeping, ornamental plants, the country can decide under which measure (1, 3, 7) it can provide support, provided that clear demarcation between the measures is ensured.
- Types of livestock and crops for support shall be clearly identified.

Selection of the eligible sectors to be supported under this measure must be based on a sector analysis. Identification of the type of recipients and specific investments needed/eligible under each sector must follow the same approach and should give priority to developing those weakest links identified in the agricultural production chain by the relevant sector analysis.

- In the case of investments for the purchase of tractors and farm equipment, these investments shall respect the relevant European Union legislation as regards environmental protection<sup>6</sup>, in particular as regards gaseous and particulate pollutant emission limits<sup>7,8</sup>.

- Recipient should follow the general eligibility rules as described in Section 8.1 of the IPARD programme (incl., eligible and non-eligible expenditure).

- Recipients should follow the rules regarding origin as described in Section 8.1 of the IPARD programme.

- Minimum conditions regarding farmer's occupational skills and competences must be defined in the programme (e.g., the recipient should provide a training certificate issued by the relevant vocational training/educational/research institution or public advisory services; prove his/her experience in working in agricultural production, processing or services related to agriculture etc.).

At the latest before the final payment, if relevant, the national veterinary and environmental authorities must assess whether the respective EU and national standards are met. In this case, the authorities should issue a certificate confirming the above. Such a certificate should be submitted to the IPARD Agency before the final payment.

<sup>6</sup> There is a specific section for the automotive industry relating to tractors:

[https://ec.europa.eu/growth/sectors/automotive/legislation/tractors\\_en](https://ec.europa.eu/growth/sectors/automotive/legislation/tractors_en)

<sup>7</sup> Regulation (EU) No 167/2013 of the European Parliament and of the Council on of 5 of February 2013 on the approval and market surveillance of agricultural and forestry vehicles, and Commission delegated regulation (EU) 2018/985 supplementing Regulation (EU) No 167/2013 of the European Parliament and of the Council as regards environmental and propulsion unit performance requirements for agricultural and forestry vehicles and their engines and repealing Commission Delegated Regulation (EU) 2015/96.

<sup>8</sup> In line with DG AGRI guidance of Ares(2019)6933835-08/11/2019.

### ***Non-productive investments***

Certain agri-environment-climate operations and objectives can only be put in place if preceded by non-productive investments. Non-productive investments are investments which do not generate a significant return, income, or revenue, or increase significantly the value of the beneficiary's holding, but have a positive environmental impact.

Support for non-productive investments covers capital works related to the implementation of agri-environment-climate objectives, e.g. for restoration of habitats and landscapes, including setting-up or re-instating the infrastructure needed to allow appropriate management of habitats.

### ***Investments in renewable energy plants***

Under this investment support, the selling of electricity into the grid is allowed as far as the "self-consumption" limit is respected (i.e., electricity sold into the grid equals on average the electricity taken out in the course of the year). This is justified by the fact that, as electricity cannot be stored, it must, unless wasted, be sold into the grid; the electricity grid can be conceived as a storage place for electricity where it is introduced and withdrawn during the year in the similar amount and at a different rhythm.

The concept of "self-consumption" should be checked at the stage at which a project is submitted/assessed. The investment is considered eligible when the (theoretical) power capacity of the renewable energy plant ("the investment") does not exceed 120% of the 3 years-average (self-) consumption of the farm.

In the case of new farms or in the case of farms which have substantially changed the size of their operations in the last three years, the expected consumption should be estimated by the IPARD agency. The same concerns expected power consumption increases due to the new investments to be made as part of the same application by the potential recipient<sup>9</sup>.

<sup>9</sup> In line with DG AGRI guidance of Ares(2018)6385137-12/12/2018.

## **Measure 2 - Setting-up of producer groups**

### ***Recipients***

1. Support shall be granted to producer groups and organisations, which are officially recognised by the country's competent authority, on the basis of a business plan. It shall be limited to producer groups and organisations that are SMEs<sup>10</sup>.
2. The country should define an appropriate legal and organisational form for producer groups, allowing them to acquire rights and assume obligations (e.g. cooperative, limited company, general partnership, SMEs, etc.).
3. Professional and/or inter-professional organisations representing one or more sectors do not qualify as producer groups.

<sup>10</sup> Information about producer groups/organisations can be found on [https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/market-measures/agri-food-supply-chain/producer-and-interbranch-organisations\\_en](https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/market-measures/agri-food-supply-chain/producer-and-interbranch-organisations_en)

### ***Common eligibility criteria***

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Applicants shall comply with the following conditions:

- New producer groups which are set-up for the first time and officially recognized by the competent national authority after 1 January 2021.
- Producer groups should be recognized by the competent authority on the basis of a business plan. The latter has to detail the planned activities of the Group in relation to at least three of the following (with the 3rd bullet point being compulsory):
- Adapting the production and output of the members of producer groups to market requirements.
- Jointly placing goods on the market, including through direct marketing, preparation for sale, centralisation of sale, and supply to bulk buyers.
- Adapting the production and output of producers to meet the relevant EU standards, in compliance with the *acquis communautaire*.
- Establishing common rules on production information, with particular regard to harvesting and availability of the product.
- Ensuring effective standardization in all marketing steps and delivery of products into the food-chain.
- Developing business and marketing skills and organization and facilitation of innovation processes.

The country should specify the minimum requirements concerning the content of the business plan as well as the administrative procedures for its approval and verification. It must verify that the objectives of the business plan have been reached within 5 years after the recognition of the supported producer groups. Implementation of the business plan should be considered as a commitment - in case of partial implementation, proportional reduction of the support should be applied.

Applicants must also comply with the following minimum requirements:

- The group can only have producer members who sign a contract with the producer group about the organisation of production and marketing of produce.
- The countries should define a minimum number of members of the producer groups.
- The countries should define the sectors in which newly established producer groups can be supported.
- The countries should define minimum annual marketable production targets for producer groups (different ceilings may be established in different sectors).
- The producer group should maintain a registry of the members and their economic activities and follow the rules of fair competition.

### **Measure 3 - Investments in physical assets concerning processing and marketing of agricultural and fishery products**

#### ***Recipients***

Recipients are enterprises (as defined by the national law of the beneficiary country) responsible for carrying-out the projects in their establishment(s). An enterprise can consist of one or more establishments as defined in Article 2 of Regulation (EC) 852/2004.

#### ***Collective investments***

Producer organisations (such as cooperatives, associations, etc.) can also apply to receive support for collective investments. The detailed definition of eligible collective investments will be described in the IPARD programmes.

#### ***Common eligibility criteria***

##### ***Types of enterprises and producer organisations supported***

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

In beneficiary countries where the SME definition is not yet in compliance with the EU rules, the national definition should be used which has to be provided in the IPARD programme, as long as it respects the limits set in Commission Recommendation 2003/361/EC.

The investment supported must comply with the relevant EU standards by the end of the realisation of the investment. The selection criteria for this type of investment must ensure that priority is given to applicants aiming at alignment of the entire establishment with all relevant EU standards.

Enterprises not covered by the SME definition, but with fewer than 750 employees or an annual turnover not exceeding EUR 200 million, can also be eligible, however in this case support can only be granted for investments specifically intended to make the entire establishment fully compliant with the relevant EU standards.

The Commission may, on the basis of a duly substantiated request from the beneficiary country, decide that assistance can also be provided to enterprises other than those mentioned above only for investments necessary to meet specific EU standards, which involve particularly costly investments.

Such support may be granted only to enterprises identified in the national plan for upgrading to EU standards for investments specifically intended to make the entire establishment compliant with the relevant EU standards. Such a plan is usually prepared by the countries and

supervised by DG SANTE as part of the accession process. In such cases, the beneficiary country shall submit a specific request to the Commission to consider this type of company as eligible. This can only be done after the national plan for upgrading establishments to EU standards has been drawn up. The national plan is subject to negotiations with DG SANTE (in the framework of the accession negotiations). The beneficiary countries must identify the type of investments necessary to meet the EU standards as well as the type of companies with 750 employees or more and with an annual turnover exceeding EUR 200 million justifying why such companies cannot conduct the investments without IPARD assistance. The national plan for upgrading the processing units must be completed before this provision can be applied.

For investments in renewable energy or the circular economy, the establishments, which already are on the SANTE list of non-EU establishments authorised to export food of animal origin to the EU can apply irrespective of the national plan.

### ***Economic viability of the recipient***

The economic viability of the recipient must be demonstrated by means of a business plan. The business plan includes a brief description of the business, its current assets and liabilities, human resources, a description of the investment proposed, its financing and projections on the future economic operation (incl. marketing).

The criteria to be used by the IPARD Agency to assess the future economic viability of the recipient, such as feasibility analysis, credibility of assumptions and assessment of the financial situation etc must be presented in the programme, whereas the detailed formula forms part of the respective manual established by the IPARD Agency. Countries are recommended to adopt the approach used by the banking sector.

The IPARD funds granted to the recipient must be taken into account when calculating the economic viability of the recipient.

### ***Other eligibility criteria***

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

Processing of tobacco is not eligible under IPARD.

The condition establishing that "investments must contribute to improving the situation of the basic agricultural production sector in question" can be translated into the selection criteria by giving higher priority to projects which have a high proportion of raw materials obtained via contracts established directly with farmers.

The selection of the eligible sectors to be supported under this measure must be based on a sector analysis involving external expertise. Identification of the type of recipients and specific investments needed/eligible under each sector must follow the same approach and should prioritise developing the weakest links identified in the agricultural production chain by relevant sector analysis.

The investment when concluded must respect the relevant EU standards. For large enterprises, the entire establishment must respect the EU standards (see requirements for recipient).

### ***Specific eligibility criteria***

All sectors to be covered by this measure must be subject to a sector analysis. The identification of the type of recipients and investments eligible under each sector must prioritise developing the weakest links of the processing and marketing chain identified by the relevant sector analysis. Sector analyses should also identify opportunities to increase renewable energy production.

## **Measure 4 - Agri-environment-climate and organic farming measure**

### ***Recipients***

The recipients can be farmers, group of farmers, and other land managers (only if latter cooperate with farmers) who, as a general rule, for a period of 5 years (with the possibility of extension corresponding to the remaining length of programming period) undertake commitment(s) within type of operation(s).

As the definition of a "farmer" may differ across various countries, it is left to countries to define a target group in accordance with the national definition of a farmer and describe it in the IPARD programme.

"A group of farmers" means an entity which includes more than one farmer or which combines farmer(s) and other land managers in view of implementing AECM. It corresponds to the concept of "a collective approach". This approach holds several advantages:

- enhancement of the environment's quality at a larger scale (e.g., better connectivity between environmentally important spots through establishing ecological corridors);
- administrative simplification (fewer applications mean less paperwork) and lower administrative implementation costs;
- a stronger sense of joint commitment among group members;
- a basis for allowing higher transaction cost payments than in case of individual recipient.

The methods of operating of such groups will have to be specified in contracts between Managing Authorities and the groups and through internal arrangements between members of the groups (e.g., rules ensuring that each member knows his/her rights and obligations).

"Other land managers" means land managers other than farmers. The most common example of such managers are environmental NGOs,

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environmental associations or municipalities, which manage land valuable for the environment in accordance with the specific needs of such land.

### **Common eligibility criteria**

#### **Type of operation**

On the basis of the chosen objective / combination of objectives, the country should identify the type of operation(s) to be supported and provide a justification with regard to the expected impacts and targets to be achieved.

When defining the type of operation(s), particular attention should be paid to: (1) the specific relevant objectives and needs described in the IPARD programme for the selected areas; (2) particular circumstances and context of agricultural holdings in the selected areas; and (3) the administrative capacity to implement such type of operation(s). Commitments for each type of operation(s) shall be defined clearly and be verifiable (controllable).

A special consideration in designing the type of operation(s) shall be given to the relevant objectives and targets of the Green Agenda for the Western Balkans and the EU Green Deal.

Commitments to be respected by the recipients will be developed for each type of operation(s). Commitments are the specific/detailed obligations on the recipients that have to be clearly described in the IPARD programme. They are the main elements that will determine the nature of the operation, its ambition above the baseline and its potential to achieve the set targets and objectives and will influence the premiums' level.

Countries will have to ensure that the commitments are clear in terms of objectives and content, have potential to provide the environmental benefits, and are verifiable and controllable. It is necessary to present a clear link between the baseline (relevant national standard/standards) and commitments for each supported type of operation, for example in a format of a table.

If the country decides to develop more than one type of operation within the measure, it is important to mention that various types of operation(s) may be combined by the recipient, provided that they are complementary and compatible. Possibilities of such combination shall be described in the programme. However, it is important to note that some combinations might not be possible and, in any case, that double financing resulting from partial overlaps between the commitments must be excluded.

#### **Baseline**

- Eligible for this measure will be the recipients who will voluntarily undertake for the period of 5 years the type of operation(s), which go beyond relevant mandatory EU standards and conditions (baseline). The recipients will have to respect the relevant mandatory standards and conditions on the entire holding.

- Description of the relevant mandatory standards and conditions will have to be presented in the IPARD programme. A table format is a good and clear way of illustrating the relation (and correspondence) between agri-environment-climate commitments and the relevant elements of the baseline and of normal agricultural production methods.

The concept of relevant mandatory EU standards and conditions should be understood in the light of the EU framework for cross-compliance (including good agricultural and environmental conditions - GAEC) as provided for in Annex II of Regulation (EU) 1306/2013<sup>11</sup>. The exact content of the baseline should be based on national rules, which are equivalent to the above-mentioned relevant mandatory EU standards and conditions relating to soil, water, biodiversity and landscape management. The baseline shall also include relevant minimum requirements for fertilisers and plant protection products (as defined in point 8(9) of Annex I of Regulation (EU) 808/2014<sup>12</sup>), and any other national standards relevant to the measure established by the national legislation as well as normal agricultural production methods.

The beneficiary countries should avoid defining type of operation(s) for which relevant national rules equivalent to the relevant mandatory EU standards and conditions are missing. In case such type of operation(s) is proposed, the EU standards and conditions will be used in view of setting the relevant baseline.

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<sup>11</sup> Regulation (EU) No 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy.

<sup>12</sup> Implementing Regulation (EU) No 808/2014 laying down rules for the application of Regulation (EU) No 1305/2013.

#### **Relevant knowledge**

Based on the experience with implementing this measure in the EU Member States, it can be asserted that the provision of guidance, advice and training specific to the measure's content has shown the improved delivery of the measure's results and the reduced number of errors in its implementation.

In order to ensure that the implementation of this measure is as effective as possible, the country should guarantee that each recipient before undertaking any type of operation(s) will possess relevant knowledge and be provided with necessary information.

#### **Specific eligibility criteria**

The country should establish a minimum size of agricultural land that can be declared under any type of operation, and a minimum size of a herd of endangered animal breeds.

This measure is to be implemented on agricultural land. The notion of "agricultural land" gives certain discretion for the beneficiary countries to define it while requiring such land to have a link to agriculture. For example, it could include "potential" agricultural land, such as abandoned land. This flexibility will make it possible to implement the type of operations on land, which is valuable for the environment.



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While the ownership status of the land does not have impact on its eligibility for the support under this measure, in case of rented (leased) land, it should be ensured that it is rented for the period covering at least the period of the commitment.

NB. In case of organic farming operations, they are to be implemented on Utilised Agricultural Area (UAA).

In case of support for the endangered animals, the minimum size of a herd must be established in an agreement with the relevant institution in the country, based on the scientific evidence in this respect.

"Endangered breed" means a local breed, recognised to be endangered, genetically adapted to one or more traditional production systems or environments in the country and where the endangered status is scientifically established by a body possessing the necessary skills and knowledge in the area of endangered breeds.

The list of the supported, eligible endangered breeds and species must be included in the IPARD programme.

## **Measure 5 - Implementation of local development strategies - LEADER approach**

### ***Recipients***

Local Action Groups selected and contracted by the IPARD Agency.

### ***LEADER implementation under IPARD***

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

- Area-based local development strategies intended for well-identified sub-regional rural territories.
- Local public-private partnerships (Local Action Groups).
- Bottom-up approach with a decision-making power for local action groups concerning the elaboration and implementation of local development strategies.
- Multi-sectoral design and implementation of the strategy based on the interaction between actors and projects of different sectors of the local economy.
- Networking of local partnerships.
- Implementation of innovative approaches.

Local Action Groups (LAGs) implement a Local Development Strategy (LDS), which can contain one or more of the following six priority themes:

- Rural economy: development of short supply chains and added value products, including quality products, crafts and other activities, for diversification of rural economy.
- Rural tourism: development of rural tourism products based on the use of local, natural, and cultural resources.
- Community: boosting the cultural and social life of the community and supporting collective local organisations, associations and NGOs.
- Public spaces: improvement of public space in villages.
- Environment: improvement of environmental standards in LAG's areas and promotion of renewable energy use by the local community.
- Networking: networking of LAGs, best practice exchange, dissemination of IPARD programme and learning new approaches to rural development.

The implementation of the Local Development Strategy covers: animation and capacity building activities, small projects and running costs for the LAG. The activities must be linked with the selected priority themes outlined above.

Local Action Groups shall satisfy the following conditions:

- Must propose an integrated local development strategy based on the LEADER characteristics as defined under 6 (a) to (f).
- They must consist of a group representing partners from the various locally based socio-economic sectors in the territory concerned. The gender equality should be ensured by women's participation at a decision-making level. A minimum number of women and young people will be established in the programme.
- They must show an ability to define and implement a Local Development Strategy (LDS) for the area.
- Local Action Group must have a legal form (e.g., association, foundation, etc.).
- Ability to administer public funds: The IPARD Managing Authority must ensure that the LAGs select an administrative and financial lead actor able to administer public funds and ensure the satisfactory operation of the partnership. Certain functions, if cannot be provided by a LAG member, such as accounting, can be outsourced.

Requirements for the LAG area covered by the Local Development Strategy (LDS):

- The LAG area shall be coherent and offer sufficient critical mass in terms of human, financial and economic resources to support a viable

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development strategy.

- The population of each area must be, as a general rule, greater than 10 000 inhabitants and not exceed 150 000 inhabitants, including settlements with a population of less than 25 000. Deviation from this general rule would be possible in properly justified cases.
- The same location must not belong to more than one LAG, meaning one partnership, one strategy, one territory.
- Beneficiary countries may opt to cover either their whole territory or part of it by adapting accordingly the criteria for selecting the Local Action Groups and the areas they represent.

Minimum content of the Local Development Strategy (LDS):

- Definition of the area and population covered by the LDS, incl. coherence and sufficient critical mass in terms of human, financial and economic resources.
- Analysis of the development needs and potential of the area, including an analysis of strengths, weaknesses, opportunities and threats (SWOT) - LAGs should take into consideration not only statistics, but also views of local actors.
- Description of the strategy and its objectives - LAGs define the vision and objectives in line with the IPARD priority themes.
- Description of the process of community involvement in the strategy preparation, the partnership structure and the internal decision-making rules.
- Action plan - the "heart" of the LDS. All proposed activities are linked to the selected priority themes. The Action Plan sets out the minimum (binding) level of activities (minimum level of targets). The Action Plan is later translated into more detailed Annual Plans.
- Financial plan with an indicative budget for the period of LDS duration broken down into: LAG's running costs, animation / capacity building, small projects.

Detailed requirements for the Local Development Strategy will be provided in the guidelines by the IPARD Managing Authority.

## **Measure 6 - Investments in rural public infrastructure**

### ***Recipients***

Recipients under this measure are public administrative entities in rural areas.

### ***Common eligibility criteria***

- The project must concern infrastructure needed for the development of rural areas including community roads, local access to roads of particular importance for the local economic development, access to farm and forestland, energy supply, waste and water management, local access to information and communication technology points, etc.
- All projects must be procured in accordance with the rules for external aid of the Commission contained in the Financial Regulation. For this purpose, the application of PRAG could be adapted to the specificities of the beneficiary country. However, public procurement may be done on behalf of the recipient by a centralized competent public authority.
- The recipient must provide/ensure the maintenance of the project for at least five years after the final payment of the project. However, maintenance costs are not eligible for EU-co-financing.
- Each project must comply with the relevant national legal requirements and the relevant Union standards in force, before final payment of the investment by the IPARD Agency.

### ***Specific eligibility criteria***

To be defined by the beneficiary country, if any.

## **Measure 7 - Farm diversification and business development**

### ***Recipients***

Recipients for this measure are farmers and farm household members, natural persons in rural areas, producer organisations (such as cooperatives, associations, etc.) and micro and small-sized enterprises in rural areas.

### ***Common eligibility criteria***

Type of farmers, enterprises and producer organisations to be supported

Recipients under this measure are:

- Farms and / or their household members, diversifying on or off farm activities, may be eligible recipients regardless of whether they are located in urban or rural area.
- Legal persons or natural persons, running an economic activity and living in a rural area, which could be proven, for example, by their household registration. They can work as self-employed (e.g., in the case of crafts).
- Producer organisations (such as farmers' cooperatives, associations etc.) regardless of whether these are located in urban or rural areas.

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- Micro and small enterprises established or located in rural areas, including craft enterprises, which have the potential to carry out the project as well as any type of legal person living in a rural area. Legal entities established outside of rural areas, can be also eligible if the supported investments/activities are located in rural areas. In the case of legal entities, verification of linked and partner enterprises should be carried out to confirm the size of the enterprise.

### ***Economic viability of the recipient***

The economic viability of the recipient must be demonstrated by means of a business plan. The business plan includes a brief description of the business, its current assets and liabilities, human resources, a description of the investment proposed, its financing and projections on the future economic operation (incl. marketing).

The criteria to be used by the IPARD Agency to assess the future economic viability of the recipient such as feasibility analysis, credibility of assumptions and assessment of the financial situation, etc., must be presented in the programme, whereas the detailed formula forms part of the respective manual established by the IPARD Agency.

The IPARD funds granted to the recipient must be taken into account when calculating the economic viability of the recipient.

In case of smaller investments to be defined in the programme, a simplified form of a business plan can be accepted. The IPARD Agency shall prepare templates for such business plans to be made available to all potential final beneficiaries.

### ***Other eligibility criteria***

Occupational skills - the applicant must comply with national legislation in particular sectors.

### ***Specific eligibility criteria***

Specific eligibility criteria per sector should be provided by a country and agreed with the Commission, to target specific recipients, e.g., number of places / persons within a rural tourism sector, restriction with regard to the size of farms and enterprises or a list of selected traditional crafts. The projects under this measure should be in general of a small scale.

A country should provide a clear demarcation, based for instance on selected sectors, between investments under this measure and measures "Investments in physical assets of agricultural holdings" and "Investments in physical assets concerning processing and marketing of agricultural and fishery products".

Within the rural tourism sector, investments should be limited to relatively small-scale tourism infrastructure. In general terms, maximum occupancy should not exceed 30 places / persons.

## **Measure 8 - Improvement of skills and competences**

### ***Recipients***

- Recipients of funds for support under this measure are the entities or bodies that will provide eligible activities for the benefit of persons engaged in the agricultural, food and forestry sectors, land managers, economic actors/SMEs operating in rural areas.

- The training providers can be private or public, NGOs, either local or from the EU countries or from the EU candidate countries.

- Bodies organizing farm and forest exchanges and visits are also eligible recipients.

- For the selection of recipients, the country can choose between various procedures, e.g., calls for applications and public procurement. The process should be organised by maintaining equal treatment, transparency and impartiality.

### ***Participants***

Participants in the activities provided under this measure should be persons engaged in the agricultural, food, and forestry sectors and other economic actors operating in areas covered by the IPARD programme.

Support under this measure cannot be paid directly to the participants. Costs incurred by the participants who take part in the activities should be reimbursed by the relevant service provider (the recipient).

There is no limit on the size of the farm, food and forestry holding which can take part in the activities promoted under this measure. However, there is a limitation on SMEs operating in rural areas, which have to comply with the relevant SME definition applied in the country.

Neither unemployed people nor municipalities are eligible as recipients or participants under the measure. For unemployed and municipalities, specifically targeted support will be available under IPA and EaSI (EU Programme for Employment and Social Innovation)/ESF+. Therefore, in order to ensure a clear demarcation, unemployed persons are excluded as participants.

### ***Common eligibility criteria***

The beneficiary country shall elaborate a **training strategy** for the implementation of the operations for improvement of the occupational skills and competences of the persons engaged in the agricultural, food, and forestry sectors and other economic actors operating in the fields covered by the IPARD programme. The training strategy should be approved by the IPARD monitoring committee.

The training strategy shall include an assessment of the existing training structures, an analysis of the needs and objectives. It shall also establish a set of criteria for the selection of service providers and a curriculum of possible activities to improve the skills and competences of participants. A brief description of the training strategy shall be included in the IPARD programme. The programme should identify the

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type of activities to be carried out as well as the target audience of each one.

In order to provide appropriate activities, which actually match the needs of the target groups in the programming area, a regular update of the strategy should be carried out. The activities should respond to the demands of the rural actors rather than being driven by the recipients/service providers. As the needs of rural actors evolve over time, the strategy should be updated in order to respond timely and accurately to the actual needs.

#### ***Specific eligibility criteria***

The IPARD Managing Authority should specify in the IPARD programme as well as in the guidance for applicants the definition of appropriate capacities of bodies providing knowledge transfer and demonstration activities, in order to be eligible under the measure. Recipients should be capable and responsible for the delivery of eligible activities under the measure.

- The recipient should provide evidence of the qualifications of their staff and technical capacity in the provision of respective eligible activities.
- The respective eligible activity shall emphasize transfer of specific skills and competences identified in the training strategy of the respective country.
- The eligible activity should be in compliance with the measures' specific objectives and training areas.
- Each eligible activity should only be organised for a minimum number of participants to be determined by the recipient country.

Specific eligibility criteria shall be met at the moment of submitting the project application.

### **Measure 9 - Technical assistance**

#### ***Recipients***

The recipient under this measure is the IPARD Managing Authority. Other IPARD III entities and related bodies (IPARD Managing Authority/IPARD Agency, management structure, advisory services, technical bodies, potential local action groups (LAG's) and national rural (development) networks) can benefit from the Technical Assistance activities via the IPARD Managing Authority.

#### ***Common eligibility criteria***

Eligible expenditure is based on real costs, which are linked to the implementation of the co-financed operation and must relate to payments effected by the recipient, supported by receipted invoices or accounting documents of equivalent probative value<sup>13</sup>. Simplified cost options can also be used as an alternative for real costs.

All projects must be procured in accordance with the rules for external aid of the Commission contained in the Financial Regulation. For this purpose, the application of PRAG could be adapted to the specificities of the beneficiary country. However, public procurement may be done on behalf of the recipient by a centralized independent competent public authority. The implementation of the Technical Assistance actions shall be compliant with public procurement.

Eligible expenditure shall be reported in the context of the annual implementation report. The expenditure may also be based on flat rate amounts (such as per diem), in accordance with the terms and rates applied in the public sector of the beneficiary country concerned for similar actions where no EU co-financing is involved. All expenditure as regards experts and other participants will be limited to those travelling from EU Member States to IPARD beneficiary countries or vice versa or within the beneficiary countries.

For this measure, actions financed or foreseen to be financed as part of twinning covenants or other projects supported under other IPA components will not be eligible.

Technical assistance to support the setting-up of management and control systems is eligible prior to the entrustment of budget implementation tasks for new measures, for expenditure incurred after 1 January 2021.

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<sup>13</sup> "accounting document of equivalent probative value" means any document submitted to prove that the book entry gives a true and fair view of the actual transaction in accordance with current accountancy law.

### **Measure 10 - Advisory services**

#### ***Recipients***

The authorities or body, which will provide advice, shall be the recipient of support (in terms of the reception of funds).

The authorities or bodies providing advice are public advisory services, and complementarily: sector organisations (such as agricultural chambers), development agencies, NGOs, municipal councils, etc. While private firms and consultants are not eligible, the private extension services sub-contracted by the Ministry as a part of national advisory system can be eligible.

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

#### ***Common eligibility criteria***

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

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The recipient shall demonstrate the evidence of the above for the authorities or bodies providing advice.

Candidates with conflict of interest shall be excluded from the selection procedure. An example of conflict of interests happens when one of the selected bodies has taken part in the definition of the terms of reference.

### **Specific eligibility criteria (per sector)**

Measures, types of sectors / project size, for which advisory services for IPARD project and payment claim preparation will be provided, should be defined in the programme. Typically, the advisory services provided under this measure will cover smaller projects to encourage smaller farms and microenterprises with limited financial capacities to use IPARD programme. Bigger projects will be financed under general costs (project preparation costs) in each measure.

Advisory services to farmers or micro-enterprises can cover economic, agricultural and environmental performance of the agricultural holdings, forest holdings or micro-enterprises. Particular attention shall be given to climate change (incl. use of renewable energy, energy efficiency), environment (incl. waste management), sustainability (incl. circular economy, bio-economy), biodiversity, compliance with the EU environmental, hygiene and animal welfare standards, producer organisations and technical innovation and digitalisation aspects of farms, and micro enterprises.

A minimum number of participants of group advisory session shall be fixed in the programme. A cycle of several group advisory sessions should be encouraged for a maximum effect. Clear demarcation line between group advisory and training activities supported in "Improvement of skills and competences" measure shall be set-up in each programme. Group advisory will prioritise sectors supported in the IPARD programme and the participation of young farmers and producer organisations (e.g., on joint use of production infrastructure, processing, quality products and short value chains).

Farm advisory service is an entity or body intended to provide advice to farmers, forest holders and micro-enterprises operating in rural areas. It is important to distinguish as clearly as possible between advice and the mere provision of information to farmers. It should be noted that farm advisory services should assess the specific situation of the farmer and not only present general information. It is also important to avoid double funding of general costs (project preparation costs) in the respective measures.

## **Measure 11 - Establishment and protection of forests**

### **Recipients**

Private and public land holders and their associations may be recipients under this measure.

### **Common eligibility criteria**

The supported projects must be in compliance with the National Forest Programmes/ Strategies or equivalent instruments and, if applicable, with the national afforestation programme or guidance document, climate change adaptation or mitigation plan, biodiversity, or equivalent, strategy.

A common definition for "forest" should be included in the IPARD programme by the beneficiary country. The following definition is applied in the EU: *"forest" means an area of land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10 percent, or trees able to reach these thresholds in situ. It does not include land that is predominantly under agricultural or urban land use. A beneficiary country may choose to apply another forest definition based on existing national legislation or inventory system.*

The beneficiary country shall provide the definition in the rural development programme.

In case forestry operations take place also in "other wooded areas", a definition of such areas should be also included in the IPARD programme accordingly. It is recommended to use the same definition for "other wooded" areas, as used in the EU: *"Wooded areas" means land not classified as 'forest', spanning more than 0,5 hectare, with trees higher than 5 metres and a canopy cover of 5-10 percent, or trees able to reach those thresholds in situ, or with a combined cover of shrubs, bushes and trees above 10 percent. The term does not include land that is predominantly under agricultural or urban use.*

### **Specific eligibility criteria**

#### **Afforestation, agroforestry, restoration of forest after fire**

- The short rotation coppice (SRC)<sup>14</sup> and Christmas trees are excluded from assistance.
- Both agricultural and non-agricultural land shall be eligible.
- Tree planting should be adapted to local conditions, compatible with the environment and enhance biodiversity. The selection of species, varieties, ecotypes and provenances, and of trees shall take account of the need for resilience to climate change and to natural disasters, as well as of the potential invasive character of the species as defined by the Beneficiary country under local conditions of the area concerned. Eligibility of perennial woody species is to be defined by the beneficiary country in the programme based on soil, climate and environmental conditions. Same species could fall under different categories (fast growing species, forest) depending on the "rotation-harvesting" period.
- No new forests can be established in protected natural areas, except for when the increase of forest cover is among the desired interventions provided for in management plans or equivalent instruments set for managing such natural areas.
- The recipient shall be obliged to obtain an afforestation permit issued to his/her name and approved by the forestry authority (the approving resolution of the afforestation plan). The permit shall be based on afforestation plan, to be made in accordance with the Country's forestry legislation by, e.g., professional forester, considering the site conditions and ecological features. The relevant authorities

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(authority of nature protection, defence, water protection) take part in the approval procedure.

- Support is possible if additional planting is necessary in the case of self-seeded/spontaneous afforested areas (e.g., on abandoned farmland where the woody vegetation started to appear); in this case, the establishment costs only for the area under additional plantation are eligible. Concerning maintenance costs (including, e.g. enclosures, etc.) - the entire "afforested" area (both of natural and artificial origin) can be covered (as the entire area should be treated by early and late cleaning according to the needs of the type of the young forest stand), if maintenance activities are regularly carried out.

- The support will not exclude the use of wood or non-wood materials or of other forest goods and services for economic reasons (such as inoculation of truffles, sustainable harvesting, thinning with the materials being sold for energy during the maintenance period, etc.) as long as this use does not harm the environmental or protective functions. In such cases this should be taken into account when calculating the support level.

- In areas where planting of trees is made difficult by severe pedo-climatic conditions (scarce availability of water, poor soils etc.) support may be provided for planting perennial other woody species, such as shrubs or bushes, suitable to the local conditions.

- For agroforestry, the recommended ratio of woodland/trees and agricultural land in place is to be defined by the beneficiary country taking account of local pedo-climatic conditions, forestry species (applicable tree and shrub species) and the need to ensure the agricultural use of the land. As a recommendation, more than one forest tree species, particularly of multipurpose trees (both fruit and timber) should be planted in the same agroforestry system, thus contributing to wider biodiversity. Beneficiary country shall define the maximum and minimum number of trees at the maturity. This number should reflect the dual use of land. The number of trees planted should ensure the sustainable and dual use of land.

- In order to restore the damage, a formal recognition by public authorities acknowledging officially an occurrence of natural disaster is necessary. The beneficiary country/region should provide a reference in the Rural Development Programme to the method of assessment of such damage.

- The beneficiary countries have to ensure that restoring of forest after fire measures are consistent with the respective national forest protection plans.

<sup>14</sup> "Short rotation coppice" means areas planted with tree species of CN code 06 02 9041 to be defined by the Beneficiary country that consist of woody, perennial crops, the rootstock or stools of which remain in the ground after harvesting, with new shoots emerging in the following season and with a maximum harvest cycle to be determined by the Beneficiary country, as established in the Article 4(1)(k) in the Regulation (EU) No 1307/2013.

#### ***Prevention of damage to forests from forest fires***

- Costs for establishment of fire prevention infrastructure, including surveillance, monitoring and communication systems, can be covered.

- No support shall be granted for agriculture-related activities in areas covered by agri-environment commitments.

- For holdings above a certain size to be determined in the programme, support shall be conditional on the submission of relevant information from a forest management plan or equivalent instrument in line with sustainable management of forests as understood by the Helsinki H1 Resolution adopted at the Ministerial Conference on the Protection of Forests in Europe of 1993 (hereinafter "sustainable forest management"<sup>15</sup>).

- Preventive actions against fire should take place in areas classified by the beneficiary country as medium or high fire risk. All preventive actions should be part of forest protection plan.

- The necessary preventive actions have to be targeted according to the objectives of a public programme (national forest programme/strategy, forest protection programme and plan, climate change adaptation strategy, watershed management programme, desertification strategy, etc.).

- The beneficiary countries have to ensure that the forest fire prevention measures considered above are consistent with the respective national forest protection plans.

- As regards the creation of forest firebreaks, cleared areas, eligible costs may comprise, beyond the cost of establishment, subsequent maintenance costs of the area concerned. However, this support shall not be granted for agriculture-related activities in areas covered by agri-environmental commitments.

- Only material related to prevention of occurrence of damage should be covered under this measure.

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<sup>15</sup> [https://www.foresteurope.org/docs/MC/MC\\_helsinki\\_resolutionH1.pdf](https://www.foresteurope.org/docs/MC/MC_helsinki_resolutionH1.pdf)

#### ***Improving the resilience and environmental value of forest ecosystems***

- For holdings above a certain size set by the Beneficiary country in the programme, investments shall be based on forest management plans or equivalent instrument.

- All investments should be in line with the relevant and appropriate level plans and strategies, such as biodiversity strategy, climate change adaptation plan/strategy, forest and soil protection plans, watershed/water quality management/protection plans, public health related plans or programmes (concerning public amenity - recreation aspects), landscape management plans (concerning complex, district level plans and programmes in which ecosystem services provided by forests need to be supported by appropriate type and level of

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investments in forest areas).

- Simplified cost options (SCO) could be applied for those appropriate cases when the relevant verifiability and controllability rules are fulfilled, for example, in case of thinning and pruning.

## **Measure 12 - Financial instruments**

### ***Recipients***

The financial instrument could provide support to farmers, micro, small and medium-sized enterprises, producer organisations, public-private partnerships, etc. The support from the FI has to be given to the same group of recipients targeted by the grant operations and allowed by the IPARD programme.

Applicants for support from the financial instrument should be registered in the farm register or be recognised as a producer group/organisation in accordance with national law.

Support to agricultural holdings/enterprises may target any objectives of the IPARD programme. This could be new business creation, business development and expansion or, in case of serious disturbances in the economy, also general business activities, which are potentially economically viable, including strengthening, development and expansion of existing business activity.

It may also be a specific group of potential IPARD recipients, such as young farmers, women, farmers from mountainous deprived areas. Individuals who are going to establish an agricultural holding/enterprise may also be eligible to obtain a loan supported by the financial instrument.

### ***Common eligibility criteria***

Investments planned by an applicant (recipient) to be supported by a financial instrument have to contribute to improving the results of the agricultural activity and have to be financially viable. This has to be shown in the business plan of the applicant (recipient), which will be a subject to banks' assessment. The investment needs to generate income or save costs, so that the recipient (the farmer) would be able to re-pay it. The banks shall assess individual projects by looking at the general viability of the farm.

No support for working capital (stand-alone or linked to the investment) is to be provided through the financial instrument. Such costs should be financed separately from the FI support.

### ***Specific eligibility criteria***

The specific eligibility conditions of the operations under which the FI is set-up, have to be respected. The national authority may define for the FI broader specific eligibility conditions compared to those for grants, or narrower, depending on its strategic objectives under the FI.

## **Measure 13 - Promotion of cooperation for innovation and knowledge transfer**

### ***Recipients***

The IP Operational Groups comprising at least three actors from different groups, for example, farmers, advisors, researchers, NGOs, forest owners and agri-businesses and operating in agriculture, forestry, aquaculture or food processing.

For sound financial purposes, IP Operational Group either has to register as a legal entity - the form would depend on the national legislation concerned - or have a documented rule attributing liability among the members of the operational group. It is up to the country to select the most appropriate legal form for the IP Ops, in line with the national legislation.

The entities could use an innovation support service / innovation broker<sup>16</sup> to help establish the IP Operational Group. If the country is concerned that too few individuals / entities will take the initiative in coming forward to set-up the IP Operational Groups, a IPARD Managing Authority could contract innovation brokers directly to go out and look for potential members of an Operational Group and help them to form it. In this case, the costs are covered by Technical Assistance (if brokered by NRN) or Advisory services (if brokered by national Advisory service) measures.

While the measure particularly targets formation of new IP Operational Groups, already established IP Operational Groups are also eligible for support if fulfilling conditions set under the measure.

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<sup>16</sup> It can also be a regional organisation or an innovation agency (currently operating in Serbia, North Macedonia, Montenegro and Türkiye).

### ***Eligibility criteria***

Successful IP Operational Group must submit a plan identifying, amongst other things:

- a lead-entity within the IP Operational Group, which will have the responsibility for administration of payments;
- division of responsibilities among the IP Operational Group's partners and identification of ownership of any investment or assets that may exist once the project is finalised;
- internal procedures ensuring that their operation and decision-making is transparent;
- description of the innovative practice, method, process or product to be developed, adapted or tested (including objectives, results, financing plan, timetable, distribution of responsibilities among partners) in agriculture, forestry, aquaculture or food processing. It's link to at least one priority of the IPARD programme and an IPARD measure where the project result/s could be introduced/applied shall be

demonstrated;

- the anticipated results, together with details on how the project is expected to contribute towards enhancing productivity and sustainable resource efficiency;

- details on how the results of the project will be disseminated.

The IP Operational Group must provide a proof on being pre-selected in the first stage by the selection committee.

Support should not be granted to set-up or operate an IP Operational Group, which "discuss" particular issues with no specific outcome/project/testing in mind. In order to receive support, discussion must be accompanied by specific planned action with specific planned outcomes.

Specific eligibility criteria

Additional eligibility criteria can be identified by each beneficiary country based on the context of the Strategy and SWOT Analysis provided in the IPARD programme.

For example, it can be related to specific sector/s or sustainable resource management; preservation of the environment; climate change adaptation; strengthening exchange of knowledge and technology between farmers, research, business services and advisory services; facilitating the dissemination and application of results and innovative approaches on the ground.

### Measure fiches

The IPARD III beneficiary shall follow the measure fiches provided by the Commission.

## Annex 5. FORM D 1 - DECLARATION OF EXPENDITURE AND REVENUE

Measure	Payments		Recoveries/corrections		Requested to IPARD III	Acceptance of accounts amounts		Transitory reductions		Payment calculated
	Public. exp.	IPARD III	Public. exp.	IPARD III		Reusable	Non reusable	Excess Fin Plan	Information request	
	1	2	3	4	5	6	7	8	9	10
	<i>to be filled in by Serbia</i>	<i>automatically calculated by the Commission</i>	<i>to be filled in by Serbia</i>		<i>automatically calculated by the Commission</i>	<i>to be filled in by the Commission</i>				<i>automatically calculated by the Commission</i>
Investments in physical assets of agricultural holdings										
Support for the setting up of producer groups										
Investments in physical assets concerning processing and marketing of agricultural and fishery products										
Agri-environment-climate and organic farming measure										
Implementation of local development strategies - LEADER approach										



Investments in rural public infrastructure										
Farm diversification and business development										
Improvement of skills and competences										
Technical assistance										
Advisory services										
Establishment and protection of forests										
Financial instruments										
Promotion of cooperation for innovation and knowledge transfer										
<b>Total</b>										

## Annex 6.

### FORM D 2 - ANNUAL DECLARATION OF ACCOUNTS FOR FINANCIAL YEAR (.....)

(to be sent together with the documents referred to in Articles 47 and 48 to the Commission)

**IPARD III programme:** .....

**Commission Decision(s) No** ..... **of** .....

**(as last modified by Decision No** ..... **of** .....)

**Commission reference number (CCI):** 2021RS06IPRD001

The undersigned, ....., as the National Authorising Officer representing Serbia as provided for in the Agreements concluded between Serbia and the Commission, hereby declares that the total eligible expenditure in accordance with the programme incurred from (1/1/year ..... to 31/12/year ..... ) amounts to ..... euros.

Details relating to this expenditure are set out in the table annexed hereto and form an integral part of this declaration.

I also declare that the measures are progressing at a satisfactory rate in accordance with the objectives laid down in the programme, and that the supporting documents are, and will remain, available as provided for in Article 46 of the sectoral agreement.

I declare that:

1. The listing of expenditure is exact. It is based on accounts at the level of individual operations and supported by documentary evidence.
2. Payments to the recipients were made without any specific charge, deduction or withholding of any amount which might reduce the amount of financial assistance to which they are entitled.
3. I have checked that the expenditure declared eligible has been carried out in compliance with the IPARD III programme, the financing agreement, the Commission Decision(s) referred to in Articles 50 and 51 of the sectoral agreement and the principles of sound financial management.
4. The declaration includes all debts which have been registered for less than two years. The total amount of these debts at the end of the year to which this declaration refers amounts to ..... euros.
5. The volume of Union funds in the IPARD euro account as at the end of the year to which this declaration refers amounts to ..... euros, out of which the interest accrued during the years amounts to ..... euros.
6. Conversions between national currency and euro have been carried out in conformity with the provision of Article 44 of the sectoral agreement.

7. The acceptance information, as referred to in Article 48 of the sectoral agreement, has been certified and transmitted to the Commission on time.

8. The form and the content of the annual accounts, as referred to in Article 47 of the sectoral agreement, and the accounting information, as referred to in Article 49 of the sectoral agreement, have been established in accordance with internationally accepted accounting principles.

9. The supporting documents are, and will remain, available as provided for in Article 48 of the sectoral agreement. They are open to verification.

This declaration of accounts contains ..... numbered pages.

This declaration has been made by: .....

(Date, stamp and signature of the Head of the Accounting Body)

The declaration has been established on the basis of financial amounts provided by: .....

(Date(s), stamp(s) and signature(s) of the Accountant of the IPARD Agency and/or the Accounting Body)

Certified by: .....

(Date, stamp and signature of the National Authorising Officer on behalf of Serbia)

Done at ....., (date) .....

#### FORM D 2 - ANNUAL DECLARATION OF ACCOUNTS FOR FINANCIAL YEAR (YEAR)

IPARD III programme: .....

CCI Number: 2021RS06IPRD001

Measure	European Union part that has been declared to the Commission in quarterly payment applications for the financial year (YEAR) in EUR
	<i>to be filled in by Serbia</i>
Investments in physical assets of agricultural holdings	
Support for the setting up of producer groups	
Investments in physical assets concerning processing and marketing of agricultural and fishery products	
Agri-environment-climate and organic farming measure	
Implementation of local development strategies - LEADER approach	
Investments in rural public infrastructure	
Farm diversification and business development	
Improvement of skills and competences	
Technical assistance	
Advisory services	
Establishment and protection of forests	
Financial Instruments	
Promotion of cooperation for innovation and knowledge transfer	
<b>Total</b>	
Total amount of outstanding debt at 31.12. (YEAR)	
Closing balance of the IPARD Euro-account at 31.12. (YEAR)	
Out of which interest accrued during the year	

#### Annex 7. PAYMENT FORECASTS

**FORECASTS OF THE AMOUNT TO BE PAID BY IPARD III TO BE SUBMITTED NOT LATER THAN 15 JANUARY AND 15 JULY**

Estimate of the amounts in euro to be paid by IPARD III in year ,N' for:				
	1QN	2QN	3QN	4QN
Programme	January - March	April - June	July - September	October - December
		(1)(2)		
Estimate of the amounts in euro to be paid by IPARD III in year ,N+1' for:				
	1QN+1	2QN+1	3QN+1	4QN+1
Programme	January - March	April - June	July - September	October - December

(1) In the submission of 15 July, the 1QN should be 'empty' as the declaration has been prior submitted and the payment has been executed.

(2) In the submission of 15 July, the 2QN amount should be identical to the one to be submitted as payment declaration request by end of July of the year N.

**Annex 8.****INFORMATION AND COMMUNICATION ON SUPPORT FROM THE IPA III ASSISTANCE****1. LIST OF OPERATIONS**

The list of operations referred to in Article 31(3) shall contain the following data fields:

- recipient name<sup>17</sup>,
- address of the recipient if legal entity (for natural persons only the NUTS 2 area),
- operation name,
- operation summary,
- operation start date,
- operation end date (expected date for physical completion or full implementation of the operation),
- the amount awarded (= total (public) eligible expenditure) allocated to the operation,
- Union co-financing rate, operation postcode; or other appropriate location indicator,
- country,
- measure and sector of the operation,
- date of last update of the list of operations.

The headings of the data fields shall be provided in English.

<sup>17</sup>The names of natural persons shall be replaced by "natural person" two years after the end of the financial year in which the funds were awarded. The same shall apply to personal data referring to legal persons for whom the official title identifies one or more natural persons. Publication of names of natural persons shall be waived if such publication risks violating their fundamental rights or damaging their commercial interests.

**2. INFORMATION AND COMMUNICATION MEASURES FOR THE PUBLIC**

Serbia, the IPARD Managing Authority/IPARD Agency and the recipients shall take the steps necessary to provide information to, and communicate with, the public on operations supported by an IPARD III programme.

**2.1. Responsibilities of Serbia and the IPARD Managing Authority/IPARD Agency**

1. Serbia and the IPARD Managing Authority/IPARD Agency shall ensure that the information and communication measures are implemented in accordance with the plan of visibility and communication activities and that those measures aim for the widest possible media coverage using various forms and methods of communication at the appropriate level.

2. Serbia or the IPARD Managing Authority/IPARD Agency shall be responsible for at least the following information and communication measures:

- a. organising a major information activity publicising the launch of the programme or programmes, even prior to the approval of the relevant plan of visibility and communication activities;
- b. organising one major information activity a year which promotes the funding opportunities and the strategies pursued and presents the

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achievements of the programme or programmes, including project examples;

c. displaying the Union emblem, in accordance with the rules on EU visual identity, at the premises of each entity of the IPARD Managing Authority/IPARD Agency;

d. displaying the IPARD visual element, at the premises of each entity of the IPARD Managing Authority/IPARD Agency;

e. publishing electronically the list of operations in accordance with Section 1 of this Annex;

f. giving examples of operations, by programme, on the single website or on the programme's website that is accessible through the single website portal; the short description of the operations' examples, including their aims and results, should be in English and in the national language of Serbia concerned;

g. updating information about the programme's implementation, including, when appropriate, its main achievements, on the single website or on the programme's website that is accessible through the single website portal.

3. The IPARD Managing Authority/IPARD Agency shall involve relevant stakeholders in information and communication measures. These bodies shall widely disseminate the information described in Article 31(1).

## **2.2. Responsibilities of the recipients**

1. All information and communication measures provided by the recipient shall acknowledge support from the Funds to the operation by displaying:

a. the Union emblem in accordance with the technical characteristics laid down in the relevant implementing act adopted by the Commission<sup>18</sup>, together with a reference to the Union: "Funded by the European Union" or "Co-funded by the European Union";

b. the IPARD visual element.

2. During implementation of an operation, the recipient shall inform the public about the support obtained from the Funds by:

a. providing on the recipients' website, where such a website exists, a short description of the operation, proportionate to the level of support, including its aims and results, and highlighting the financial support from the Union;

b. placing, for operations not falling under points 4 and 5, at least one poster with information about the project (minimum size A3), including the financial support from the Union, at a location readily visible to the public, such as the entrance area of a building;

c. the implementation of the provisions of point 2(b) shall not be required in case of area-based measures. The IPARD Agency/IPARD

Managing Authority of the beneficiary country is expected to establish rules on the recipients' obligations regarding communications and information specific to area-based measures, where possible.

3. Any document, relating to the implementation of an operation which is used for the public or for participants, including any attendance or other certificate, shall include a statement to the effect that the operational programme was supported by the Fund or Funds.

4. For the small (< EUR 20.000 public support) and middle-size (> EUR 20.000 public support) projects, the obligation to inform the public about the source of funding ends at the moment of the final payment.

For big projects (> EUR 100.000 public support) there is the requirement of a (temporary) billboard of a significant size, at a location readily visible to the public, for each operation consisting of the financing of infrastructure or construction operations until the moment of the final payment. After the final payment, and during the *ex-post* period, a permanent plaque shall be placed at a location readily visible to the public. Such permanent plaque must be installed by the recipient from the moment of completion of a project and shall include the name and the main objective of the operation and highlight the financial support provided from the Union.

The billboards, posters, (explanatory) plaques and websites, shall carry a description of the project/operation and indicating that the project has been supported by IPARD and including the Union emblem. That information shall take up at least 25 % of the billboard, plaque or webpage. It shall be prepared in accordance with the technical characteristics laid down in the relevant implementing act adopted by the Commission<sup>19</sup>.

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<sup>18</sup> Commission Implementing Regulation (EU) No 2022/129 of 21 December 2021 laying down rules for for types of intervention concerning oilseeds, cotton and by-products of wine making under Regulation (EU) 2021/2115 of the European Parliament and of the Council and for the information, publicity and visibility requirements relating to Union support and the CAP Strategic Plans (OJ L 20, 31.1.2022, p.197).

<sup>19</sup> Commission Implementing Regulation (EU) No 821/2014.

## **3. INFORMATION MEASURES FOR POTENTIAL RECIPIENTS AND RECIPIENTS**

### **3.1. Information measures for potential beneficiaries**

1. The IPARD Managing Authority/IPARD Agency shall ensure, in accordance with the plan of visibility and communication activities, that the programme's strategy and objectives, and the funding opportunities offered through joint support from the Union and the IPA III recipient, are disseminated widely to potential beneficiaries and all interested parties, with details of the financial support from the Funds concerned.

2. The IPARD Managing Authority/IPARD Agency shall ensure that potential recipients have access to the relevant information, including updated information where necessary, and taking into account the accessibility of electronic or other communication services for certain

potential recipients, on at least the following:

- a. the funding opportunities and the launching of application calls;
- b. the eligibility of expenditure conditions to be met in order to qualify for support under an IPARD III programme;
- c. a description of the procedures for examining applications for funding and of the time periods involved;
- d. the criteria for selecting the operations to be supported;
- e. the contacts at national, regional or local level that are able to provide information on the programmes;
- f. the responsibility of potential recipients to inform the public about the aim of the operation and the support from the Funds to the operation in accordance with point 2.2. The IPARD Managing Authority/IPARD Agency may request potential recipients to propose indicative communication activities, proportional to the size of the operation, in the applications.

### 3.2. Information measures for recipients

1. The IPARD Managing Authority/IPARD Agency shall inform recipients that acceptance of funding constitutes an acceptance of their inclusion in the list of operations published in accordance with Article 31(3) of this Agreement.
2. The IPARD Managing Authority/IPARD Agency shall provide information and communication tools, including templates in electronic format, to help recipients to meet their obligations set out in point 2.2, where appropriate.

### 4. ELEMENTS OF THE PLAN OF VISIBILITY AND COMMUNICATION ACTIVITIES

The plan of visibility and communication activities drawn up by the IPARD Managing Authority/IPARD Agency and, where appropriate, by Serbia shall include the following elements:

1. a description of the approach taken, including the main information and communication measures to be taken by Serbia or the IPARD Managing Authority/IPARD Agency and aimed at potential recipients, recipients, multipliers and the wider public, having regard to the aims described in Article 31 of this Agreement;
2. a description of materials that will be made available in formats accessible for people with disabilities;
3. a description of how recipients will be supported in their communication activities;
4. the indicative budget for implementation of the plan of visibility and communication activities;
5. a description of the administrative bodies, including the staff resources, responsible for implementing the information and communication measures;
6. the arrangements for the information and communication measures referred to in point 2, including the website or website portal at which such data may be found;
7. an indication of how the information and communication measures shall be assessed in terms of visibility and awareness of policy, programmes and operations, and of the role played by the Funds and the Union;
8. where appropriate, a description of the use of the main results of the previous IPARD programme;
9. an annual update setting out the information and communication activities to be carried out in the following year.

## Annex 9.

### LIST OF ALL PAYMENTS MADE IN THE FINANCIAL YEAR 20xx FOR IPARD III PROGRAMME IN SERBIA

Measure	Contract reference	Payment request reference	Date of receipt of the payment request	Payment order date	Accounting Body IPARD III EURO Account		IPARD III Agency Payment account		Amount of expenditure declared in the D2 for the payment (EUR)	Number of days elapsed between the receipt of the payment request and issuing of the payment order	Comments and explanations for the excess of the 6 month deadline if applicable
					Payment date	Payment amount (EUR)	Payment date	Payment amount (in the currency in which the payment is made)			
1	2	3	4	5	6	7	8	9	10	11	12

[illegible]

\* Please use the following formatting for the fields: date - "DD/MM/YYYY" and amount - "999.999,99"

<b>Tip dokumenta:</b>	Propis
<b>Naslov:</b>	<b>SECTORAL AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF SERBIA AND THE EUROPEAN COMMISSION SETTING OUT PROVISIONS FOR THE MANAGEMENT AND IMPLEMENTATION OF UNION FINANCIAL ASSISTANCE TO SERBIA UNDER THE RURAL DEVELOPMENT PROGRAMME OF THE INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPARD III) ("Off. Herald of RS - Treaties", No. 4/2023)</b>
<b>Rubrika:</b>	XXVI - /Propisi na engleskom jeziku
<b>Nivo dokumenta:</b>	Republike Srbije
<b>Glasilo:</b>	<b>Službeni glasnik RS - Međunarodni ugovori, broj 4/2023 od 01/08/2023</b>
<b>Vrsta propisa:</b>	Međunarodni propisi na engleskom jeziku
<b>Propis na snazi:</b>	09/08/2023 -
<b>Verzija na snazi:</b>	09/08/2023 -
<b>Uneto u bazu:</b>	09/08/2023
<b>Komentar urednika:</b>	-
Radi dobijanja potpunijih informacija o svim <a href="#">verzijama</a> ovog propisa, aktivirajte tab "lična karta propisa".	
<b>Komentar korisnika:</b>	-

[Menjanje komentara korisnika](#)