



“Comparative analysis of agricultural sectors and rural areas in the pre-accession countries:
Agricultural policy developments, situation of the agri-food sector and economic context”

North Macedonia

Country case study

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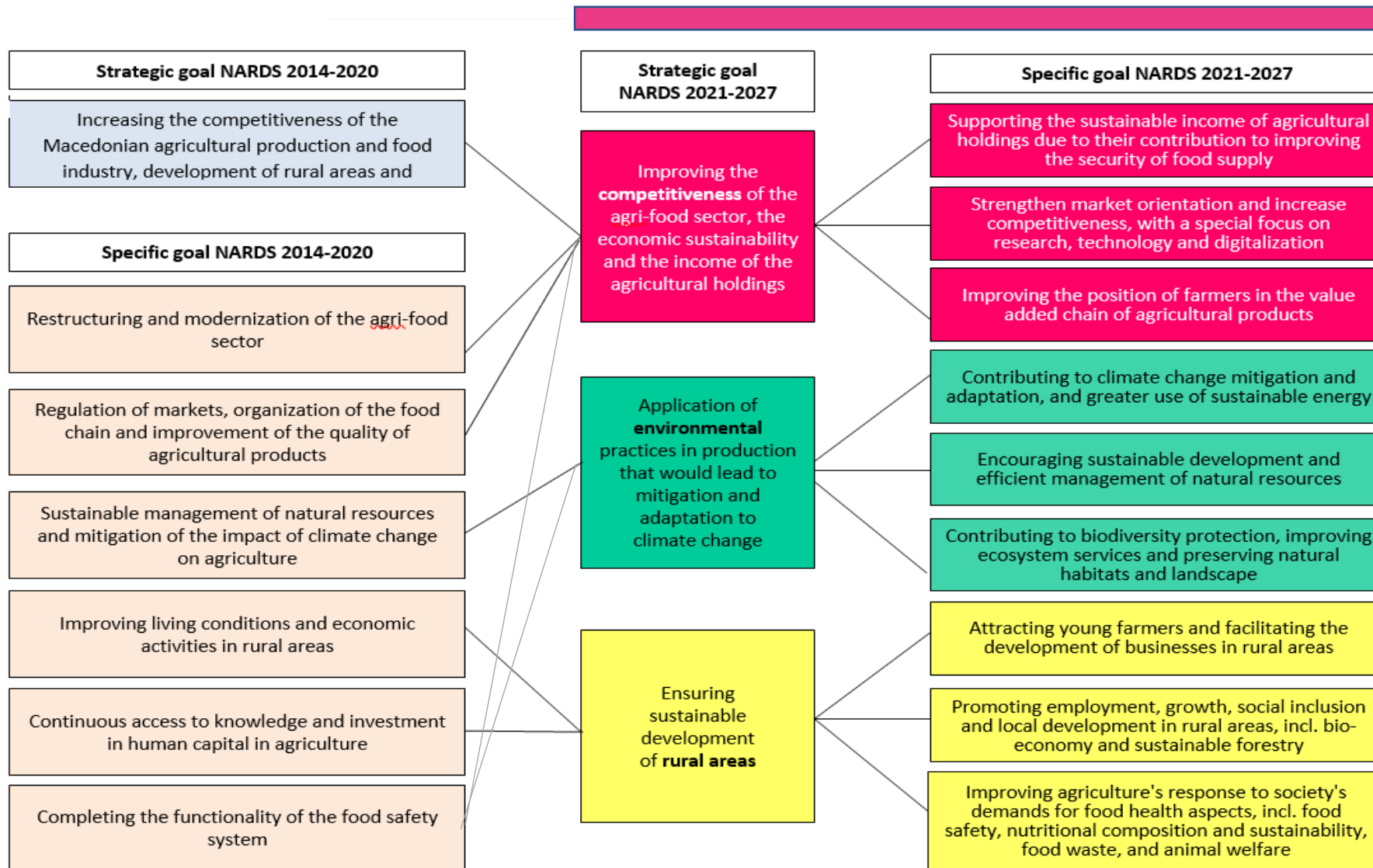


Agricultural policy framework

- **Law on agriculture and rural development** (LARD, Official Gazette 49/2010) and its amendments.
- **National Strategy for Agriculture and Rural Development for the period 2021-2027** (NSARD 2021-2027).
 - three overall strategic goals
 - nine specific goals (SGs)
- **IPARD Programme 2021-2027**
 - Four goals
- **Smart Specialization Strategy**
 - In process of preparation, which started started in March 2018



Linkages between strategic goals/aims



Institutional and administrative framework: needs and challenges

Key institutions and administrative bodies	Key role and responsibilities	Human capacities	HR competences	Other capacities needs	Other challenges
Ministry of Agriculture, Forestry and Water Economy (MAFWE)	agricultural policy creation, coordination and supervision of its implementation	Well-staffed	Need upgrade	Need: digitalization of ag. products purchase register	Change of the legal framework
IPARD managing authority (within MAFWE)	Responsible for programming of IPARD	Well-staffed	Not needed upgrade	Not identified	Implementation of the recently adopted IPARD III
Agency for financial support of Ag and RD (AFSARD)	Implementation of the policy measures and use of IPARD funds	Under-staffed	Need upgrade	Needs: infrastructure, an logistics and digitalization of operations	Outflow of qualified staff
National Extension Agency (NEA)	Advisory services mainly focused on primary agricultural producers	Under-staffed	Need upgrade	Need: upgrade of the technical capacities	Reorganization, digitalization of the working operations, and outflow of qualified staff
Food and Veterinary Agency (FVA)	food safety and animal health protection	Under-staffed	Need upgrade	Need: infrastructure (building) – lack of space	Operationalization of the current capacities
State Agricultural Inspectorate	Inspection and supervision regarding agriculture, RD, fishery and aquaculture	Under-staffed	Need upgrade	Generally, not needed.	Lack of staff

Source: Personal communication



Measures and budgetary support of agriculture and rural development

- Similar structure, no significant changes
- Major new policy instruments/measures introduced in 2020 and 2021

Instrument/programme	New measure and policy significance	Year of introduction
Program for financial support of agriculture (direct payments)^a	Historical payments for small farmers	2020
Program for financial support of rural development^b	Supporting agricultural production (M113)	2020 and 2021
	Supporting active female members in agricultural holdings (M115)	2020 and 2021

Source: Annual programs for financial support of (a) agriculture and (b) rural development

Main successes and failures of AgPolicy instruments and measures

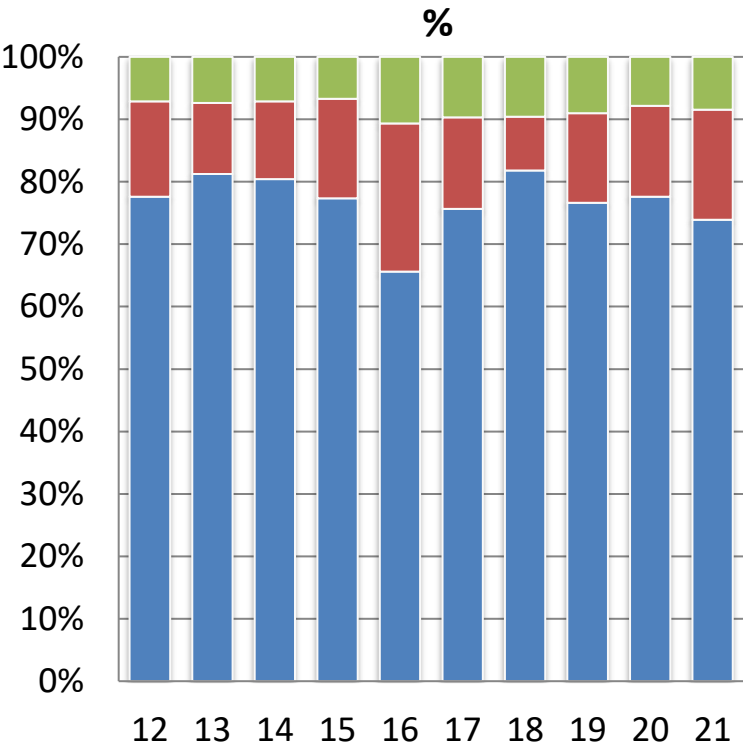
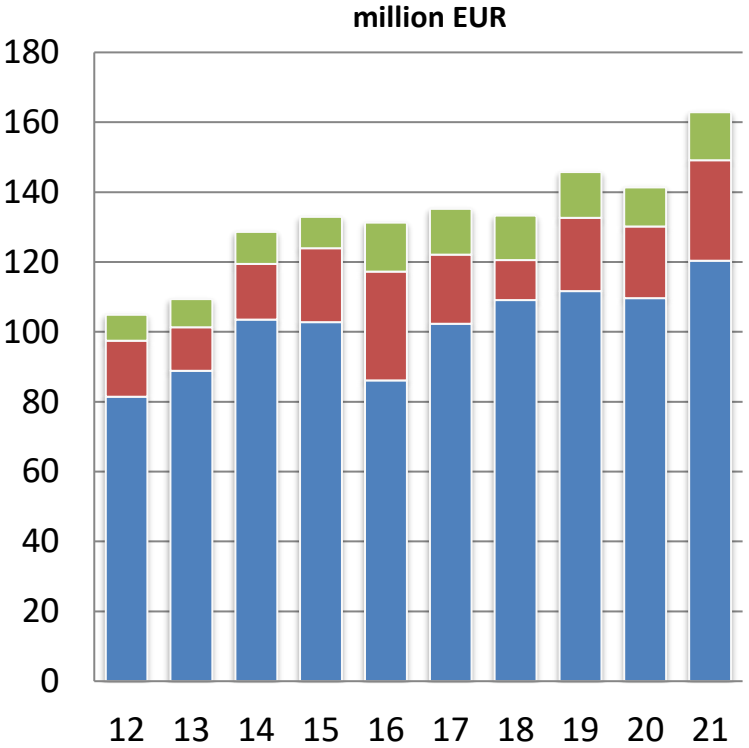


SUCSESSES	FAILURES
<p>Pilot measure 115 "Active female member in the agricultural household" (introduced in 2019, 250 grants up to 3000 EUR each) – first gender sensitive measure</p>	<p>GlobalGap 50% co-financing of certification cost – low interest from potential beneficiaries (one reason high certification costs, individual farmers, no obvious benefit)</p>
<p>Measure 1.18 Historical payments for small farmers (direct payments for 2020 and 2021) – more easily implemented (simple procedure) than previous measure for small farms; decoupled measure</p>	<p>Many measures programmed, but no implementation (e.g. measure 125 Cooperation for the development of new innovative products, processes and technologies in the agricultural and food sector – procedure in parliament long and difficult)</p>
<p>IPARD 2014-2020 utilisation – almost the whole budgeted amount with approved projects; also good distribution among measures (increase in the diversification activities above the originally programmed budget).</p>	<p>Many measures foreseen in the Law, but no implementation due to unclear procedure (e.g. intervention measures), lack of by-laws (e.g. M125, measures for biodiversity in crop production) or not becoming functional (early retirement schemes, producer groups and organisations)</p>

Source: Personal communication



Total budgetary support for agriculture

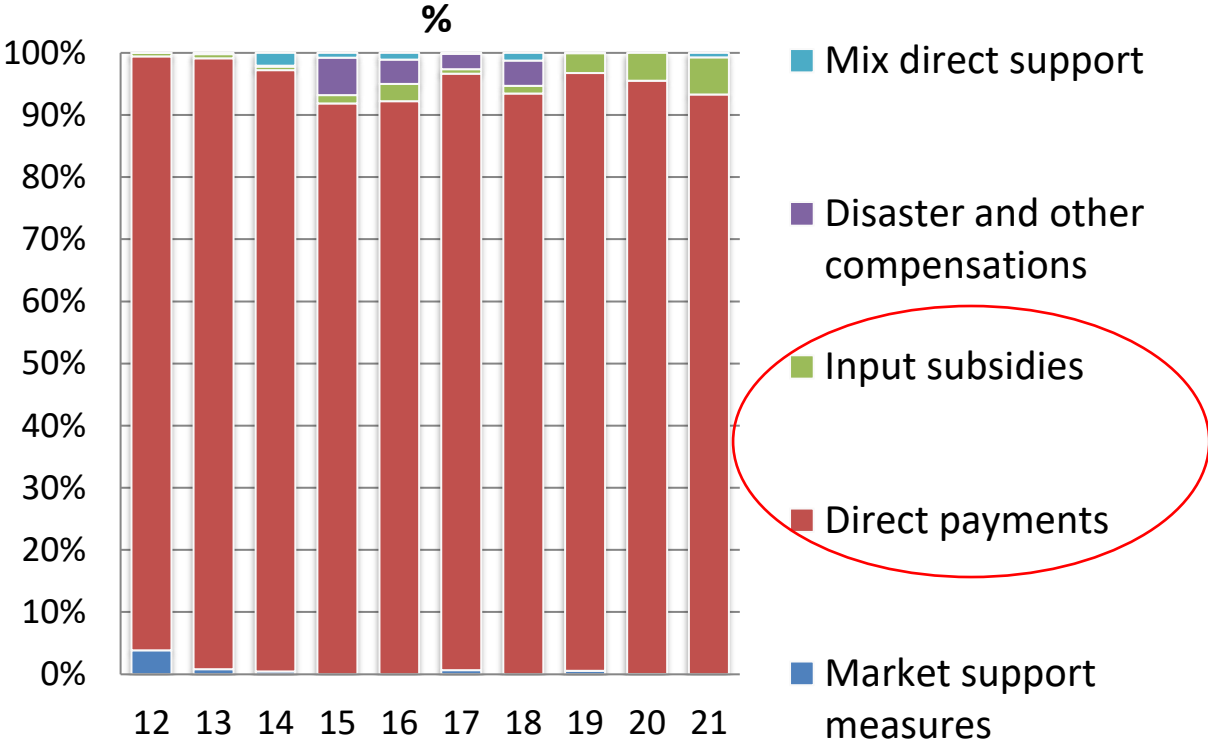
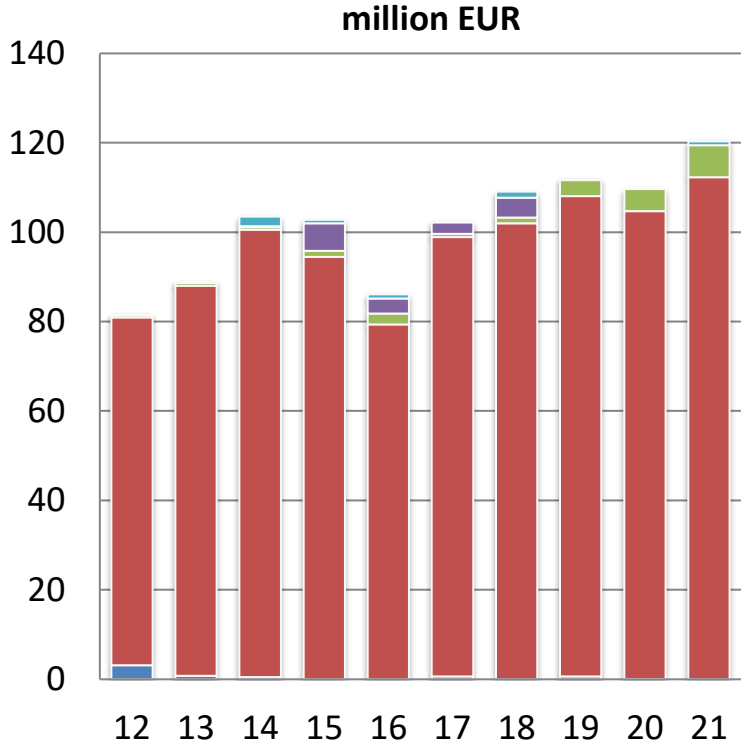


- Other measures related to agriculture
- Structural and rural development measures
- Market and direct producer support measures

Source: APMC 2022



Market and direct producer support measures

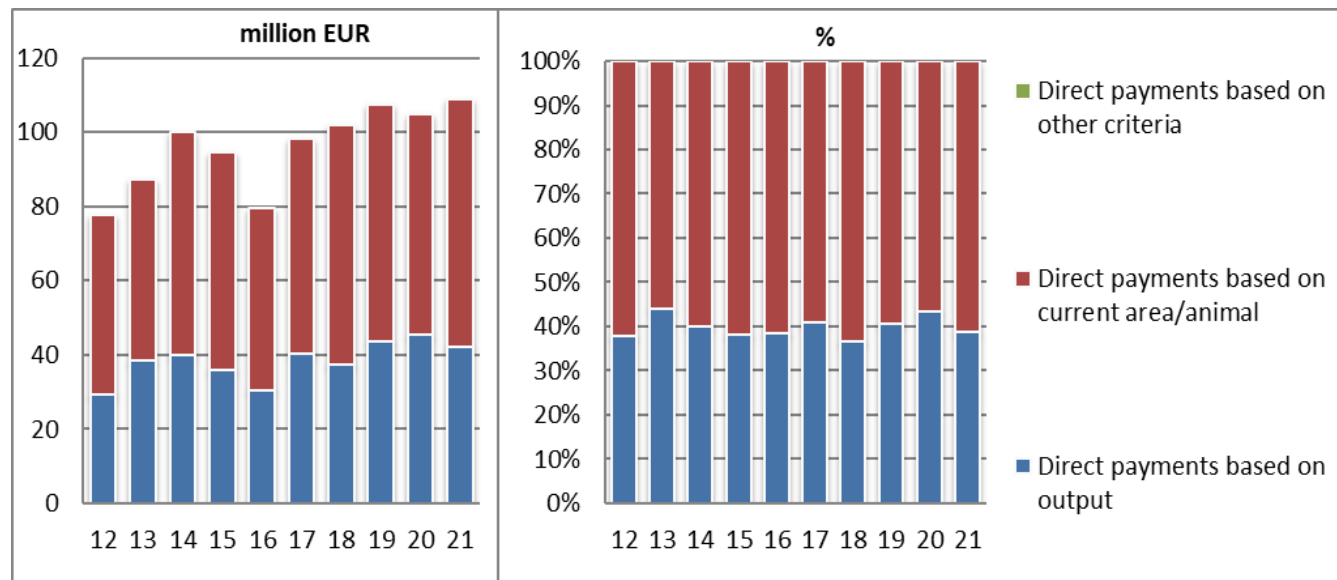


Source: APMC 2022

Market and direct producer support measures

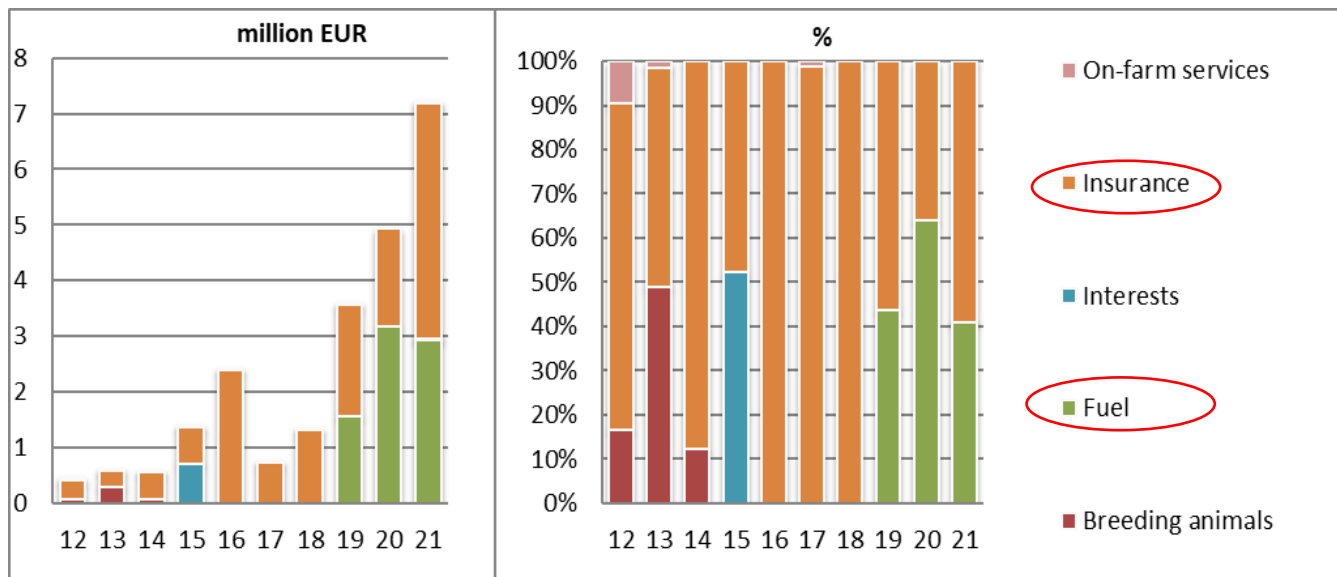


Direct payments to producers



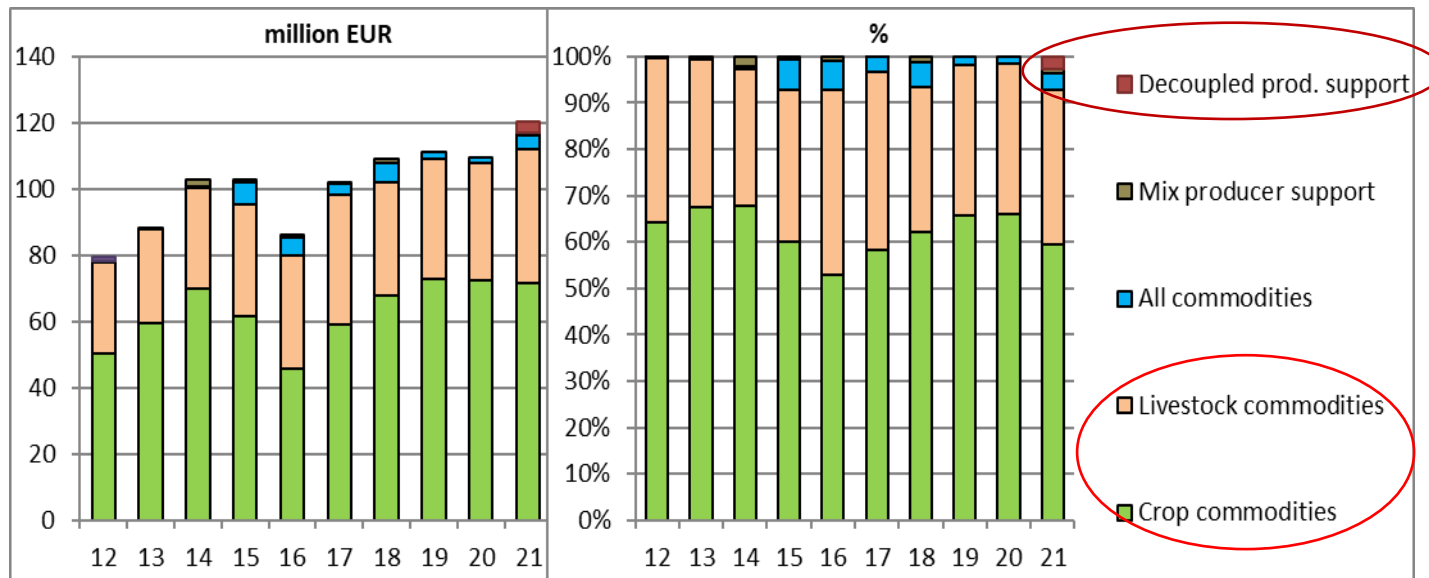
Source: APMC 2022

Variable input subsidies



Market and direct producer support measures

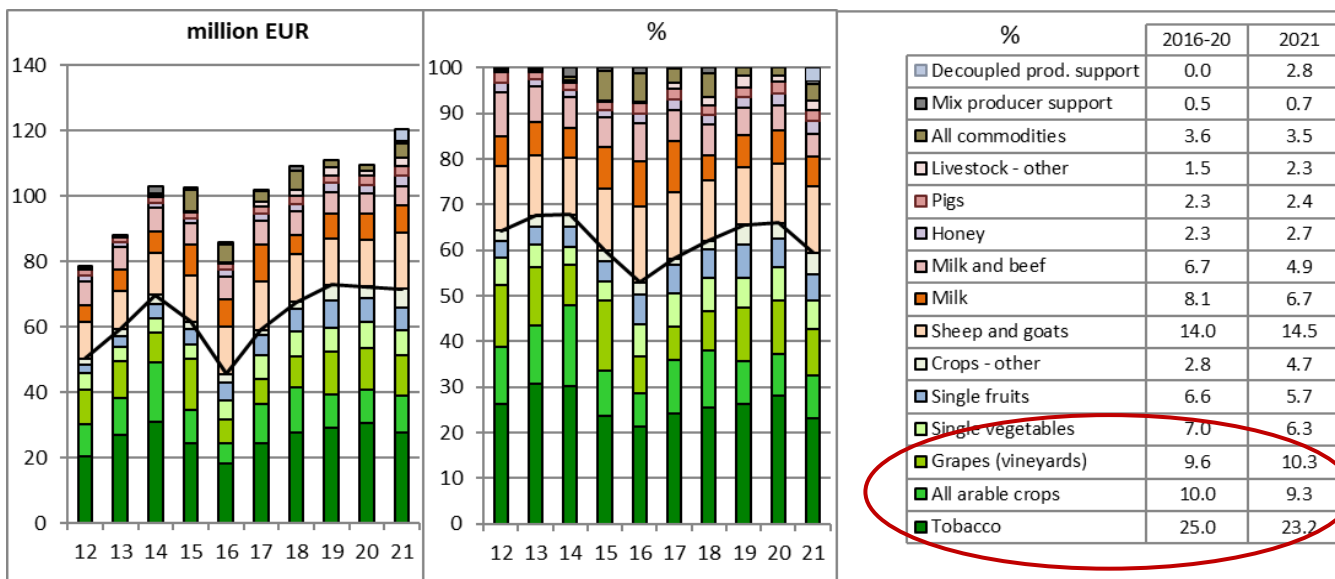
Direct producer support measures by main sector



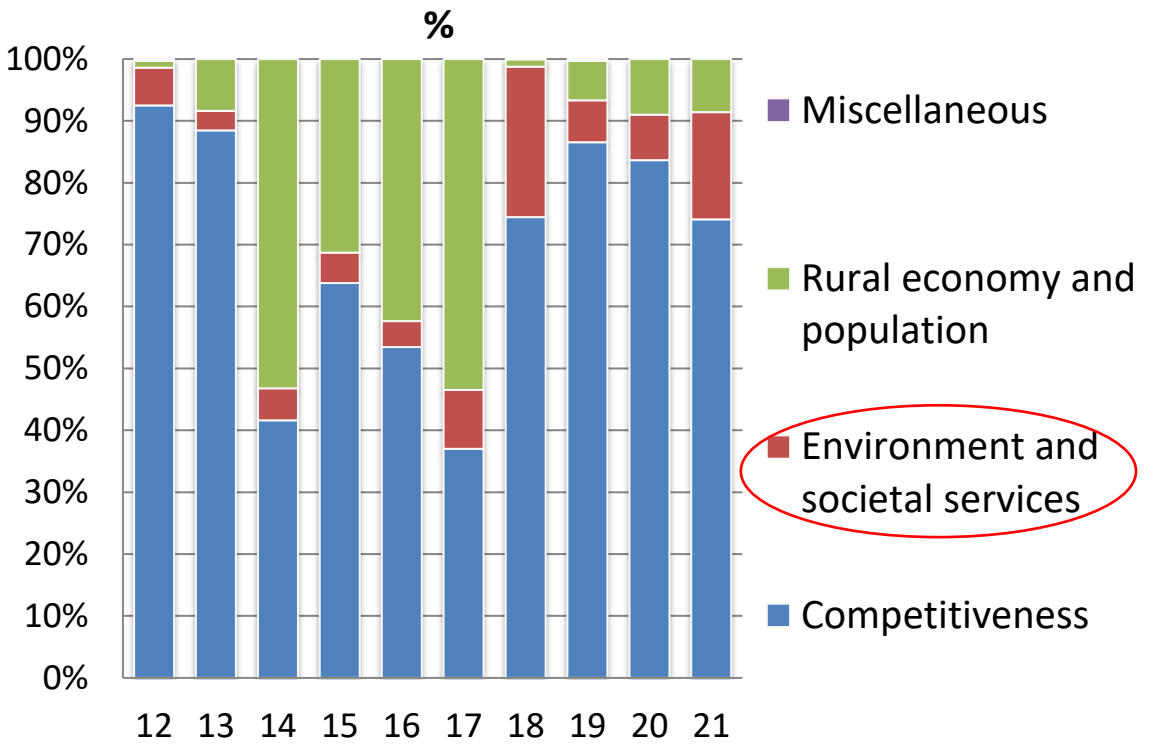
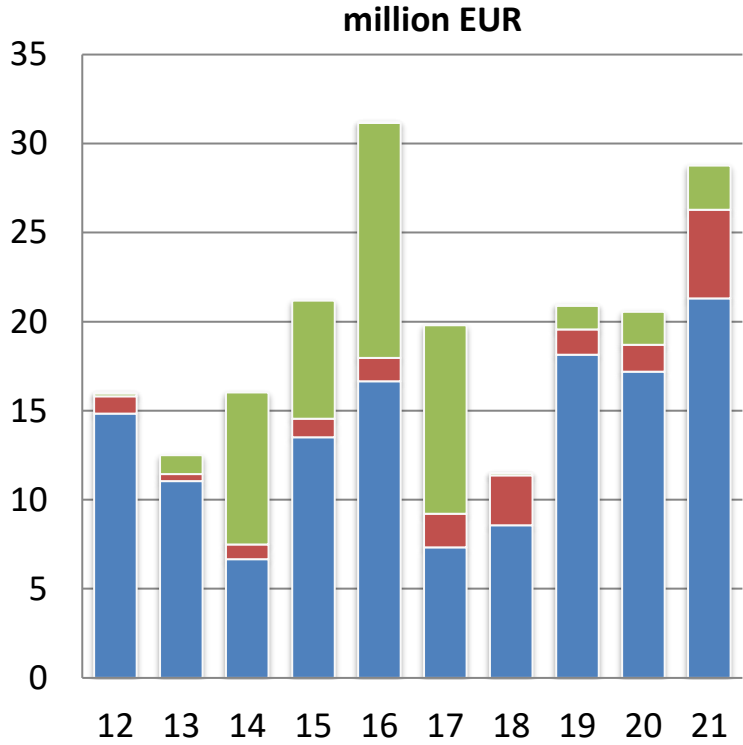
Direct producer support measures by commodity

Source: APMC 2022

Crop : Livestock
60 : 40

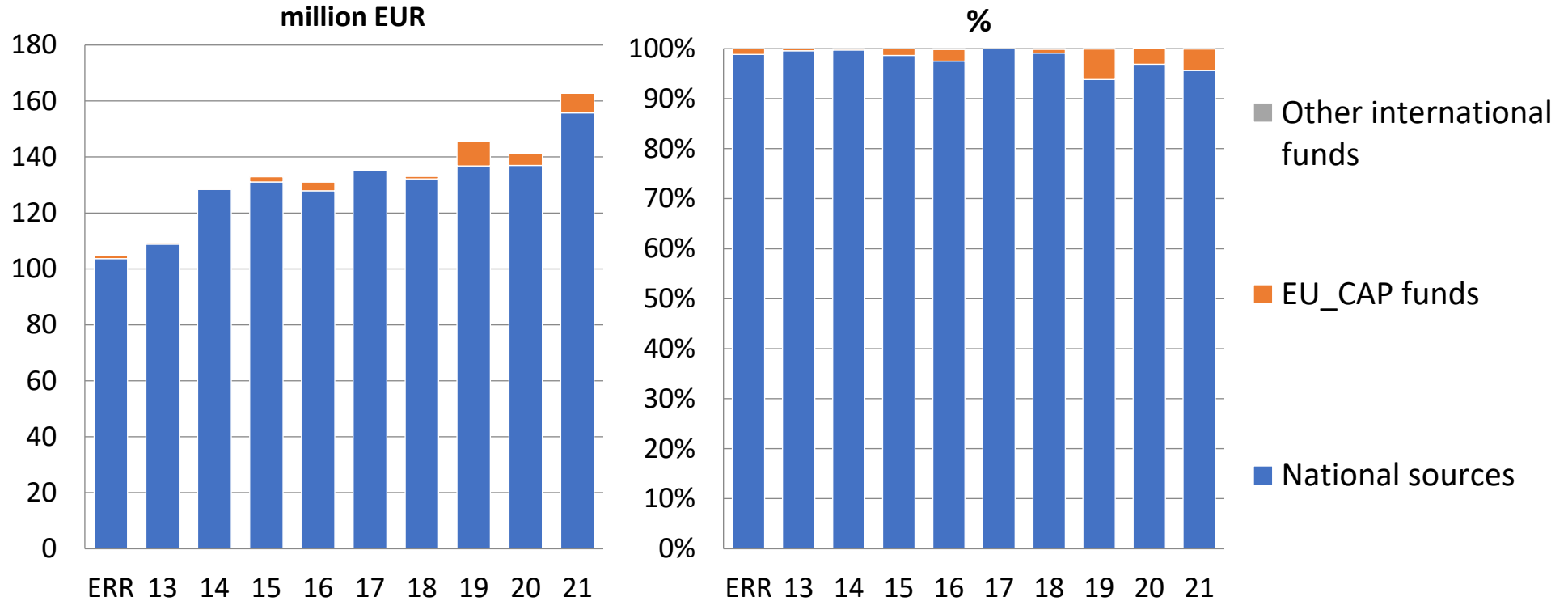


Structural and rural development measures



Source: APMC 2022

Total budgetary support by sources



Source: APMC 2022



IPARD programming and utilization

IPARD 2014-2020

Indicator	M1	M3	M7	M9	Total
No. of applications	3251	183	698	41	4173
No. of approved applications	1986 61%	118 64%	203 29%	20 49%	2327 56%
EU contribution (th. EUR)	20947	19914	18158	323	59342
National contribution (th. EUR)	6982	6638	6053	57	19730
Total payments (th. EUR)	27929	26553	24210	381	79073
EU allocated amounts (th. EUR)**	21320	21540	15560	1490	60000



Source: IPARD Monitoring Committee, APMC 2022



Covid-19 policy interventions

Group of measures	Measure
Direct support of economy	Financial support for payment of the minimum wage per employee
	Financial support for subsidizing the payment of compulsory social security contributions during crisis
	Financial support to strengthen the competitiveness of business entities during and post Covid-19 period
	Co-financed grants for technological development to overcome the consequences of Covid-19
	Subsidies for co-financing events, trainings, seminars and conferences
Measures from the Competitiveness, Innovation and Entrepreneurship Program	Entrepreneurship development and support
	Development and support for the internationalization of SMEs
	Vocational training
	Increasing the competitiveness of business entities in the processing industry
	Specialized trainings for processing industry
Measures from the Employment Agency	Clusters for innovative and internationally oriented businesses.
	Subsidized employment
	Wage subsidy
	Internship
Measures for postponement and releasing of debts and introduction of new credit lines	Youth allowance for young employees in production activities
	Freezing, extending or reprogramming credits for companies affected by the crisis
	Interest-free credit lines Covid 1 and Covid 2
	Cheap loans through the development bank of the North Macedonia
	Adjustment of other credit lines for
Tax releases	Other credit lines for the agricultural industry
	Support for maintenance of economic activity and export
Sector-specific measures	100 % exemption from customs duties on flour and wheat products , sunflower oil, white sugar, as well as other products for which there is the greatest demand during the pandemic. Limiting the export of wheat and wheat flour
	Subsidies to stimulate grape growers (wineries) to produce alcoholic distillate , which will later be used by domestic chemical companies to produce disinfectants .
	An export subsidy for the wine (depending on the quantity of exported wine and transportation costs).
	Extra subsidy of 3 MKD/kg for spring cabbage producers
	Support for wine grape producers who delivered grapes to registered wineries , as well as wineries for transportation costs.

Greener policy instruments and measures

- **Sustainable management of natural resources** has been a **strategic goal** since the LARD adopted in 2010, thus introduced environmental cross-compliances in agriculture (minimum requirements for good agricultural practice and environmental protection)
 - Sustainable management of natural resources and mitigation of the impact of climate change on agriculture are **outlined in the NARDS 2014-2020**, and even more emphasised in **NARDS 2021-2027**.
- Applied (paid) policy measures through ‘green lens’:
 - Organic farming, co-financing of soil analysis
 - Livestock biodiversity (establishing, monitoring and preserving genetic reserves of indigenous livestock breeds)
 - Capital investments in water management infrastructure
 - DPs for tagged sheep animals, apiculture and aquaculture
- **IPARD M4** Agri-environment – climate and Organic farming is **foreseen and budgeted in IPARD 2021-2027**
 - IPARD 2014-2020 provided ‘green’ stimulation through purchase of more energy efficient agricultural machinery, more environmentally friendly manure management, more efficient water use, use of renewable energy and improved resource efficiency at holding level.



EU approximation **process**

- Remains **moderately prepared** in the area of **Ag. and RD**
 - In 2019 good progress was made regarding the implementation of the IPARD II and the Farm Accountancy Data Network (FADN).
 - In 2020, some progress was made by the adoption of the National strategy for agriculture and rural development and by aligning with EU rules on common market organisation.
 - Expectations
 - To further progress in decoupling direct payments
 - To further align with the EU *acquis* regarding CMO
 - To transfer the farm register and IACS to the paying agency
 - To employ qualified staff in the IPARD operating structure
- **Good prepared** in the area of **food safety and veterinary policies**



Conclusions

- The Ag. and RD policy objectives - continue to be **aligned with the EU CAP objectives**.
- The inclusion of the **agri-food sector** as one of the **priority domains** in the forthcoming **Smart specialisation strategy** is very important for the sector's progress and investments in knowledge, technology and innovation transfer for improving the sector competitiveness.
- The **IPARD 2014-2020** programme implementation proved to be a **success** with almost complete use of the allocated EU funds for the programme period.
- The **IPARD 3 (2021-2021)** has further **mitigated producers' obstacles** to use these funds. Thus, the first call that is expected to be announced by the end of the year, is well perceived by the potential beneficiaries.
- The positive upward trend of allocations in support of agriculture and rural development continued in the period after 2020, despite the negative impact caused by the global COVID-19 pandemic crisis.
- The **budgetary transfers to agriculture** continue its **increasing trend**, in both two pillars: market and direct support to producers and structural and rural development support.
- Few measures that gain more on importance are **fuel subsidy** (introduced in 2019), **historical payments** for small farmers, which are **decoupled** in its form (introduced in 2020), and **IPARD's Measure 7** for farm diversification.
- A major challenge, related to the alignment of the agricultural policies with the EU is linked to **capacity building** and the **institutional set-up** in the public administration responsible for managing and implementing agricultural support.